OFFERING CIRCULAR

The Republic of Guatemala

US$700,000,000
4.500% Notes due 2026

The Republic of Guatemala is offering US$700,000,000 aggregate principal amount of 4.500% Notes due 2026 (the "Notes"). The Notes will mature on May 3, 2026. Interest on the Notes will be payable semi-annually in arrears on May 3 and November 3 of each year, beginning on November 3, 2016.

The Notes will contain provisions, commonly known as "collective action clauses." Under these provisions, which differ from the terms of our public external indebtedness issued prior to the date of this offering circular, we may amend the payment provisions of any series of debt securities (including the Notes) and other reserved matters listed in the fiscal agency agreement pursuant to which the Notes will be issued with the consent of the holders of: (1) with respect to the Notes, more than 75% of the aggregate principal amount of the outstanding Notes; (2) with respect to two or more series of debt securities (including the Notes) issued on or after the date of this offering circular, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including the Notes) issued on or after the date of this offering circular, more than $66\frac{2}{3}$% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the Notes) affected by the proposed modification, taken individually. See "Description of the Notes—Collective Action; Meetings, Modifications, Amendments and Waivers."

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 indebtedness of the Republic and will rank at least equally among themselves and 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" for a discussion of certain risk factors you should consider before investing in the Notes.

Price: 99.206% plus accrued interest, if any, from May 3, 2016.

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 of the Notes, 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. and Clearstream Banking, *société anonyme*, on or about May 3, 2016.

Sole Lead Manager and Bookrunner

BofA Merrill Lynch

The date of this offering circular is April 28, 2016.

Guatemala


GUATEMALA
Dos Lagunas
Uaxactún
Parque Nacional Tikal
San Pedro
Melchor de Mencos
BELICE
Lago Petén Itzá
Flores
Sierra del Lacandón
Usumacinta
La Libertad
MEXICO
Pasión
Sayaxché
Golfo de Honduras
San Luis
de Santa Amelia
Papa Isabel
Puerto Barrios
Dulce
Santa Cruz Barillas
Sierra del Santa Cruz
Lago de Izabal
Chipam
Chixoy
El Estor
Sierra de los Cuchumatanes
Sierra de Chama
Panzos
Río Motagua
Cobán
Semuc Champey
Sa de las Minas
Cunén
Huehuetenango
Salamá
Zacapa
HONDURAS
Santa Cruz del Quiché
Rabinal
Volcán de Tajumulco 4220 m
Sierra Madre
Guastatoya
Quetzaltenango
CIUDAD DE GUATEMALA
Sololá
Jalapa
San Marcos
Chimaltenango
Volcán Santa María 3772 m
Lago de Atitlán
Antigua
San Miguel Petapa
Retalhuleu
Volcán de Agua 3752 m
Jutiapa
Mazatenango
Cuilapa
Pacific Lowlands
Escuintla
Volcán Pacaya 2552 m
Samalá
Madre Vieja
San José
Sipacate
EL SALVADOR
OCÉANO PACÍFICO
LEYENDA
Límite País
Vía Principal
Otro Camino
Río
Major Ciudad
Otra Ciudad
País de Capital
Aeropuerto Principal
Mayor Puntos de Interés
Mayor Parque Nacional / Reserva
Volcán
Puerto de mar Importante
100 Km
50 Miles
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(Updated on 26th May, 2014)

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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 (as defined under "Description of the Notes—Certain Definitions") of the Republic and will rank at least equally among themselves and with all other existing and future unsubordinated and unsecured Public External Indebtedness (as defined under "Description of the Notes—Certain Definitions") of the Republic; it being understood that this provision shall not be construed to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness. 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 (collectively, 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 (collectively, 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”), if applicable. Except as described herein, definitive certificated 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 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 initial purchaser has any responsibility therefor. See “Transfer Restrictions.”

IN CONNECTION WITH THIS ISSUE OF NOTES, THE INITIAL PURCHASER MAY, DIRECTLY 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 initial purchaser 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 initial purchaser 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 initial purchaser, nor any of their respective 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.

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.

For purposes of this offering circular:

- Gross domestic product, or "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 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."

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

- An inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in an economy. The Republic measures the inflation rate by the percentage change in the consumer price index between two periods. The consumer price index is based on a basket of goods and services identified by the National Institute of Statistics, or "INE" (*Instituto Nacional de Estadística*), 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 products (goods and services). The previous basket (December 2000=100) was in place until March 2011 and included 424 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" and "US$" refer to United States dollars, and "*quetzal*," "*quetzales*" and "Q" refer to Guatemalan *quetzales*. Unless otherwise indicated, we have converted *quetzales* into U.S. dollars, and U.S. dollars and other foreign currencies into *quetzales,* for each year based on a reference *quetzal*/U.S. dollar exchange rate for purchasing U.S. dollars published by the Bank of Guatemala, which is Q7.63237 per US$1.00, the exchange rate effective on December 31, 2015. In certain cases, quetzales have been converted into dollars using average or period-end exchange rates for the applicable year. Year-over-year changes in such U.S. dollar amounts reflect both the change in the original *quetzales* amounts and variation in exchange rates. Consequently, U.S. dollar rates of change should not be relied upon as representing the rates of change in the underlying information. 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.

On April 25, 2016, the official *quetzal/*U.S. dollar exchange rate was Q7.74082 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, certain information and data for 2013, 2014 and 2015 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 advanced economies. The Government does not currently expect that any such adjustments will be material; although no assurances can 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 mainly contained in the sections: "Summary," "Republic of Guatemala," "The Guatemalan Economy," "Balance of Payments and Foreign Trade," "Monetary and Financial System," "Public Sector Finances" and "Public Sector Debt." In addition, in those and other sections 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.

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 (the "Sovereign Immunities Act") and other applicable law, irrevocably waive such immunity in respect of any such suit, action or proceeding; *provided*, *however*, that under the Sovereign Immunities Act, 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 "Description of the Notes—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 Sovereign Immunities Act 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 Sovereign Immunities Act.

SUMMARY

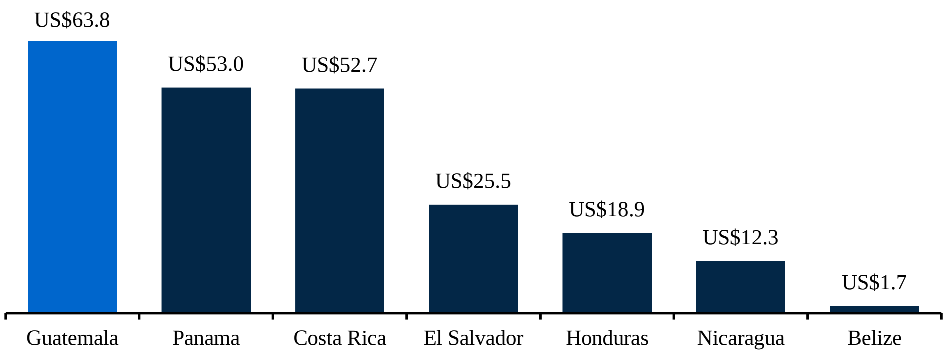
The following summary does not purport to be complete and it is wholly qualified by, and it is subject to, the detailed information appearing elsewhere in this offering circular. Investors should read the entire offering circular carefully before making an investment decision.

REPUBLIC OF GUATEMALA

General

Guatemala is a Central American country bordered by Mexico to the northwest, Belize to the northeast, Honduras to the east and El Salvador to the southeast and covers a territory of 42,042 square miles (108,889 square kilometers). Its population is approximately 16.2 million (based on estimated data from the last census in 2002) and nominal GDP of US$63,787.3 million in 2015, Guatemala is Central America's largest country in terms of population and its largest economy. Approximately half the population lives in urban areas (44.8%), approximately 51.1% is female, and more than 68% is younger than 30 years old, based on the most recently available census data. The estimated population growth rate decreased slightly from 2.35% in 1995 to 2.34% in 2015.

The graphic below presents a comparison of nominal GDP throughout Central America, by country as of March 2016.



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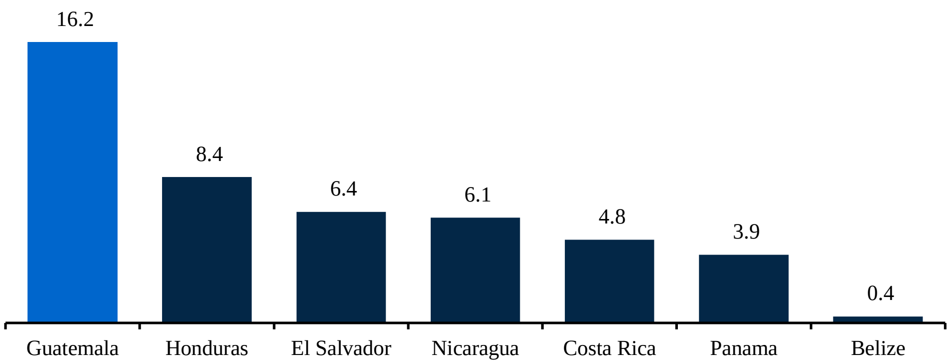
Sources: Guatemala: Central Bank. Other countries: Economist Intelligence Unit.
Note: data and estimates as of March 2016.

Guatemala has the largest population in Central America, nearly twice as many inhabitants as the next most populous neighbor, Honduras. The graphic below presents a comparison of population throughout Central America, by country as of January 11, 2016.



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Sources: Guatemala: *Instituto Nacional de Estadística*. Other countries: Economist Intelligence Unit.

The Guatemalan 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.

The Guatemalan Economy

Guatemala's economy is the largest in Central America, with estimated GDP of US$63,787.3 million for the year ended December 31, 2015.

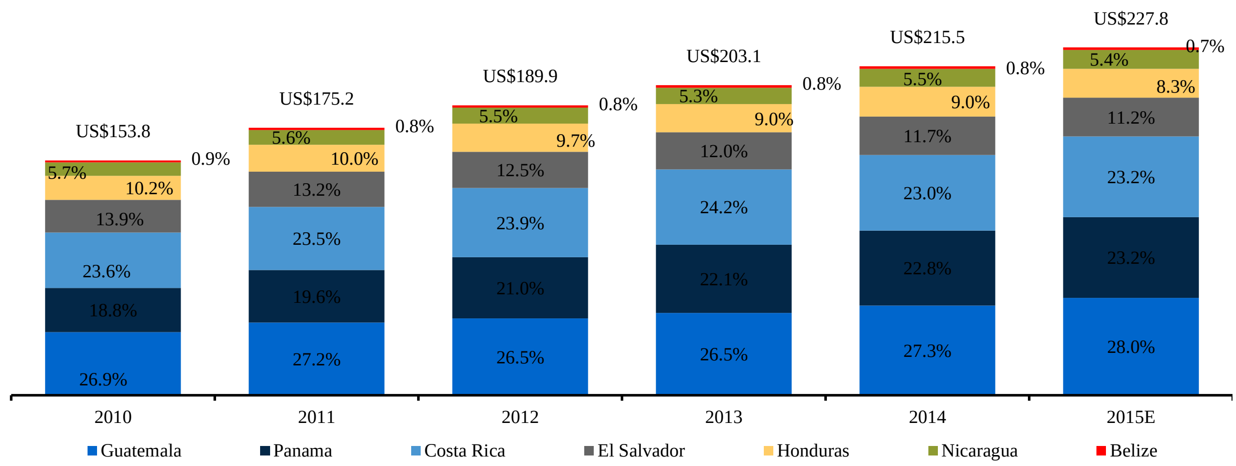
Recently, Guatemala's economy has been characterized by:

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

The significant diversification of Guatemala's economy has allowed it to sustain continued and stable growth in recent years, including during the global economic crisis that began in 2008. Since 2011, Guatemala's economy has increased its share of the regional economy from 27.2% in 2011 to 28.0% in 2015. Guatemala's economy grew at a real rate of 0.5% in 2009, 2.9% in 2010, 4.2% in 2011, 3.0% in 2012, 3.7% in 2013, 4.2% in 2014 and 4.1% in 2015. No economic sector represented more than 18% of GDP in 2015. The three largest sectors of the economy as percentage of GDP were manufacturing, accounting for 17.6% of GDP, private services for 15.7% and agriculture, livestock, fishing and forestry for 13.5%.

In recent years, high levels of exports and foreign direct investments, coupled with substantial and growing remittances, have helped Guatemala maintain solid international reserve positions. Exports have averaged more than US$10 billion in value for the Guatemalan economy over the past five years, while foreign direct investment has amounted to more than US$6 billion since 2011. Remittances have increased at a compared annual growth rate of 10.1% since 2011, and were US$6,460.6 million in 2015. These factors have helped support Guatemala's international reserves, which were US$7,751.2 million at December 31, 2015, representing 49.9% of Guatemala's total external debt. Guatemala's level of international reserves as a percentage of its external debt is the highest in Central America, with the closest being Nicaragua with a 43.8% ratio, followed by Honduras with 41.3%, Belize with 31.1%, Costa Rica with 24.7%, Panama with 20.4% and El Salvador with 17.0%. Moreover, these factors have also contributed to low current account deficits in recent years, with a deficit of only 0.3% of GDP in 2015.

The bar graph below presents the percentage of overall Central American economy corresponding to each country.



Sources: Guatemala: Bank of Guatemala; Panama: IMF, International Financial Statistics and *Dirección de Estadística y Censo*; Costa Rica: Bank of Costa Rica; El Salvador: IMF, International Financial Statistics; Honduras: Bank of Honduras; Nicaragua: Bank of Nicaragua; and Belize: Bank of Belize.

Economic activity in Guatemala has been mainly driven by the private sector and the Government has historically played a limited role in the economy. For instance, the public administration and defense sector represented only 7.8% of estimated GDP in 2015. With such a limited role, the Government has historically supported private sector economic activity, both local and external, with clear market-based rules and conditions that provide the proper incentives for the private sector to continue developing their businesses in Guatemala for the long term.

Balance of Payments and Foreign Trade

In the period from 2007 to 2015, the Guatemalan economy recorded an average current account deficit of 2.3% of GDP. In 2006, with the entry into effect of the DR-CAFTA treaty, exports and imports between Guatemala and the United States increased significantly. 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. The resulting economic downturn adversely affected consumer and producer confidence globally and deteriorated growth expectations for the world economy. By 2011, the main factors that make up the current account began to recover. This recovery was associated with the positive growth rates registered in foreign trade and worker remittances. From 2012 to 2014, the recovery of the global economy continued but at a moderate pace and emerging economies, including Guatemala, were the main source of global economic growth. The current account deficit in 2014 was 2.1% of GDP, compared to 0.3% in 2015. Merchandise exports decreased by 1.5% (increase of 7.9% in 2014) and imports decreased by 4.0% (increase of 4.3% in 2014).

Monetary System

The Political Constitution of Guatemala provides for a Monetary Board (*Junta Monetaria*), which was established in 1946. The Monetary Board determines the monetary, foreign exchange and credit policies of the Republic and 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 acting as guarantor or surety to the Government or public or private entities other than regulated financial institutions.

Since 2005, Guatemala's monetary policy has been conducted under 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 stable over the last five years: 6.2% in 2011, 3.5% in 2012, 4.4% in 2013, 3.0% in 2014 and 3.1% in 2015. Since 2013, a medium-term inflation target (continuous target) was set at 4.0% (+/- 1%) and for 2016 the inflation rate target is 4.0%.

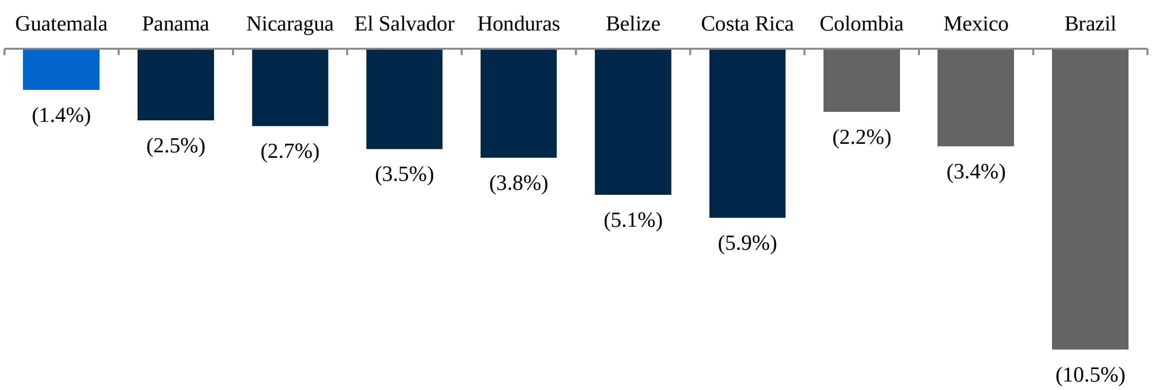
As of December 31, 2015, the monetary stabilization operations of the Bank of Guatemala (fixed-term deposits at the central bank) totaled Q23,554.9 million (approximately US$3,086.2 million), or 4.8% of GDP. The Bank of Guatemala currently has no outstanding external indebtedness.

Public Sector Finances

The Government has historically maintained a similar level of expenditure as a percentage GDP. Since 2001 until 2015, the average budget expenditures of the Government as a percentage of GDP has been approximately 14.7%. Social expenditure in 2007 represented 39.1% of total budgeted expenditures and, following the global financial crisis of 2008, increased to 46.2% of total expenditures in 2010, when the effects of the crisis began to dissipate. The allocation for social expenditures for 2016 is estimated at 48% of the total budget. Social expenditures increased from 40.6% of the Republic's budget in 2001 to 48.4% in 2015.

In the period from 2011 to 2015, the Republic's current account deficit averaged 2.1% of GDP, which has significantly been reduced since 2009 and 2010, when the deficit exceed 3% of GDP, primarily due to the reduction in imports and remittances that affected tax revenues following the effects of the global economic crisis in 2009, and to a lesser extent due to the higher expenditures incurred to fund social programs as a counter-cyclical policy to protect the most vulnerable citizens. Guatemala's fiscal deficit as a percent of GDP has been consistently decreasing in recent years, from 2.8% in 2011, 2.4% in 2012, 2.1% in 2013, 1.9% in 2014 and 1.4 in 2015. Compared to other countries in the region, Guatemala has the lowest fiscal deficit.

The bar graph below presents fiscal deficit information for Guatemala compared to each other country in Latin America.



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Sources: *Guatemala*: Ministry of Finance and Bank of Guatemala. Other countries: Economist Intelligence Unit.
Note: Data and estimates as of March 2016.

Public sector debt as percentage of GDP was approximately 24.4% in 2014 compared to 24.3% of GDP in 2015, the lowest among Central American countries. This result has been achieved through consistent policies adopted by multiple administrations for maintaining debt at sustainable and moderate levels relative to GDP.

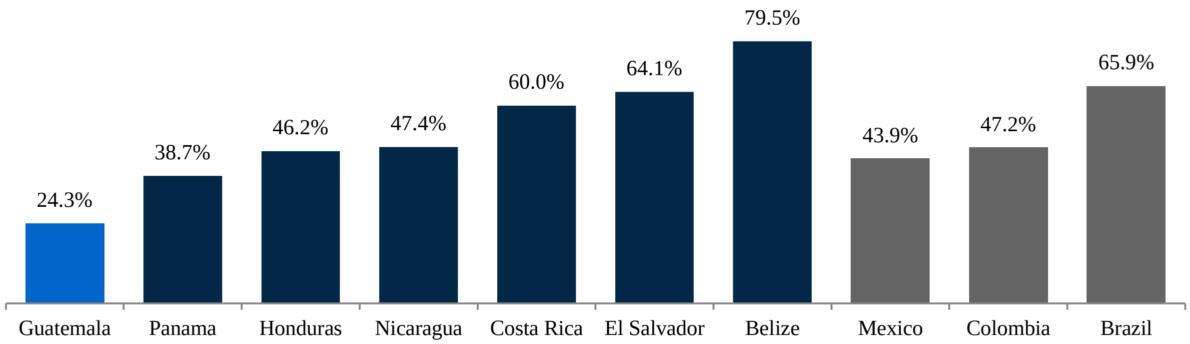
Fiscal policy in recent years has focused on meeting the basic social needs of the population, in an environment of lower tax revenue, which has led to the adoption of policies designed to achieve fiscal consolidation that began to be implemented in 2011. These policies are designed to preserve macroeconomic stability and fiscal sustainability over the medium term, allowing the Government to achieve two of its key objectives: reducing the fiscal deficit to 1.4% of GDP (1.4% for 2015), and keep public debt below 30% of GDP in 2015 (24.3% of GDP at December 31, 2015). However, public spending decreased sharply in 2015, affecting public investment and to a lesser extent spending designed to support vulnerable social sectors of the population.

Public Sector Debt

Guatemala has a solid record of meeting its debt service obligations, including on its bond issuance, since the inaugural bond issue in 1997. Since then, Guatemala issued additional series of bonds in 2001, 2003, 2004, 2012 and 2013. The Republic has not defaulted on any external or internal debt.

The Republic has pursued a debt incurrence and fiscal policy that has contributed to maintaining a modest ratio of debt to GDP. As a result, as of December 31, 2015, public sector debt was US$15,542.45 million (24.3% of GDP). Guatemala's indebtedness as a percentage of GDP is the lowest in Central America, reaching only 24.3% in 2015.

The bar graph below presents public sector debt as a percentage of GDP for each country in Central America.



Sources: Guatemala: Ministry of Finance and Central Bank. Other countries: Economist Intelligence Unit.

Between 2005 and 2009, average public sector debt to GDP ratio was 21.6%. Following the global financial crisis, this ratio increased to 24.2% of GDP, mainly influenced by reduced tax revenue and by the Republic's efforts to maintain and increase social expenditure during the crisis, which necessitated additional incurrence of debt.

Domestic debt as a percentage of total debt increased from 50.7% in 2011 to 51.8% in 2015. During the same period, the percentage of local currency-denominated debt to total debt increased from 44.9% in 2011 to 46.2% in 2015, an increase of 1.3%.

Guatemala's credit ratings from Standard & Poor's, Moody's and Fitch Ratings have remained stable in recent years. The latest changes in the Republic's credit ratings include an improved rating from Standard & Poor's from BB- to BB in 2006; an improved rating from Moody's rating from Ba2 to Ba1 in 2010; and the lowering of its Fitch rating from BB+ to BB in 2014.

The following table presents selected economic information for the periods presented.

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

	As of and for the year ended December 31,				
	2011	2012	2013	2014[1]	2015[1]
Domestic Economy:					
Nominal GDP in US$[2]	US$ 47,666.8	US$ 50,404.5	US$ 53,852.7	US$ 58,731.8	US$ 63,787.3
Nominal GDP in *quetzales*	Q 371,011.6	Q 394,723.0	Q 423,097.7	Q 454,052.8	Q 488,333.0
Real GDP	Q 207,776.0	Q 213,946.6	Q 221,857.5	Q 231,118.2	Q 240,706.8
Real GDP growth rate[3]	4.2%	3.0%	3.7%	4.2%	4.1%
Inflation rate[4]	6.2%	3.5%	4.4%	3.0%	3.1%
Exchange rate (Q per US$1.00):[5]					
Average daily exchange rate for the year	Q 7.78343	Q 7.83110	Q 7.85657	Q 7.73095	Q 7.65564
Year end	Q 7.81083	Q 7.90230	Q 7.84137	Q 7.59675	Q 7.63237
Balance of Payments:					
Total current account	US$ (1,598.7)	US$ (1,309.6)	US$ (1,351.1)	US$ (1,229.7)	US$ (202.5)
Of which:					
Trade balance	US$ (4,963.4)	US$ (5,735.0)	US$ (6,176.1)	US$ (6,064.1)	US$ (5,548.8)
Services balance	US$ (118.7)	US$ 78.1	US$ (80.6)	US$ (57.7)	US$ (114.5)
Rent (net)	US$ (1,650.4)	US$ (1,297.6)	US$ (1,207.1)	US$ (1,552.9)	US$ (1,618.3)
Current transfers	US$ 5,133.8	US$ 5,644.9	US$ 6,112.7	US$ 6,445.0	US$ 7,079.1
Of which:					
Remittances	US$ 4,396.0	US$ 4,915.6	US$ 5,246.0	US$ 5,699.1	US$ 6,460.6
Foreign aid	US$ 614.8	US$ 587.7	US$ 701.4	US$ 529.9	US$ 395.9
Total capital and financial account	US$ 2,029.4	US$ 2,262.1	US$ 2,619.8	US$ 1,796.9	US$ 1,061.5
Of which:					
Private sector, net	US$ 1,991.7	US$ 1,543.4	US$ 1,822.5	US$ 1,829.4	US$ 617.5
Change in reserve assets[6][7]	US$ 205.9	US$ 498.9	US$ 702.2	US$ 72.5	US$ 475.4
Bank of Guatemala net international reserves at end of period	US$ 6,187.9	US$ 6,693.8	US$ 7,272.6	US$ 7,333.4	US$ 7,751.2
Public sector balance:[8]					
Central government revenue	US$ 5,544.3	US$ 5,857.9	US$ 6,269.8	US$ 6,755.2	US$ 6907.9
As a % of GDP	11.6%	11.6%	11.6%	11.5%	10.8%
Central government expenditure	US$ 6,875.0	US$ 7,064.1	US$ 7,416.6	US$ 7,866.9	US$ 7,823.1
As a % of GDP	14.4%	14.0%	13.8%	13.4%	12.3%
Central government fiscal balance	US$ (1,330.6)	US$ (1,206.2)	US$ (1,146.8)	US$ (1,111.7)	US$ (915.2)
As a % of GDP	(2.8)%	(2.4)%	(2.1)%	(1.9)%	(1.4)%
Overall non-financial public sector fiscal balance	US$ 1,144.00	US$ 1,008.09	US$ 915.50	US$ 880.98	829.23
As a % of GDP	(2.4)%	(2.0)%	(1.7)%	(1.5)%	(1.3)%
Public sector debt[8]					
Public sector external debt	US$ 5,604.9	US$ 6,304.7	US$ 7,070.2	US$ 7,039.3	US$ 7,489.9
As a % of GDP	11.8%	12.6%	13.1%	11.8%	11.7%
Public sector domestic debt	US$ 5,764.8	US$ 5,965.2	US$ 6,300.4	US$ 7,559.6	US$ 8,052.5
As a % of GDP	12.1%	11.9%	11.7%	12.7%	12.6%
Total public sector debt	US$ 11,369.7	US$ 12,269.9	US$ 13,370.6	US$ 14,598.9	US$ 15,542.5
As a % of GDP	23.9%	24.6%	24.8%	24.4%	24.3%

(1) Preliminary data.
(2) Translated from *quetzales* to U.S. dollars at the average daily exchange rate for the year 2015. These numbers are presented to facilitate comparison with other U.S. dollar figures such as balance of payments. Changes year-over-year reflect both the change of amounts in *quetzales* and variations in exchange rates and should not be relied upon as representing the underlying growth rates.
(3) Percentage changes from prior year based on *quetzales.*
(4) Percentage change of the consumer price index from year-to-year.
(5) Exchange rates for transactions in the market involving purchase and sell of U.S. dollars by Guatemalan banks as reported by the Bank of Guatemala.
(6) Represents the results of the balance of payments.
(7) Does not include price changes.
(8) Estimated data provided by the Ministry of Public Finance.
Source: Bank of Guatemala, National Institute of Statistics, and Ministry of Public Finance.

THE OFFERING

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete description of the Notes, see "Description of the Notes."

Issuer	The Republic of Guatemala.
Issue Amount	US$700,000,000 aggregate principal amount.
Issue Price	99.206% of the principal amount of the Notes, plus accrued interest, if any, from May 3, 2016.
Issue Date	May 3, 2016.
Maturity Date	May 3, 2026.
Interest Rate	4.500% per annum.
Interest Payment Dates	May 3, 2016 and November 3, 2016 of each year, commencing on November 3, 2016.
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 defined 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 defined herein) of the Republic and will rank at least equally among themselves and with all other existing and future unsubordinated and unsecured Public External Indebtedness (as defined herein) of the Republic; it being understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness. See "Description of the Notes—Ranking" and "Description of the Notes—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 DTC, as depositary, for the accounts of its participants (including, direct and indirect participants, such as Euroclear and Clearstream). 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	The Notes 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 "Description of the Notes—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$693 million from the sale of the Notes (after deducting estimated expenses of the offering, including fees payable to the initial purchaser) 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 "collective action clauses." Under these provisions, which differ from the terms of our Public External Indebtedness issued prior to the date of this offering circular, we may amend the payment provisions of any series of debt securities (which contain such "collective action clauses") issued by the Republic (including the Notes) and other reserved matters listed in the fiscal agency agreement pursuant to which the Notes will be issued with the consent of the holders of: (1) with respect to the Notes, more than 75% of the aggregate principal amount of the outstanding Notes; (2) with respect to two or more series of debt securities (including the Notes), if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including the Notes), whether or not the "uniformly applicable" requirements are met, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the Notes) affected by the proposed modification, taken individually. See "Description of the Notes—Collective Action; Meetings, Modifications, Amendments and Waivers."
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 pursuant to which the Notes will be issued and the Notes will be governed by, and construed 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$693 million (after deducting estimated expenses of the offering, including fees payable to the initial purchaser). 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.

RISK FACTORS

An investment in the Notes involves a high degree of risk. This section describes certain risks associated with investing in the Notes. Before deciding to purchase the Notes, you should read carefully all of the information contained in this offering circular including, in particular, the following risk factors. 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 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." Under these provisions, certain key terms of certain series of debt securities of the Republic (including the Notes) may be amended, including the maturity date, interest rate and other reserved matters listed in the fiscal agency agreement pursuant to which the Notes will be issued, with the consent of the holders of: (1) with respect the Notes, more than 75% of the aggregate principal amount of the outstanding Notes; (2) with respect to two or more series of debt securities (including the Notes), if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including the Notes), more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series (including the Notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the Notes) affected by the proposed modification, taken individually. See "Description of the Notes—Collective Action; Meetings, Modifications, Amendments and Waivers." These provisions permit defined majorities to bind all holders of the Notes including holders who do not approve such modification.

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

Although we have agreed to apply to list the Notes on the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, 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. If an active market for the Notes fails to develop or continue, the trading price of the Notes may be negatively affected.

The ability of holders to transfer Notes in the United States and certain other jurisdictions will be limited.

The Notes will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the 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 investing 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 price of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. 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.

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.

Risk Factors Relating to Guatemala

Guatemala's economy remains vulnerable to external shocks, including 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, any of which could have a material adverse effect on Guatemala's economic growth and its ability to service its public debt.

Emerging-market investments generally poses a greater degree of risk than investments 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, and recent corruption scandals and the subsequent political, economic and social effects could adversely affect the Republic.

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

In particular, Guatemala has historically experienced perceived levels of corruption, among other social and political problems, which affected, among other things, the ability of the Government to implement political, economic and social reforms. In 2006, the Agreement for the establishment of the International Commission against Impunity in Guatemala (the "CICIG") was signed. The CICIG is an international and independent organization created to support, strengthen and assist institutions of Guatemala in the investigation and prosecution of crimes allegedly committed by illegal groups, clandestine security and any other criminal conduct related to these groups operating in the country. This agreement was ratified by the Congress of the Republic in August 2007, after the Constitutional Court issued a favorable advisory opinion. Currently, the CICIG has a mandate in full force until September 2017, and is expected to be extended for an additional two years as the result of a request by President Morales for an additional two year extension in April 2016.

During 2015, various corruption scandals in Guatemala prompted legal action against government officials and significant public political protests. Guatemala's Attorney General and the CICIG presented criminal accusations against a considerable number of high-ranking government officials. On May 20, 2015, the president of the Bank of Guatemala and the Monetary Board, Julio Suárez, was arrested, and on May 21, 2015, Juan de Dios Rodríguez, President Otto Pérez Molina's former Secretary General of the Presidency, and head of the Guatemalan Social Security Institute (*Instituto Guatemalteco de Seguridad Social*), was arrested, both on charges including fraud and influence trafficking related to a medical services contract awarded by the Guatemalan Social Security Institute. In addition, in May and June 2015, several other government officials, including Vice President Roxana Baldetti, resigned from their respective offices due to accusations of corruption. On July 9, 2015, Gustavo Adolfo Martínez Luna, former Secretary General of the Presidency, was arrested on charges of influence peddling, among others. On August 21, 2015, former Vice President Baldetti was arrested on charges of conspiracy, fraud and customs fraud, all related to her alleged involvement in the customs corruption conspiracy over which she had previously resigned. On that same day, Guatemala's Attorney General in conjunction with the CICIG filed a request for the impeachment of President Otto Perez Molina over his alleged involvement in the customs corruption case. On September 2, 2015, President Otto Perez Molina resigned from office following a vote of Congress to strip him of immunity, and Guatemala's Attorney General issued an arrest warrant for Perez Molina on the same day which led to his arrest. Alejandro Maldonado, who was appointed Vice President after the resignation of former Vice President Baldetti, was subsequently sworn in as President of Guatemala. On September 16, 2015, Juan Alfonso Fuentes Soria was appointed Vice President by the Guatemalan Congress. On October 25, 2015, Jimmy Morales was elected president of Guatemala by a majority of votes in the second round presidential election and took office on January 14, 2016.

The corruption scandals in Guatemala have prompted significant public political protests. During the first quarter of 2016, ongoing investigations by Guatemala's Attorney General and the CICIG have led to further accusations against Perez Molina and Baldetti as well as accusations and arrests on charges including fraud and influence trafficking of other high ranking officials of Perez Molina's government. Further developments derived from the scandals could have a significant effect on the Guatemalan's political, economic and social stability. While the current administration intends to devote resources and efforts to combat these political, social, security and other problems, no assurance can be given, that these problems and conditions will be successfully remedied in the near term or at all.

Guatemala has experienced, and may continue to experience, internal security issues that could have a negative effect on the Guatemalan economy and political climate.

Guatemala has experienced internal security issues in recent years due to gang violence, drug trafficking and a number of institutional and structural factors, such as weak law enforcement and social inequality. However, recent advancement in strengthening the rule of law means that there is a perception in Guatemala that levels of impunity are lower. According to a recent study by the CICIG, the annual homicide rate decreased from 42 per 100,000 people in 2010 to an estimate of 30 per 100,000 people by the end of 2015. See "Republic of Guatemala—National Security."

The geographical distribution of homicides in Guatemala is not homogenous. The indigenous regions of the western highlands have very low levels of violence, with some places showing consistently single rates. Violence is, in fact, concentrated in the metropolitan area of Guatemala City and its surrounding municipalities. Although only a fifth of the entire population lives in the metropolitan area of Guatemala City and one third of the homicides occur on that area. The eastern region, neighboring with Honduras and El Salvador, has shown for decades the highest rates of homicides, even before Central America became a relevant player for cocaine trafficking from South to North America.

Youth gangs in poor urban neighborhoods are one of the main causes of violence in Guatemala. Those gangs have resorted to extortion, specifically against owners of small businesses and bus drivers of the public transportation system. Sometimes these criminal organizations have exercised very violent means to achieve their goals, but they are responsible of a small fraction of violent deaths each year nationwide. The main threat in terms of internal security is the vulnerability of some members of the Police or local authorities to bribes and coercion from those criminal groups.

Any worsening of the internal security situation may have a negative effect in the future on Guatemalan economic and political conditions.

Judicial systems in jurisdictions such as Guatemala can be weak and have previously required the assistance of special commissions to strengthen such systems.

Guatemala's judicial system is not as stable as that in the United States. An official commission (*Comisión Nacional para el Seguimiento y Apoyo al Fortalecimiento de la Justicia*) has been established to review existing legal and institutional arrangements in order to propose reforms designed to strengthen the judiciary and the rule of law generally. Similarly, the CICIG has recommended that the government of Guatemala consider and promote major reforms to stabilize the judicial system. Failure to implement these reforms may delay enforceability of general obligations and hinder collections in general.

Severe weather, natural disasters and adverse climate changes may materially adversely affect Guatemala's economy.

Guatemala's economy is heavily reliant on agriculture, which accounted for approximately 13.6% of Guatemala's GDP in 2015. Guatemala's economy is therefore very susceptible to severe weather conditions, such as droughts and floods, which can significantly affect crop production. Low agricultural production would significantly adversely affect Guatemala's economy and, as a result, could have an adverse effect on Guatemala's ability to perform its obligations under the Notes.

The continuing effects of the global economic crisis could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Starting in September 2008, the global economy has experienced a steep downturn, sparked by uncertainty in credit markets and deteriorating consumer confidence. Even though during the years following the global economic crisis our rate of economic growth has remained above 3.2% per year on average and the global economy has since shown signs of improvement, we cannot assure you that the global economy will grow in the near future, or that our economy will continue to grow. In addition, we cannot assure you that we will not experience economic problems in the future as a result of the continuing effects of the global economic crisis, which could have a material adverse effect on our financial condition and our ability to make payments on our outstanding public debt, including the Notes.

The Guatemalan economy may contract in the future, which could have a material adverse effect on public finances and on the market price of the Notes.

The Guatemalan economy experienced real GDP growth of 4.2% in 2011, followed by a growth of 3.0% in 2012, 3.7% in 2013, 4.2% in 2014 and 4.1% in 2015. As a result, from 2011 to 2015, real GDP grew at an annual average rate of 3.84%. The Republic cannot assure investors that its economy will continue to grow in the future. Guatemala's economic growth depends on a variety of factors, including, among others, international demand and prices for Guatemalan exports, economic conditions in the countries that serve as Guatemala's most important trading partners, climatic factors affecting Guatemala's agricultural sector, fiscal and monetary policies, confidence among Guatemalan consumers and foreign and domestic investors and their rates of investment in Guatemala, the willingness and ability of businesses to engage in new capital spending, the exchange rate and the rate of inflation. Some of these factors are outside of the Republic's control. A sustained recession could result in a material decrease in Guatemala's fiscal revenues, or a significant depreciation of the *quetzal* over an extended period of time could adversely affect Guatemala's debt/GDP ratio, either of which in turn would materially and adversely affect the ability of the Republic to service its public debt, particularly its debt obligations denominated in foreign currencies, including the Notes.

Fluctuations in exchange rates between the* quetzal *and the U.S. dollar may adversely affect Guatemala's ability to perform its obligations under the Notes.

From time to time, the Bank of Guatemala intervenes in the foreign exchange market in order to stabilize the rate of exchange of the *quetzal* against the U.S. dollar. Despite these interventions, the *quetzal* has depreciated in the past and may in the future depreciate significantly. If the *quetzal* should depreciate significantly against the U.S. dollar over an extended period of time, economic growth in Guatemala could be adversely affected or even reversed, and it could be more difficult for the Republic to repay debt obligations denominated in foreign currency, such as the Notes. Alternatively, if the *quetzal* should appreciate significantly, Guatemala's exports may be affected, which would adversely affect Guatemala's economy and Guatemala's ability to perform its obligations under the Notes. During the 2015 period, the nominal exchange rate of the *quetzal* depreciated, on average by approximately 0.5% against the U.S. dollar due mainly to the appreciation of the U.S. dollar in the international markets. As of December 31, 2015, the exchange rate was Q7.63237 per U.S. dollar. As of April 25, 2016, the exchange rate was Q7.74082 per U.S. dollar.

An increase in inflation and government measures to curb inflation may adversely affect the Guatemalan economy.

Guatemala's economy has experienced high levels of inflation in the past and may experience high levels of inflation in the future. Periods of rapid economic expansion and contraction in Guatemala may result in volatile rates of inflation. The target inflation rate for 2016 has been set at 4.0%. In the future, significant inflation may cause Guatemala to impose controls on credit and/or prices, or to take other action, which could inhibit Guatemala's economic growth. In addition, inflation can result in greater market volatility by causing economic uncertainties and reduced consumption, GDP growth and consumer confidence. Any of these factors can have a material adverse effect on the Republic's economic results.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Guatemala's trading partners and adversely affect Guatemala's economic growth and Guatemala's ability to make payments on its outstanding public debt, including the Notes.

If interest rates outside Guatemala increase significantly, Guatemala's trading partners, in particular, its Central American neighbors and Mexico, could find it more burdensome to borrow capital and refinance their existing debt. These increased costs could in turn adversely affect economic growth in those countries. Decreased growth on the part of Guatemala's trading partners could have a material adverse effect on the markets for Guatemala's exports and, in turn, adversely affect Guatemala's economy. An increase in interest rates would also increase Guatemala's debt service requirements with respect to Guatemala's debt obligations that accrue interest at floating rates. As a result, Guatemala's ability to make payments on its outstanding public debt generally, including the Notes, would be adversely affected.

Future political support for current economic policies, including servicing of our outstanding public debt, cannot be assured.

Future changes in government could lead to a shift in government economic policies that could affect the proportion of our budget devoted to public debt payments, or have other adverse effects on our ability to meet our outstanding public debt obligations in the future, including our obligations under the Notes.

A significant depreciation of the currencies of Guatemala's trading partners or trade competitors may adversely affect the competitiveness of Guatemalan exports and cause an increase in Guatemala's imports, thus adversely affecting Guatemala's economy.

During the 2015 the nominal exchange rate of the *quetzal* depreciated, on average by approximately 0.5% against the U.S. dollar. The depreciation of the currencies of one or more of Guatemala's trade partners (including, in particular, the United States of America and Mexico) or trade competitors relative to the *quetzal* may result in Guatemalan exports becoming more expensive and less competitive. It may also cause an increase in cheaper imports. A decrease in exports and an increase in imports may have a material adverse effect on Guatemala's economic growth, its financial condition and the ability of Guatemala to service its public debt, including the Notes.

The Government may be unable to obtain financing on satisfactory terms in the future, which could have a material adverse effect on Guatemala's ability to make payments on its outstanding public debt, including the Notes.

Guatemala's future tax revenue and fiscal results may be insufficient to meet its debt service obligations and Guatemala may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, the Government may not be able or willing to access international or domestic capital markets, and, as a result, the Republic's ability to service its outstanding public debt, including the Notes, could be adversely affected.

A significant decrease in remittances from Guatemalans living abroad could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Remittances from Guatemalans living abroad, which are primarily in U.S. dollars, are an important source of foreign currency. See "Balance of Payments and Foreign Trade—Remittances." There can be no assurance that the level of remittances to the Republic will not decrease significantly in the future as a result of an economic contraction in the source market, or any other reason. A significant decrease in remittances may lead to a depreciation of the *quetzales* and adversely affect our ability to make payment on our outstanding public debt, including the Notes.

Any revision to Guatemala's official financial or economic data resulting from any subsequent review of such data by the Bank of Guatemala or other government entities could have a material adverse effect on Guatemala's ability to make payments on its outstanding public debt, including the Notes.

Certain financial and other information presented in this offering circular may subsequently be materially adjusted or revised to reflect new or more accurate data as a result of the periodic review of Guatemala's official financial and economic statistics. Such revisions could reveal that Guatemala's economic and financial conditions as of any particular date are materially different from those described in this offering circular. The Republic can give no assurance that such adjustments or revisions will not have a material adverse effect on the interests of Guatemala's creditors, including any purchasers of the Notes.

REPUBLIC OF GUATEMALA

Territory and Population

Guatemalan's descend from the Mayans, a culture almost 4,000 years old that remains vibrant. Its richness is extraordinary not only from a cultural perspective, but also from a historical and geographical one.

The Guatemalan territory is approximately 42,042 square miles (108,889 square kilometers), and approximately two thirds of it is mountainous, with numerous volcanoes, lakes and rivers. It has access to the Pacific and Atlantic oceans, and the country is well interconnected with other countries by air, land and sea. Travel distances are short so visitors may travel to different regions and climates in the same trip.

Guatemala is located in a privileged location in the northwest part of Central America. It is bordered by Mexico to the northwest; Belize to the northeast; Honduras to the east, and El Salvador to the southeast. Guatemala's population, based on the last census of 2002, is estimated to be approximately 16.2 million in 2015. About half of the population lives in urban areas (44.8%) and is female (51.1%) and most are younger than 30 years of age (68.1%). The estimated population growth rate has been reduced from 2.35% in 1995 to 2.34% in 2015. Approximately 68.9% of the population speaks Spanish as the native language and 31.1% speaks various indigenous languages, although most of the people in the latter group also are fluent in Spanish.

Guatemala is a free, independent and sovereign republic having gained independence from Spain in 1821. The administration is decentralized and organized in eight regions (Metropolitan, North, Northwest, Southwest, Central, Southeast, Northeast, and Petén), 22 Departments, and 340 Municipalities by the end of 2015. Approximately 50.0% of the population lives in five out of twenty two departments: Guatemala (20.7%), Huehuetenango (7.9%), Alta Verapaz (7.8%), San Marcos (6.9%) and Quiché (6.7%). The three main municipalities in terms of population are Guatemala City (6.1%), Mixco (3.1%), and Villa Nueva (3.5%), which are part of the Department of Guatemala and represent in aggregate approximately 13% of the total population.

Historical Highlights

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 ownership, 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 that was 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 attempt 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 and democratic transfer of power since 1951. 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 that the coup was unconstitutional. The failed coup led to the demise of the Serrano administration.

On June 5, 1993, pursuant to the 1985 Constitution, Congress 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 reforms. In August 1994, a new Congress was elected, and the *Frente Republicano Guatemalteco* ("FRG"), headed by General Ríos Montt, and the *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.

Following the de León administration, in January 1996, Álvaro Arzú took office as the new democratically elected president. In December 1996, the Peace Agreements were signed, ending 36 years of armed conflict. The key goals of the peace accords were not only to end the conflict and disarm the parties, but to address the root causes of the war. The international community met with the Government in Brussels in January 1997 to consider its request of financial aid to fulfill the obligations contained in the Peace Agreements. The international community pledged US$1,900 million in direct aid and loans to support the implementation of these agreements. Further resources were requested by the Government to the international community in two meetings held in September 1997 and in October 1998.

Following the Arzú administration, democratically elected presidents followed: Alfonso Portillo (January 14, 2000-January 14, 2004); Óscar Berger (January 14, 2004-January 14, 2008); Alvaro Colom (January 14, 2008-January 14, 2012); Otto Pérez (January 14, 2012-September 2, 2015); Alejandro Maldonado (September 3, 2015-January 14, 2016).

Former President Otto Pérez became embroiled in a corruption scandal involving the vice president and the director of the tax authority. As a result, President Pérez, among others, resigned from office. Most of the conspirators are in prison awaiting trial. See "Transparency and Corruption—Recent Developments in Corruption Cases—the La Línea Case." Following the resignation of President Pérez on September 3, 2015, Maldonado Aguirre was appointed President by Congress as required by the Constitution to complete the presidential term which concluded on January 14, 2016. Maldonado Aguirre was the forty-ninth president of Guatemala. In elections held in October 2015, Jimmy Morales won by 67.4% of all votes validly cast to win the presidency. On January 14, 2016, Jimmy Morales was appointed for a four-year term.

As an economy, Guatemala has maintained sound macroeconomic stability characterized by sustained GDP growth since the start of the new democratic era (1986); low inflation, which has been below double digits since 1996 (the signing of the Peace Agreements); and low volatility in the exchange rate since 2001. This stability has been complemented with adequate debt management, characterized by low deficits since 2001 (average of 2.1%), a continuous reduction in incurrence of foreign currency-denominated debt and external debt generally since 2001, and a modern debt management operational structure at the Ministry of Public Finance. These factors, have contributed to strengthen the solid track record of debt service of the Republic.

The Republic agreed with the overall assessment of the IMF and the government has continued working on improving the economic, social and democratic conditions for the development of Guatemalans.

Government and Political Parties

Guatemala returned to democracy on January 14, 1986. A new Constitution was drafted in 1985 by the National Constituent Assembly. Under the new Constitution, Guatemala is a democratic country where elections are regulated by the Electoral Supreme Court (*Tribunal Supremo Electoral*) which is an autonomous and independent entity that regulates the electoral process. The Government is comprised of the Executive, Legislative and Judicial branches. The Constitution also introduced the figure of the Ombudsman (*Procurador de los Derechos Humanos*), the first in Latin America, to oversee the respect of human rights, especially by public institutions.

Guatemala is divided into 22 Departments or Administrative Subdivisions, which are administered by Governors appointed by the President. At the end of 2015, these Departments were subdivided into 340 Municipalities, each governed by a Mayor and Council Members.

Executive Branch

The Executive, led by the President, appoints the Minister and Vice Ministers of the Cabinet. The President is the chief executive of the Guatemalan State and is elected in secret and direct universal national elections. The President can propose legislation to the Congress. Although the President can veto new legislation approved by the Legislative branch, this veto can be overruled by the Congress with an affirmative vote of two-thirds of all members of Congress. Members of Congress can also submit bills to Congress for consideration and approval. The Congress has powers to oversee the executive branch.

Legislative Branch

The legislative branch has the legal and exclusive right to legislate. It consists of a unicameral Congress of 158 deputies elected through secret and universal vote in national elections. 127 members are elected from geographical districts and 32 are elected by proportional representation based on the most recent population census. Members of Congress serve for a term of four years and re-election is permitted. 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.

Judicial Branch

The Judicial System is administered by the Supreme Court. Justice is applied in accordance with the Constitution and the laws of the Republic. The Courts of Justice have the power to judge and promote the enforce judgments. Supreme Court Justices are appointed by the Congress from a list of 26 candidates submitted by a commission integrated by representatives of the General Assembly of Lawyers Association, law school deans, the rector of the national university (Universidad de San Carlos) and judges on the Court of Appeals. The Constitutional Court is a permanent court with the role of defending the Constitutional order. The Supreme Court has five principal justices, each one with its corresponding substitute, which are elected for a five-year term. Each principal deputy is appointed by each of the following institutions: the Supreme Court of Justice, Congress, the executive branch through the Ministry Council, and the Superior Council of the San Carlos University, and the General Assembly of the Guatemalan Bar Association.

General Elections

General elections are held every four years, electing the President and Vice President and members of Congress, and the Mayor and Council Members for all Municipalities. All positions are held for a four-year term. The President cannot stand for re-election, and any candidate for president who previously participated in a coup is not eligible to run for the presidency.

The last general election was held on September 6, 2015. In the first round of the presidential contest, the two candidates to obtain the largest number of votes were Convergence of National Front (*Frente de Convergencia Nacional*) ("FCN Nación" for its acronym in Spanish) and the National Unity of Hope (*Unidad Nacional de la Esperanza*) ("UNE" for its acronym in Spanish), with 23.99% and 19.7% respectively. In the second round of voting held on October 25, 2015, Jimmy Morales Cabrera of FCN Nación was elected President, obtaining 2,750,847 (67.4%) of 4,079,228 valid votes. Sandra Julieta Torres Casanova of UNE came in second.

Following these elections, various congressmen moved from one party to another within Congress. As of April 12, 2016, the date on which these party transitions where outlawed, the main parties in Congress were FCN Nación with 32 members and the UNE with 32 members out of 158 total seats. As no political party has obtained a majority of the congressional seats, this may potentially lead to a gridlock in the Congress and create further political uncertainty.

The following table shows the composition of Congress by political party or affiliation as of April 2016:

	Congressional Seats	%
Frente de Convergencia Nacional (FCN Nación)	32	20
Unidad Nacional de la Esperanza	32	20
Movimiento Reformador	20	13
Bloque Independiente TODOS	17	11
Alianza Ciudadana	15	9
Encuentro por Guatemala	7	4
Unión del Cambio Nacional	6	4
Compromiso Renovación y Orden	5	3
Libertad Democrática Renovada	5	3
Others	19	13
Total	158	100%

Source: Guatemalan Congress.

The Peace Agreements

Following the objectives of *Esquipulas II*, a Central American summit held on August 7, 1987 where the heads of the States participated in peace negotiations, and pursuant to the Oslo Agreements on March 30, 1990, the Government of Guatemala and the Guatemalan National Revolutionary Unity (*Unidad Revolucionaria Nacional Guatemalteca*) (URNG for its Spanish acronym), under the auspices of the National Committee of Reconciliation and under the observation of the United Nations, the first Framework Agreement on Democratization in the Search for Peace by Political Means (Queretaro Agreement) was signed on July 25, 1991.

The accords' goals were to end the armed conflict, disarm the parties, and address the root causes of the war. They included broad terms of public policies on human rights (March 29, 1994), relocation of populations displaced by the armed conflict (June 17, 1994), the creation of a committee for the historical (truth and reconciliation) of human rights violations (June 23, 1994), the agreement of identity and rights of the indigenous population (March 31, 1995), socioeconomic aspects and the agrarian situation (May 6, 1996), strengthening of civil authority and the role of the army in a democratic society (September 19, 1996), permanent cease fire (December 4, 1996), constitutional reforms and electoral regime (December 7, 1996), incorporation of the URNG to legality, and the implementation, fulfilment and verification of the Peace Agreements (December 29, 1996).

The signing of the peace agreement on December 29, 1996 between the Republic of Guatemala and the URNG, marked the official end of the civil war. This historic moment ended 36 years of conflict in which more than 200,000

Guatemalans died, most of them civilian and Mayan indigenous villagers. The Peace Agreements constitute an integral agenda oriented to overcome the causes of the conflict and establish the basis for new development.

The Secretariat for Peace (*Secretaría de la Paz*), which is a cabinet-level position, assesses, coordinates with civil society and supports compliance with the terms of the Peace Agreements. The Peace Agreement Framework Law (*Ley Marco de los Acuerdos de Paz*) approved by Decree 52-2005, has the objective of establishing rules and mechanisms for the fulfilment of the Peace Agreement. This law also established the National Council for the Fulfilment of the Peace Agreements (*Consejo Nacional para el Cumplimiento de los Acuerdos de Paz*) comprised of members of the government, leaders of political parties and representatives of civil society. This council replaced the National Commission for the Peace Accords (*Comisión Nacional para los Acuerdos de Paz*), and is an autonomous and independent institution to promote legal reforms, policies, programs, projects and actions that promote the compliance with the agreements.

The UN Verification Mission in Guatemala ("MINUGUA" for its Spanish acronym) accompanied the process of implementation of the agreements, verifying compliance with human rights and helping the country implement other peace agreements. This mission provided specialists not only in human rights, but also in indigenous affairs, macroeconomics, fiscal policy, labor issues, land rights and agrarian policies, military and public security reform, and gender issues, among others. During its final period, the Mission trained professionals as verifiers and promoters of the peace agreements. In addition, the Mission issued a report on the peace implementation to be used by newly-elected authorities, civil society and international cooperation agencies, as part of a transition strategy to build national capacity to promote the agenda set forth in the peace agreements after the dissolution of MINUGUA, when the UN qualified the peace process as a successful example of peacebuilding.

Following the MINUGUA mission, the government implemented a transition strategy with the support of the Presidential Commission of Human Rights (*Comisión Presidencial de Derechos Humanos*) ("COPREDEH" for its Spanish acronym) to verify implementation of human rights agreements. The Human Rights Attorney's Office (*Produraduría de Derechos Humanos*) ("PDH" for its Spanish acronym), the first office of its kind implemented in Latin America in 1987, has also played an important role in the peace process by promoting and defending respect for human rights through outreach, enforcement, mediation, education and supervision. In 2004, the PDH office and the Government promoted the creation of a commission with the aim of supporting the Government's efforts to dismantle illegal security forces and clandestine security organizations.

On December 12, 2006, the United Nations and the Government of Guatemala signed the Agreement to Establish the CICIG which was ratified by Congress on August 1, 2007. This institution was established as an independent international body designed to support the Public Prosecutor's Office (MP for its Spanish acronym), the National Civil Police (PNC for its Spanish acronym) and other government institutions, in the investigation of crimes committed by members of illegal security forces and clandestine vigilante groups and to help dismantle such groups. On March 24, 2009, Guatemala's Minister of Foreign Affairs requested that the UN extend the CICIG's mandate for an additional two years, which was granted on April 15, 2009. Three further extensions of the CICIG were requested by the Government. In May 2015, the Secretary General of the United Nations, Ban Ki-Moon, approved the Government's latest extension request to further extend the term of the Commission by an additional two years through September 3, 2017. In April 2016, President Morales requested the exterior of the term for two more years.

The Peace agreements have required commitment of considerable resources and setting aside social expenditure to support compliance with the principal goals of the agreements. To improve accountability, control and protection of financial resources committed to ensure compliance with the agreements, since 2010 the Ministry of Public Finance has put in place accounting methodologies to monitor and classify the expenses incurred in connection with compliance with the terms of the Peace Agreements. The financial resources that support the agreements have been a priority for the Republic on fiscal budget proposals since the agreements were ratified.

National Development Plan 2032

The National Plan for Development was formulated by resolution of the National Council for Urban and Rural Development ("CONADUR" for its acronym in Spanish), and was ratified on August 12, 2014. Its main purpose is to fight poverty, inequality and social exclusion and to foster the conditions designed to break down the social barriers to promoting such progress. CONADUR incorporates cross-cutting principles including actions to reduce these social problems and giving priority to people and territories.

- The first point of the plan, called Urban and Rural Guatemala, is structured based on the interdependence of rural and urban systems as a mechanism to reduce inequality and imbalances among the territories.

- Public Welfare is at the heart of the plan since improving the population's living conditions is its fundamental purpose. Emphasis is made on the need to guarantee citizens universal access to social protection, as it is focused on providing social assistance to vulnerable segments of the population, developing sound social policy and developing social welfare.

- The plan also focuses on properly developing natural resources for today and for the future. The plan recognizes that decisions relating to the management of natural resources should be made respecting cultural history, seeking to form national consensus to emphasize the importance of natural resources development based on sustainability principles.

Finally, the profound transformation of the state is essential for the development and implementation of the CONADUR plan, recognizing the role of the state as guardian of human rights and social development. As such, the plan adheres to a view that the human rights approach is an integral part of public policy and at the core of ensuring the enjoyment of individual freedoms and economic, social and cultural rights. It is organized on three priorities: strengthening the Government's ability to address development challenges; democratic governance, security and justice and equity; and the importance of respecting Mayan peoples and culture.

Environmental Policy

Protection and improvement of the environment gained importance with the signing of the Agreement on Socioeconomic Issues and the Agrarian Situation, which emphasizes the protection of natural resources, maintaining the quality of the environment and reducing pollution, the promotion of a culture that aims to use natural resources in a sustainable way; and the improvement laws to increase the legal protection of the environment. To strengthen the regulation of the environment, in January 2001, the Ministry of Environment and Natural Resources (*Ministerio de Ambiente y Recursos Naturales,* or "MARN" for is Spanish acronym) was created by Decrees 90-2000 and 91-2000, to promote environmental protection and the rational use of natural resources to support sustainable development. The Constitution, the Law of Protection and Environmental Improvement (Decree 68-96), the Climatic Change Policy (Governmental Agreement 329-2009), the Law of Environmental education (38-2010), the Law of Climatic Change (07-2013), among other regulations, contribute to strengthening the regulatory roll of the MARN.

Due to increased deforestation in recent decades, the trend is that carbon dioxide emissions are increasing more rapidly than its absorption. Since Guatemala is a net contributor to carbon dioxide emissions, the Government confronts the challenge of promoting projects that reduce carbon dioxide emissions, while attempting to engender economic development. In addition, the Government through the National Institute of Forest Management (*Instituto Nacional de Administración de Bosques*), is promoting the protection and recovery of forest areas with subsidies to local communities and poor families with initiatives in 118 out of 228 the poorest municipalities, most of them targeted by the Zero Hunger Pact.

Transparency

According to Transparency International, Guatemala's corruption index decreased from 32 points in 2014 to 28 points in 2015. The Corruption Perceptions Index ranks countries based on how corrupt the public sector is perceived to be by the population. The Index reflects the view of observers around the world, including experts living and working in the countries surveyed. The government is aware that corruption is an important issue that adversely affects Guatemala and is aiming to strengthen the legal framework in order to have a more effective system and to reduce corruption.

The government has approved Law Initiative 4461, which is a draft bill designed to strengthen the Institutional Transparency and Quality of Public Expenditures (Decree 13-2013), and includes reforms to the Organic Budget Law (Decree 101-97), Law of the General Comptroller of Accounts (Decree 31-2002), and the Organic Law of the Tax Administration Superintendency (Decree 1-98).

National Security

After the peace agreements were ratified, new threats emerged raising additional security concerns. International drug trafficking and development of organized and related petty crime were among the most significant issues. To address these problems, the Government put in place certain measures for the reorientation of the army's functions via the professionalization and democratization of its members. Additionally, this plan contains certain measures to improve the professionalization, structure and technology of the National Civil Police (*Policía Nacional Civil*) (PNC for its Spanish acronym) as well as to increase the number of police officers, under the responsibility of the Ministry of Governance. Moreover, other actions were taken to strengthen the justice system as discussed in "Transparency and Corruption."

These security issues continue to be of concern. The Government's plan to combat them includes:

- Continue with the refinement, modernization and professionalization of the Public Safety Forces.
- Strengthen the weapons, explosives and ammunition control.
- Increase police force and assign their presence in higher risk areas through interaction programs with local powers.
- Development of programs to prevent crime with emphasizes in promoting non-violence against women.
- Strengthen coordination between State security forces and the Judicial System.
- Update the national security policy, taking into consideration the context and priorities presented in this governmental policy.
- Return to the guidelines included on the Peace Agreements about the role of the army in times of peace.
- Refine and reform the Penitentiary System to lay the foundations of a system that allows the rehabilitation of those private.

The Police Academy, inaugurated in 1998, has contributed to increase the professionalism of officers and increased the number of police officers from approximately 25,126 police officers in 2010 compared to 32,823 in 2015, representing an average annual increase of 7.66%. According to statistics of the Ministry of Governance, there has been an important reduction in crime rates, especially in homicide rates and property crimes. Between 2010 and 2015, the homicide rate decreased 28.6% from 42 per 100,000 people to an estimate of 30 per 100,000 people by the end of 2015. However, Guatemala still ranks fourth in homicide rate in Central America after Honduras and El Salvador. For property crimes, the rate has been reduced from 126 per 100,000 people in 2011 to an estimate of 96 per 100,000 people in 2015, a decrease of 23.8%.

Tourism

Guatemala is the heart of the Mayan World, a millenary culture. The magic and mystery of the Mayan temples still can be appreciated in ancient cities such as Tikal, Yaxhá, Aguateca, Mirador, Quiriguá, and Qúma'rkaj. According to the latest census, approximately 39.3% of total population are Mayan descendants, and they speak some 22 languages, which allows tourists to appreciate not only historical sites, but to see the living culture of the Mayan. The cultural and historical Mayan heritage combined with the diversity of landscapes, good climate, beneficial geographical location, and different types of tourism activities (cultural, environmental, rural, sports and adventure, health and welfare), position the country as an ideal destination for tourists.

The Government views tourism as a priority for social and economic development in Guatemala. The following table presents the number of foreign tourists for the periods presented.

Number of International Tourists Arrivals

	For the year ended December 31,				Nine months order September 30,	
	2011	2012	2013	2014[(1)]	2014[(1)]	2015[(1)]
Tourist arrivals	1,822,663	1,951,173	2,000,126	2,142,398	1,561,834	1,574,767

(1) Tourism data for the year ended December 31, 2015 is not currently available.
Source: Guatemalan Institute of Tourism.

The main international airport "La Aurora" in Guatemala City was refurbished and expanded to meet increasing demand for air cargo and passengers. The INGUAT has been working to increase the frequency of flights from abroad and between Guatemala and Flores, and to increase the number of airlines with routes in the country.

Foreign Affairs and Memberships in International Organizations

Guatemala maintains diplomatic relations with approximately 155 countries, including Belize. Although a territorial dispute with Belize before the International Court of Justice remains unresolved, both countries have good diplomatic relations. Guatemala is also a member of several International Organizations: the World Trade Organization (WTO), the United Nations (UN) and some of its specialized agencies, the Organization of American States (OEA), the Central American Integration System (SICA), the Association of Caribbean States (ACS), the Caribbean Community (CARICOM), the International Monetary Fund (IMF), the Inter-American Development Bank (IADB), the World Bank (WB), the Central American Bank for Economic Integration (CABEI), among others.

As a founding member of the United Nations in 1951, Guatemala has contributed to the work of the organization, including its participation in United Nations peace-keeping operations. Since then, Guatemala has held many positions which include the presidency of the General Assembly (1968), the presidency of the Executive Board of UNDP/UNFPA (2001), the presidency of ECOSOC (2003) and the presidency of the Commission on Sustainable Development (2010). Guatemala had the honor of having being elected a member of the United Nations Security Council (UNSC) for the period 2012-2013, filling the seat allocated to the Latin American and Caribbean group, of which Guatemala also held the Presidency in October 2012.

As member of the WTO, Guatemala has a strong commitment to the free flow of capital and international trade. Guatemala ratified the European Union-Central American Association Agreement (EU-CAAA), effective December 1, 2013 (Decree 2-2013). This agreement includes 28 developed economies (25 of 34 OECD countries). Guatemala expects trade agreements such as this will increase export trade with the European Union, which was the third largest export market, after North America and Central America regions.

In addition to a Treaty of Central American Economic Integration (June 15, 1961), Guatemala has several strategic trade agreements in effect: The U.S.-Dominican Republic-Central America Free Trade Agreement (July 1, 2006) (DR-CAFTA); Central America and Dominican Republic Free Trade Agreement (October 15, 2001); Central America-Panama Free Trade Agreement (June 20, 2009); Guatemala-China Free Trade Agreement (Taiwan, July 1, 2006); Colombia-Guatemala-El Salvador-Honduras Free Trade Agreement (November 12, 2009); Chile-Central America Free Trade Agreement (Mach 23, 2010); Mexico-Central America Free Trade Agreement (September 1, 2013); and an Association Agreement between Central America and the European Union and an Association Agreement between Central America and the European Union (December 1, 2013). These strategic agreements help the country not only to integrate into the global economy, but also to improve its competitiveness and improve its development.

Guatemala is negotiating a number of commercial treaties including two free trade agreements designed to promote exports from Guatemala. There are also three regional trade integration agreements involving the Central America region and two Agreements of Reciprocal Promotion and Investment Protection ("APPRI" for its acronym in Spanish).

These agreements strengthen the commitment of Guatemala to open further its economy into the global market, to increase diversification of its export market and to reduce the cost of imports.

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 by both 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.

- *April, 2013*. The Government suspended the celebration of a referendum to be held on October 2013 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. Guatemala suspended the referendum on the grounds that the Belize government changed the requirements for said referendum to be valid.

- *October 2015*. Guatemala and Belize signed an agreement that allows each country to hold separate referendums. This agreement has not been ratified by the Congress of the Republic.

Legal Proceedings

Guatemala is subject to lawsuits incidental to its normal government operations. Although it is difficult to assess the probability of an adverse financial effect arising from any of the existing lawsuits against the State, the Government believes that there is no outstanding potential lawsuit that could result in an adverse financial effect of more than 10% of the total current annual revenue of the State.

Teco Guatemala Holdings, filed a suit against Guatemala for alleged violations of the DR-CAFTA. On April 8, 2016, an arbitral award was formally issued, which is under review by the Republic's counsel. In the future, the Interinstitutional Commission assigned to hear these cases will meet to agree on the actions to be taken.

Alliance for Prosperity

El Salvador, Guatemala and Honduras have developed the "Plan of the Alliance for Prosperity in the Northern Triangle." This plan identifies medium-term priorities to accelerate the development of these countries. The Plan is backed by the financial commitments of the respective governments and by grants from the United States of America, the IADB, and the World Bank to take actions to create job opportunities and improve the wellbeing of the populations. In addition, the Plan strengthens the commitment to integration and development of the Northern Triangle and to attract tourists and promote it as a destination.

The strategic actions of the Plan aim to:

- Stimulate the productive sector to create economic opportunities.
- Improve public safety and enhance access to the legal system.
- Strengthen institutions to increase trust in government.

This plan will be implemented by the Countries of the Northern Triangle, the United States of America, the International Development Bank and the World Bank.

THE GUATEMALAN ECONOMY

The Guatemalan economy is the largest economy in Central America, with estimated GDP of US$63,787.3 million for the year ended December 31, 2015. The economy has expanded at positive rates in recent years, including during the global economic crisis that began in 2008, growing at a real rate of 0.5% in 2009, 2.9% in 2010, 4.2% in 2011, 3.0% in 2012, 3.7% in 2013, 4.2% in 2014 and 4.1% in 2015.

Economic activity in Guatemala has been mainly driven by the private sector. The Government has historically played a limited role in the economy, with the public administration and defense sector accounting for 7.8% of estimated GDP in 2015.

Recent Economic Developments

In recent years, Guatemala's economy has been characterized by:

- continued and positive growth;
- stable rates of inflation;
- a stable foreign exchange rate, in the context of a flexible exchange rate regime;
- high levels of net international reserves;
- low public debt incurrence as a percentage of GDP (for both domestic and external public debt);
- a stable macroeconomic environment; and
- low refinancing risk of public debt.

The Guatemalan economy experienced a deceleration in 2009, as a result of the global economic crisis, suffering a reduction in foreign trade and a decrease in tourism and workers' remittances. Unlike most countries in Latin America, however, Guatemala registered GDP growth rate in 2009 of 0.5% compared to 2008.

Important economic goals achieved in recent years include the following:

- continuing the liberalization of the economy and the trade regime through free trade agreements with several countries, entering into bilateral investment agreements with Mexico, the Dominican Republic, the U.S., Taiwan, Panama, Colombia, Peru, Chile and others, and signing DR-CAFTA, which became effective on July 1, 2006 with the ratification of the Congress of the Republic;
- strengthening and modernizing of 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");
- 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;

- raising the profile of Guatemala as a market for third-party information technology and outsourcing services, including in software, laboratory services, sustainable tourism and call centers. These sectors grew approximately 14.0% in 2014 and 8.0% in 2015 and currently employ approximately 32,000 people.

Gross Domestic Product and Structure of the Economy

The Guatemalan economy expanded at a real rate of 4.1% in 2015, principally as a result of the following:

- all economic activities grew at positive rates, although in some sectors the rate of growth was lower than the rates achieved in 2014. Approximately 82% of GDP growth in 2015 was attributable to the following activities: wholesale and retail trade; manufacturing; private services; agriculture, livestock, fishing and forestry; financial intermediation, insurance and ancillary activities; public administration; and transportation, storage and telecommunications;

- aggregate domestic demand will increase due to reflected information in the private and public expenditure growth;

- investment growth is associated with the increase, in real terms, of building investment and capital investment;

- low inflation during the year; and

- fiscal discipline and stable monetary policy.

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

Gross Domestic Product by Expenditure
(millions of US$ and as % of total GDP)

	As of or for the year ended December 31,									
	2011		2012		2013		2014 (2)		2015 (2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Private expenditure:										
Private consumption	40,666.9	85.3	43,319.1	85.9	46,598.9	86.5	50,419.2	85.8	54,190.6	85.0
Private investment	5,780.4	12.1	6,510.0	12.9	6,683.1	12.4	7,118.1	12.1	7,599.4	11.9
Change in inventory....................	204.6	0.4	83.0	0.2	(132.3)	(0.2)	(87.8)	(0.1)	124.7	0.2
Total private expenditure	46,651.9	97.9	49,912.1	99.0	53,149.7	98.7	57,449.5	97.8	61,914.7	97.1
Public expenditure:										
Public consumption.....................	4,856.9	10.2	5,215.7	10.3	5,692.2	10.6	6,371.5	10.8	6,612.0	10.4
Public investment........................	1,274.3	2.7	944.8	1.9	993.2	1.8	1,019.5	1.7	844.3	1.3
Total public expenditure	6,131.2	12.9	6,160.5	12.2	6,685.5	12.4	7,391.1	12.6	7,456.2	11.7
Gross national expenditures	52,783.1	110.7	56,072.6	111.2	59,835.2	111.1	64,840.6	110.4	69,371.0	108.8
Exports of goods and services...........	12,691.5	26.6	12,535.0	24.9	12,773.7	23.7	13,601.4	23.2	13,580.3	21.3
Imports of goods and services...........	(17,807.7)	(37.4)	(18,203.0)	(36.1)	(18,756.2)	(34.8)	(19,710.1)	(33.6)	(19,163.9)	(30.0)
Gross domestic product....................	47,666.8	100.0	50,404.5	100.0	53,852.7	100.0	58,731.8	100.0	63,787.3	100.0

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

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

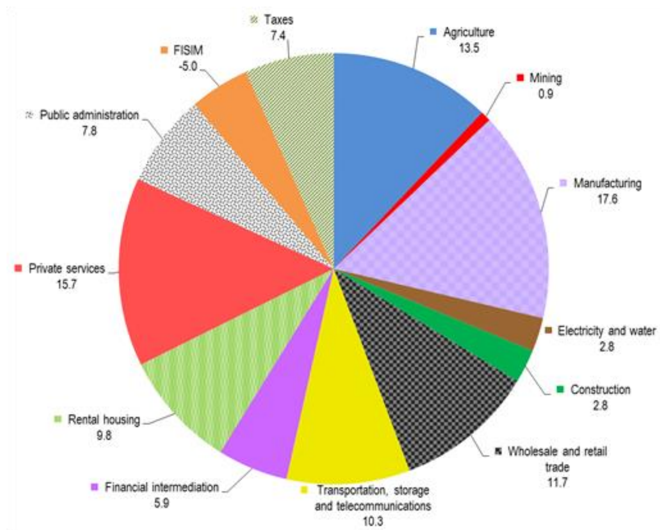
Investment and Savings
(as % of GDP)

	As of or for the year ended December 31,				
	2011	2012	2013[(1)]	2014[(1)]	2015[(1)]
Gross domestic investment	15.2	15.0	14.0	13.7	13.4
Domestic savings:					
Public savings	1.6	1.3	1.2	1.2	1.1
Private savings	10.0	11.0	10.3	10.4	12.0
Total domestic savings	11.7	12.3	11.5	11.6	13.1
External savings	3.6	2.6	2.5	2.1	0.3
Total savings	15.2	15.0	14.0	13.7	13.4

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

Main Economic Activities

The main economic activities in Guatemala are: manufacturing, private services, agriculture, livestock, fishing and forestry, Wholesale and retail trade, transportation, storage and telecommunications, rental housing; and, public administration and defense. The following chart presents the contribution of each sector of the Guatemalan economy to GDP in 2015 (based upon preliminary data).



During the last decade, the Guatemalan economy has been gradually diversifying from primary and secondary production to services. The following activities have increased their contribution to GDP: transportation, storage and telecommunications (from 5.3% in 2001 to 10.3% in 2015); financial intermediation, insurance and ancillary activities (from 2.6% in 2001 to 5.9% in 2015); private services (from 15.5% in 2001 to 15.8% in 2015); public administration (from 7.4% in 2001 to 7.8% in 2015); and electricity and water (from 2.6% in 2001 to 2.8% in 2015).

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
(as % of real GDP at real prices)

	For the year ended December 31,				
	2011	2012	2013	2014[1]	2015[1]
Primary production:					
Agriculture, livestock, fishing and forestry....	13.3	13.6	13.7	13.6	13.5
Mining and quarries......................................	0.8	0.6	0.6	0.8	0.9
Total primary production...........................	14.3	13.9	14.0	14.8	14.8
Secondary production:					
Manufacturing	17.9	17.9	17.9	17.7	17.6
Electricity and water	2.7	2.8	2.8	2.8	2.8
Construction	2.9	2.9	2.8	2.8	2.8
Total secondary production	23.2	23.3	23.2	23.0	22.9
Services:					
Wholesale and retail trade.............................	11.6	11.7	11.6	11.6	11.7
Transportation, storage and telecommunications...................................	10.6	10.6	10.5	10.4	10.3
Financial intermediation, insurance and ancillary activities	4.4	4.8	5.1	5.4	5.9
Rental housing	10.1	10.1	10.0	9.9	9.8
Private services	16.1	16.1	16.0	15.8	15.7
Public administration and defense	7.6	7.8	8.0	7.9	7.8
Total services	58.9	59.4	59.5	59.2	59.6
Financial intermediation services indirectly measured (FISIM)	(4.0)	(4.2)	(4.6)	(4.7)	(5.0)
Taxes less subsidies on products	7.3	7.3	7.3	7.3	7.4
Total GDP[2]	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.
(2) The discrepancy between the total and the sum of components is due to the statistical difference resulting from using a mobile base price structure in accordance with the methodology suggested in the System of National Accounts 1993 (SNA93).
Source: Bank of Guatemala.

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

	For the year ended December 31,				
	2011	2012	2013	2014[1]	2015[1]
Primary production:					
Agriculture, livestock, fishing and forestry.................	5.0	4.9	4.7	3.2	3.3
Mining and quarries...	18.4	(19.3)	3.5	46.7	8.4
Total primary production..	7.1	___	4.5	9.6	4.1
Secondary production:					
Manufacturing	3.0	3.3	3.5	3.2	3.5
Electricity and water	5.6	6.4	5.2	5.0	4.5
Construction	2.4	0.8	1.7	4.4	3.4
Total secondary production	3.2	3.1	3.3	3.5	3.5
Services:					
Wholesale and retail trade..	3.8	3.0	3.2	3.8	5.8
Transportation, storage and telecommunications	4.8	3.1	2.9	3.0	3.3
Financial intermediation, insurance and ancillary activities	5.5	12.3	11.4	9.2	14.5
Rental housing	2.9	3.0	3.0	3.1	3.1
Private services[2]	4.4	2.9	3.0	3.3	3.7
Public administration and defense	4.0	5.5	6.4	2.8	2.7
Total services	4.1	3.8	4.0	3.6	4.7
Financial Intermediation Services Indirectly Measured (FISIM)..	7.0	8.9	11.2	8.7	10.1
Taxes less subsidies on products................................	4.3	3.9	3.4	4.5	5.6
Total GDP	4.2	3.0	3.7	4.2	4.1

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

Primary Sectors

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 and feedstock. Approximately 26% of its territory (108,889 km^2) is suitable for traditional crops such as coffee, bananas, African palm, cardamom, and sugarcane, 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.

The primary sector is important to the structure of the economy. Since 2010, primary production has represented on average more than 13% of GDP. In the period from 2011-2015, based on total foreign exchange earnings of exports, agriculture accounted on average for 24.2% of primary products (sugar, coffee, bananas and cardamom) that, combined with other agricultural products (fruits, flowers, vegetables, sesame, honey, etc.), represented approximately 33.7% of total exports. The agricultural, livestock, fishing and forestry sector represented 13.5% of GDP in 2015.

Between 2011 and 2015, this sector grew at an average rate of 4.22%. During this period, agricultural activities were affected by various weather phenomena such as the eruption of the Pacaya Volcano near Guatemala City in 2010 and a powerful tropical storm in 2011 that caused loss of life, disrupted transportation and commerce, and damaged public infrastructure and crops.

In 2012, the agricultural, livestock, fishing and forestry sector grew at a rate of 4.9% (5.0% in 2011), mainly due to an increase in the production of traditional crops, representing approximately 23% of the sector's production, and reflecting higher levels of production of cardamom, which expanded by 35.1% in volume terms compared to 2011, influenced by the increase in crop production areas. In the case of non-traditional crops, such as grains, vegetables and fruits, there was an increase of 4.4% compared to 2011 that was consistent with production metrics after the climatic events that occurred in 2010.

In 2013, the agricultural, livestock, fishing and forestry sector grew at a rate of 4.7% compared to 2012, primarily as a result of an increase in production of traditional crops, particular bananas, cardamom, and sugarcane. In 2014, this sector grew at a rate of 3.2% compared to 2013, mainly due to an increase in production of traditional crops, particular bananas, sugarcane and fruits, influenced by the increase in crop production areas.

Based on preliminary data, this sector grew at a rate of 3.3% in 2015 compared to 2014, primarily as a result of an increase in production of traditional crops, specifically bananas and cardamom. In addition, non-traditional crops such as basic grains, vegetables and fruits, registered production volume increases compared to 2014. This result in 2015 was partially offset by lower production of coffee given the presence of rust in coffee plantations and a fall in international prices reflecting excessive global supply.

The following table sets forth information regarding the production of certain products in the agricultural sector for the periods presented.

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

	For the year ended December 31,				
	2011	**2012**	**2013**	**2014[1]**	**2015[1]**
Coffee	6.9	2.7	(8.7)	(8.5)	(0.9)
Bananas	12.5	3.4	11.0	3.5	10.8
Cardamom	15.3	35.1	7.4	1.8	(10.3)
Sugarcane	8.8	10.9	6.7	3.1	1.7
Cereals	2.3	2.9	4.1	1.2	2.0
Vegetables	2.9	3.1	2.0	2.7	3.3
Fruits	4.2	2.0	6.7	4.7	8.3
Livestock, forestry and fishing	2.1	2.5	4.0	5.4	3.4

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

Coffee

Guatemala is one of the leading producers in the world of Arabic bean coffee. Almost all of Guatemala's coffee exports are of Arabic bean coffee. In addition, 79% is strictly "hard," which means that it is a quality product that is produced in plantations located at the highest elevations in the country. Coffee sales are made at auction in the international markets.

Coffee production volumes have fluctuated during the period 2011 to 2015, from 5.9 million *quintales* in 2011 to 5.0 million *quintales* in 2015. The contribution of coffee to GDP has also been influenced by the international price of coffee during the period.

In 2011, coffee production grew at a rate of 6.9% compared to 2010, mainly influenced by the recovery in international prices and the recovery of crops that were damaged by the weather phenomena that took place in 2010. In 2012, coffee production grew by 2.7% compared to 2011. This slower growth resulted from the presence of rust fungus and its effects that began to manifest during the fourth quarter of 2011. In 2013 and 2014, coffee production contracted by 8.7% and 8.5%, respectively, driven mainly by continuing problems with rust fungus in plantations, as well as lower international prices.

In 2015, coffee production registered a decrease of 0.9%, basically associated with the renovation of coffee plantations and other agricultural practices designed to combat rust fungus in certain plantations.

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 production season of the relevant agricultural products. The agricultural year for coffee takes place from October to September of the following year.

Coffee Production and Prices

	For the agricultural year ended September 30,				
	2011	**2012**	**2013**	**2014[1]**	**2015[1]**
Production[2]	5,851.1	6,006.1	5,483.0	5,018.9	4,974.8
Export volume[2]	5,147.6	4,999.1	4,774.8	4,045.4	4,042.2
Value of exports (in millions of US$)	US$ 1,174.2	US$ 958.1	US$ 714.5	US$ 668.2	US$ 663.0
Price per quintal (in US$)[3]	US$ 228.11	US$ 191.66	US$ 149.65	US$ 165.19	US$ 164.03

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

Bananas

In 2011, the main destination for the export of Guatemalan bananas was the United States, which accounted for 95.0% of total banana exports, with Italy, Iran and El Salvador accounting for 2.2%, 1.7% and 0.5%, respectively. Banana production increased by 12.5% compared to 2010 primarily as a result of the recovery of banana plantations that were affected by weather phenomena that occurred during 2010.

In 2012, banana production increased by 3.4% compared to 2011, primarily as a result of favorable weather conditions that resulted in better yields. Banana production grew 11.0% in 2013 compared to 2012, 3.5% in 2014, and 10.8% in 2015, in each case as a result of the expansion in growing areas and the positive effects of greater yields from favorable weather conditions.

Cardamom

Guatemala is one of the main producers of cardamom in the world. Most cardamom production is exported to the Middle East and small amounts are exported to the European Union.

In 2011 and 2012, cardamom production volume increased by 15.3% and 35.1%, respectively, resulting in a considerable decrease in international prices for cardamom due to greater global supply. In 2013 and 2014, cardamom production grew by 7.4% and 1.8%, respectively, as production volumes stabilized as international prices were produced. In 2015, cardamom production registered a decrease of 10.3% compared to 2014, principally as a result of the effects of lower international prices.

Sugarcane

Despite the negative effects caused by adverse weather conditions that prevailed in 2010, during 2011, 2012 and 2013, production of sugarcane was characterized by recovery and stabilization, as well as an expansion of sugarcane plantations and favorable weather conditions resulting in growth in production of 8.8% in 2011, 10.9% in 2012 and 6.7% in 2013. In 2014 and 2015, sugarcane production increased only by 3.1% and 1.7%, respectively, due to the standardization of the crop, after the high growth shown in previous years.

Cereals

In 2011, cereal production grew by 2.3% compared to 2010, primarily as a result of the recovery of productive areas and better crop yields following the natural phenomena that occurred in 2009 and 2010. For 2012 and 2013, cereal production grew by 2.9% and 4.1%, respectively, due to the combination of better crop yields and favorable weather conditions. By contrast, in 2014 and 2015, cereal production grew 1.2% and 2.0%, respectively. The lower growth rates during these years resulted primarily from the negative effects caused by the drought that affected part of the country, referred to as the dry corridor, which affected mainly small farmers.

Vegetables

Between 2011 and 2014, vegetable production registered stable growth rates of 2.9%, 3.1%, 2.0%, and 2.7%, respectively, as a consequence of the momentum in both external and domestic demand as well as favorable weather conditions in those years. For 2015, vegetable production showed a similar growth rate of 3.3%.

Fruits

For the period 2011-2013, production of fruits grew 4.2%, 2.0% and 6.7%, respectively, primarily as a result of the recovery of production and stabilization after the weather phenomena that affected production in 2010. In 2014 and 2015, production of fruits registered growth rates of 4.7% and 8.3%, respectively, primarily as a result of increased external demand for watermelon and papaya.

Secondary Sectors

Manufacturing

The three main activities of the manufacturing sector in 2015 were food, beverages, and tobacco which represented 43.7% of total manufacturing output, with textiles, clothing, leather, and footwear which accounted for 20.1% of manufacturing output, and other manufactured products accounting for the remaining 23.6% of the total.

The manufacturing sector registered a growth of 3.0% during 2011. This relatively moderate rate of growth was associated with reduced 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, ceramics, cement, concrete and other non-metal and metal products and machinery and equipment. Furthermore, these goods were influenced by higher external demand, as well as a recovery of intermediate demand for products destined for the construction sector.

In 2012, manufacturing activity grew by 3.3%, mainly due to increased production volume of food, beverages and tobacco products, which in aggregate increased 5.4%. This was principally due to an increase in sugar production during the 2011/2012 harvest season and an increase of internal and external demand for those products. In 2013, manufacturing grew 3.5% reflecting the recovery of textiles and clothing manufacturing activities driven by an increase in external demand for these goods. It was also affected by the positive results of food manufacturing activities, especially those related to the production of sugar.

In 2014, manufacturing grew 3.2%, as a result of greater demand for other manufactured products, particularly those related to sawing and wood products, chemicals, rubber and plastics, glass, ceramics, clay, cement and concrete products, metal products and machinery and equipment. Food processing, beverages and tobacco activities and those related to the processing of textiles and garments observed a positive growth, although, lower than the growth rate registered in 2013.

For 2015, manufacturing activity grew 3.5%, based on better expectations in textiles, publishing and printing, glass products, ceramics, cement and other non-metal products.

The following table sets forth information regarding selected manufacturing production for the years indicated.

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

	As of or for the year ended December 31,				
	2011	2012	2013	2014(1)	2015(1)
Food, beverages and tobacco	2.7	5.4	4.5	4.6	3.4
Textiles, clothing, leather and footwear	(1.2)	(2.2)	3.8	1.9	4.9
Other manufactured goods	5.6	1.7	1.7	2.7	4.3

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

Electricity and Water

From 2011 to 2015, the electricity and water sector showed a rate of growth of 5.3%. This growth rate is based on a higher growth in power generation, increasing demand for electricity, and higher electricity exports, according to statistics published by the Wholesale Market Administrator.

Construction

In 2011, construction activity recorded a recovery with growth of 2.4% compared to the 11.5% decrease recorded in 2010 compared to 2009. The rehabilitation of road infrastructure and the recovery of the construction of residential and non-residential buildings had a positive impact in the overall performance of construction activity. In 2012, the positive trend continued, with the construction sector growing 0.8%.

In 2013 and 2014, construction activity grew by 1.7% and 4.4%, respectively, mainly driven by the implementation of infrastructure projects undertaken by the central Government related to highway expansion and by the private sector related to residential and non-residential building. In 2015, construction growth suffered a slight slowdown compared to 2014 with an estimated growth rate of 3.4%, due to a decline in the number of infrastructure projects undertaken by the central Government.

Services

The services sector represented 59.6% of GDP in 2015. Private services were 15.7% of GDP, followed by wholesale and retail trade with 11.7%, transport, storage and communications with 10.3%, rental housing with 9.8%, public administration and defense with 7.8%, and financial intermediation, insurance, and ancillary activities with 5.9%.

In 2012, 2013 and 2014, the services sector grew at a rate of 3.8%, 4.0% and 3.6%, respectively, mainly due to the growth in intermediate demand for agricultural, industrial and commercial activities and the increase in major users of these services.

In 2015, the services sector grew 4.7%, driven primarily by growth of telecommunications services, financial intermediation, insurance and ancillary activities, wholesale and retail trade, and transportation, storage and communications.

Wholesale and Retail Trade

In 2011, wholesale and retail trade grew 3.8%, primarily as a result of the evolution (in terms of volume) of agricultural activities and imports of goods. The number of new retail chains and the opening of new shopping centers also contributed to growth in this sector in 2011.

In 2012, wholesale and retail trade recorded a lower growth rate of 3.0%, as a result of the slowdown in imports of goods and in the value in agricultural activities. This was offset in part by faster growth in the volume of goods produced by manufacturing industries and the opening of new shopping centers throughout the country.

From 2013 to 2015, wholesale and retail trade registered growth rates of 3.2%, 3.8% and 5.8%, respectively, due in each year to increased demand for goods, both produced locally and imported, which generated greater volumes of commercialized products.

Transportation, Storage and Telecommunications

According to the Telecommunications Superintendency of Guatemala, or SIT (*Superintendencia de Telecomunicaciones de Guatemala*), demand in telecommunications has been driven by the increase in new telephone lines (mobile), which increased from 4.5 million lines in 2005 to 18.1 million lines in 2010.

The transportation, storage and telecommunications sector represented 10.5% of GDP in 2013, and from 2007 to 2013 these activities recorded average growth rate of 7.7%, influenced mainly by greater activity in the telecommunications services, which accounted for an average 77.2% of all activity in the sector during the seven-year period.

In 2014 and 2015, the transportation, storage and telecommunications sector grew at rates of 3.0% and 3.3%, respectively. This growth performance was influenced by increased domestic and foreign trade, which underpinned transportation and storage activities. However, the telecommunications sector was less dynamic, associated to normalization in operations in the telephony market and related services.

Private Services

In 2011, private services activities registered an increase of 4.4% compared to 2010, explained by the positive performance of hotels and restaurants, which recorded growth of 3.5%, as a result of the expansion of international chains and national restaurants and the greater number of fast food restaurants. Additionally, there was an increase in advertising services associated with the presidential elections held in 2011 and in call center services that contributed to growth in the sector. Although numbers continued the positive trend during 2012, there was a slowdown with a growth rate of 2.9%.

In 2013 and 2014, public services activity grew at rates of 3.0% and 3.3%, respectively, driven principally by demand associated with manufacturing, trade, public administration and defense, among other business services. In addition, growth in these years resulted from an increase in maintenance and repair of vehicles, hotels and restaurant activity, as well as greater final demand for households and individual services.

In 2015, private services grew by 3.7%, driven principally by growth in maintenance and repair, hotels and restaurants and intermediate services such as real estate rental, advertising, legal, and accounting services.

Financial Intermediation, Insurance and Ancillary Activities

In 2011, financial intermediation, insurance and ancillary activity grew at a rate of 5.5% compared to 2010. The main factor associated with this growth rate was the recovery in demand for credit by the private sector. For 2012, growth was 12.3%, primarily as a result of the increase in bank lending to the private sector. In 2013, financial intermediation, insurance and ancillary activity grew 11.4%, influenced by continued robust activity in bank credit to the private sector and higher banking fees.

In 2014, this sector registered a lower growth rate of 9.2%, due primarily to lower bank loan originations to the private sector and the net commissions received by financial entities than in 2013. In 2015, the financial intermediation, insurance and ancillary sector grew by 14.5% compared to 214, due primarily to continued increased banking services activities, increased insurance business and higher volumes of credit card operations.

Public Administration and Defense

In 2011, public administration and defense grew at a rate of 4.0%. This result was influenced by increased public sector investment by the central Government, which was consistent with the payments of higher wages to employees of various ministries and governmental agencies. In 2012, public administration and defense grew by 5.5% due to higher expenditures by the central Government, consistent with the implementation of a policy to pay higher real wages to public sector employees.

In 2013, public administration and defense grew by 6.4%, primarily as a result of continued introduction of the increase in central Government salaries to public employees. In 2014 and 2015, public administration and defense registered slower growth of 2.8% and 2.7%, respectively, due to slower growth in payment of real wages public sector employees that had been absorbed in prior years.

Rental Housing

From 2012 to 2015, there has been an average increase of 3.0% in rental housing, reflecting steady growth in the supply of housing or number of housing units completed for leasing, which was boosted by higher construction activity, particular of residential housing.

Human Development

The Human Development report published by the United Nations in 2015 presented the Human Development Index ("HDI") ranking 188 countries in terms of long-term progress in Human Development in three basic aspects: (i) a long and healthy life, (ii) access to education and (iii) a decent standard of living. The first aspect is measured by life expectancy. The second is measured by number of years of schooling for people 25 years of age and the expected years of schooling for school-aged children. The third aspect is measured by gross national income ("GNI") per capita expressed in constant 2011 U.S. dollars converted using purchasing power parity ("PPP") rates.

Using consistent time series data, the table below presents the change in the HDI and the component indices:

Guatemala's HDI Trends Based on Consistent and Comparable Time Series Data

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP in U.S. dollars)	HDI value
1980	57.2	6.0	2.4	6,164	0.445
2014	71.8	10.7	5.6	6,929	0.627
Difference 2014-1980	14.6	4.7	3.2	765	0.182
% change	25.5%	78.3%	133.3%	12.4%	40.9%

Source: Human Development Report

Since 1980, there have been important advances in human development in Guatemala, which reflects a transition from military governments to democratic elections starting in 1986, and the execution of the Peace Agreements that ended the internal conflict that lasted 36 years.

Between 1980 and 2014, life expectancy at birth increased by 14.6 years from 57.2 to 71.8 years (25.5%). Expected schooling years for children increased by 4.7 years (78.3%) and schooling years for people age 25 increased by 3.2 years (133.3%). GNI per capita increased from US$6,164 to US$6,929 (12.4%).

Poverty has been reduced over time in the past decades. The following table presents general and extreme poverty statistics for the years indicated.

Trends in Overall Poverty in Guatemala
(as percent of total population)

	Year ended December 31,				
	1989*	2000	2006	2011	2014
General poverty	62.8	56.2	51.0	53.7	59.3
Extreme Poverty	18.1	15.7	15.2	13.3	23.4

Sources: World Bank, Secretariat of Planning and Programming of the Presidency, INE and CEDLAS and La Plata University.

The proportion of the population below the extreme poverty line (less than US$1.00 per day) was 23.4% in 2014. Despite the negative effects on infrastructure and on economic conditions of weather phenomena suffered by the population, the Monetary Conditional Transfer Program contributed to support the most vulnerable and poorest families. The proportion of people below the poverty line has decreased from 62.8% in 1989 to 59.3% in 2014.

There have been substantial improvements in education. According to the *Comité Nacional de Alfabetización* (Conalfa) the illiteracy rate (% of population aged 15 and older) halved from 29.3% in 2002 to 13.1% in 2015. According to the Ministry of Education, the net school enrollment rate has improved considerably not only for primary school, but also for higher levels as shown in the following table.

School Indicators, Primary and Secondary Education (%)

	2010		2011		
School level	School enrollment, net (% net)	Students promoted (%)	School level	School enrollment, net (% net)	Students promoted (%)
Elementary School	95.8	85.1	Elementary School	92.8	84.8
Middle School	42.9	66.2	Middle School	43.4	67.8
High school	22.3	74.36	High school	23.5	75.4

	2012			2013			2014	
School level	School enrollment, net (% net)	Students promoted (%)	School level	School enrollment, net (% net)	Students promoted (%)	School level	School enrollment, net (% net)	Students promoted (%)
Elementary School	89.1	85.7	Elementary School	85.4	86.6	Elementary School	82.3	87.5
Middle School	43.2	68.2	Middle School	44.0	69.6	Middle School	44.9	71.6
High school	24.2	77.3	High school	24.1	80.1	High school	24.4	83.1

Sources: Ministry of Education

By 2014, primary school enrollment was 82.3%. The proportion of elementary students promoted also increased from 85.1% in 2010 to 87.5% in 2014. Similarly, the school enrollment and promotion indicators of middle school and high school education improved for the same period, with net school enrollment increasing from 42.9% in 2001 to 44.9% in middle school by 2014, and from 22.3% in 2010 to 24.4% in high school. The proportion of students promoted increased from 66.2% in 2010 to 71.6% in middle school by 2014, and from 74.34% in 2010 to 83.1% in high school by 2014.

Most primary education is provided in public schools. However, secondary education has significant private sector participation. There are 19,209 elementary schools, 8,025 middle school and 4,345 high schools. As of December 31, 2015, approximately 14.9% of elementary schools, 46.6% of middle school and 81.1% of high schools were private. Public school participation decreases in higher levels of education because the Constitution states that public education must be gratuitous free up to grade middle school (Art. 74).

For higher education, the Constitution mandates that the University of San Carlos must receive at least 5% of ordinary public revenues of the State (Art. 84). Access to higher education has also improved in recent years. According to the World Bank, gross enrollment (regardless of age), in higher education, expressed as a percentage of the total high school age population, increased from 16.9% in 2007 to 18.3% in 2013 (the most recent date for which such data is available).

There have been important improvements in health and education, important challenges still remain. Based on the final report on compliance with the Millenium Development Objectives 2015 (*Objectivos de Desarrollo del Milenio, 2015*) published by the Planning and Programming Secretariat of the Presidency (SEGEPLAN), mortality of children 5 years of age and younger, has been reduced from the 1987 base year rate of 110 per 1,000 live born to 35 per 1,000 in 2015. Similarly, infant mortality rates during the same measurement years decreased from 73 per 1,000 live births in 1987 to 28 in 2015. The maternal mortality rate decreased from 219 per 100,000 live births in 1989 to 113 in 2013, the most recent date for which and data is available. Chronic undernourishment (children aged 5 or younger) also reduced from 62.2% in 1987 to 46.5% in 2014-2015.

To reduce malnutrition and to further improve the health of the population, especially for the poorest and more vulnerable sectors, the Government launched several policies and programs to improve the inter-institutional coordination to target more efficiently the public resources earmarked to support the poorest families.

The Ministry of Social Development ("MIDES" for its acronym in Spanish) has been joining efforts to strengthen the Zero Hunger Pact (*El Pacto Hambre Cero*) to gradually cover all municipalities with support services it provides. Some of its achievements were:

- Reduction of chronic malnutrition in children under five years of age from 49.8% in 2008 to 39.8% in 2015.

- Reduction of the maternal mortality ratio from 139.7 per 100,000 live births in 2007 to 129.7 per 100,000 live births in 2015.

- Reduction of neonatal mortality.

- Increase of availability of food to families in poverty and extreme poverty.

- Increase of income of families in poverty and extreme poverty.

These improvements have resulted from Government measures to strengthen support services in the poorest communities of the vulnerable municipalities of the country (166 out of 340).

The Ministry of Agriculture, Livestock and Nutrition (*Ministerio de Agricultura, Ganadería y Alimentación* – "MAGA" for its acronym in Spanish) also supported the food security of the more vulnerable municipalities through the Zero Hunger Pact with the following programs: (i) Commercial Agriculture (*Agricultura Comercial*) to enhance rural productivity and employment; (ii) Dignity Triangle (*Triángulo de la Dignidad*) to provide technical assistance, training, and credit access to produce basic grains, and agricultural products; and (iii) the program for Land Leases (*Arrendamiento de Tierras*) that provides access to productive land, credit and technical assistance to vulnerable populations in rural areas. Other actions taken by the MAGA are to provide food assistance to the poorest municipalities in order to prevent famines. Other programs of the National Institute of Forest Administration (*Instituto Nacional de Administración de Bosques* – INAB) incentivize families and communities to protect forest areas and recovery programs, in 118 the poorest municipalities, most of them targeted by the Zero Hunger Pact.

For 2015, the MIDES has also provided access to nutritious foods through My Secure Basket program (*Mi Bolsa Segura*) to approximately 244,000 poor families, and also to 313,000 families affected by drought, flood, or other emergencies, where most of the recipients are women (93%). My Secure Dining Room program (*Mi Comedor Seguro*) offered 2.3 million free food rations to vulnerable populations.

Monetary Conditional Transfers

In 2015, the MIDES provided conditional transfers to poor families via My Secure Bonus (*Mi Bono Seguro*), where 95% of recipients were women (including poor families with pregnant women, small children and those with children up to 15 years) and approximately 497,024 families have been served. MIDES also provided during 2015, 2,666 scholarships for middle school education and funding for 470 tertiary education and 3,448 scholarships for artisans. These transfers have contributed to reduce the vulnerability of the poorest families and to increase their human capital investment.

All the resources of different public institutions that coordinate and provide resources to achieve the aims of the Zero Hunger Pact (which includes 8 Ministries; 6 secretariats and 4 institutions) in 2013 invested approximately Q2.6 billion (US$330.9 million). In addition the financial resources destined for the Peace Agreements have increased their participation in the budget execution from 40.6% in 2001 to 48.4% in 2015.

According to the final report of the Millennium Development Objectives, undernourishment has decreased from 17.8% in 2002 to 12.6% in 2014. Chronic undernourishment of children under five also decreased significantly since 2008, from 49.8% to 46.5% in 2014.

Business Environment

The World Bank's Doing Business report measures how easy is to open a small or a medium-size business for a local entrepreneur when complying with relevant regulations. It includes quantitative indicators on business regulations and the protection of property rights that can be compared among 189 countries over time. In the last report, Guatemala was ranked third in Doing Business (81st position in the overall ranking) in Central America (Costa Rica 58, Panama 69, El Salvador 86, Honduras 110, Belize 120, and Nicaragua 125).

The Global Competitiveness Report published by the World Economic Forum in 2015-2016, ranked Guatemala 78th among 140 countries (five positions higher than the ranking in 2011-2012). This Report analyzes twelve aspects of the economy. According to the 2015-2016 Report, Guatemala improved in its macroeconomic environment; goods, market and efficiency; financial market development; and business sophistication.

Employment, Informality and Wages

Labor force participation has increased as result of population growth. The following table presents statistics of the labor market. According to the National Statistics Institute, in 2015 employment increased 6.1 million out of 6.3 million people. The unemployment rate has decreased from 3.7% in 2010 to 2.4% in 2015.

Labor Market Statistics

	As of December 31,				
	2011	2012	2013	2014[1]	2015[1]
Employed (POA)	5,341,221	6,055,826	5,811,193	6,131,995	6,121,591
Labor force (PEA)	5,571,358	6,235,064	5,990,436	6,316,005	6,273,526
Social Security affiliates	1,154,378	1,185,866	1,222,300	1,237,262	1,490,942
Unemployment rate (%)	4.1	2.9	3.0	2.9	2.4
Labor force participation (%)	61.8	65.4	60.5	60.2	60.4
Social security coverage of PEA (%)	20.7	19.0	20.4	19.6	24.3

(1) Preliminary data.
Source: INE

According to data published by the National Statistics Institute, in 2010, approximately 5.2 million Guatemalans were employed compared to 6.1 million in 2015. The unemployment rate decreased from 4.1% in 2011 to 2.4% in 2015.

Social security coverage is approximately 20.0%. According to the Ministry of Work and Social Welfare, in 2016 the minimum monthly salary is Q2,284.15 (US$299.2) for the maquila industry (which has a lower minimum wage than other activities) and the monthly minimum bonus is Q250.00 (US$32.80). The minimum wage varies by sector. In 2015, the minimum daily wage was Q72.36 (US$9.53), which increased by 3.5% in 2016; and for other private activities (agriculture and non-agriculture) the minimum daily wage in 2015 was Q78.72 (US$10.36), which increased by 5% in 2016.

Recently, the Ministry of Labor and Social Welfare and the Ministry of Economy signed the National Policy for Safe, Decent and Quality Employment. This policy aims to improve the compliance of labor laws, to enhance the productivity of the labor force, to increase efficiency, quality and technical change, to increase legal certainty, and to promote dissemination of the labor regulations to employees.

The following table sets forth information regarding affiliated employment to the social security by economic sector for the years showed.

Employment Affiliated to the Social Security (Total and % of Sector Participation)

	For the year ended December 31,				
	2011	2012	2013	2014[1]	2015[1]
Total employment	1,154,378	1,185,866	1,222,300	1,237,262	1,267,429
Agriculture, livestock, fishing and forestry[2] (%)	13	12.2	11.7	11.9	11.7
Mining and quarries (%)	0.4	0.4	0.5	0.5	0.4
Manufacturing (%)	13.3	12.7	12.5	12.3	12.3
Construction (%)	1.5	1.5	1.2	1.2	1.1
Electricity and water (%)	0.8	0.9	0.9	0.9	0.9
Wholesale and retail trade (%)	19.3	20.1	20.5	19.5	19.8
Transportation, storage and telecommunications[3] (%)	3.3	3.3	3.3	3.4	3.3
Services[3] (%)	48.5	49.0	49. 4	50.3	50.4
Total	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.
(2) Includes agro-industry.
(3) Includes IGSS and Government (Budget, payroll, supernumerary).
Source: Actuarial and Statistical Department.

Infrastructure Investment

Maritime Ports. Guatemala is strategically located with access to the Pacific and Atlantic oceans. There are three main commercial ports: Champerico and Puerto Quetzal in the Pacific, and Santo Tomas de Castilla in the Atlantic.

Airports. To support tourism arrivals and trade by air, Guatemala has two international airports: *La Aurora Airport –AILA–*, and the *Aeropuerto Internacional del Mundo Maya* (Mayan World International Airport, or AIMM). La Aurora is the main airport for passenger and air cargo traffic. It has been refurbished and expanded to increase its capacity. There are also smaller airports for domestic flights, including the Puerto Barrios, San José and Retalhuleu airfields.

Road Infrastructure. As of the end of 2015, Guatemala had four categories of roads: Central American routes (1,333.0 miles); national routes (1,809.2 miles); departmental routes (4,592.8 miles); rural roads (2,741.8 miles), totaling 10,476.8 miles, of which (43.5% are paved.

Electricity sector. In 2014, total electricity generation was 10,490.5 GWh, of which 9,782.3 GWh was produced locally, and the rest was imported from the Regional Electricity Market. Total electricity consumption was 8,953.5 GWh in 2014. Since 2007, Guatemala exports electricity to Central America. The Ministry of Energy and Mines is promoting policies to transform the generation matrix so that by 2027 at least 80% of all electricity is produced using renewable resources.

Guatemala imposes a social tariff on electricity consumers to subsidize poor families that consume less than 300 kWh, through a program managed by the National Institute for Electrification (*Instituto Nacional de Electrificación*). Electricity coverage estimates grew from 83.7% of the population in 2010 to 90.2% in 2014 according to data published by the Ministry of Energy and Mines, the highest rate of electrification in the country's history.

TRANSPARENCY AND CORRUPTION

CICIG

The Agreement for the establishment of the International Commission against Impunity in Guatemala (CICIG as per its acronym in Spanish) was signed in 2006 after a long negotiation process among the State of Guatemala, the civil society and the United Nations, in accordance with the commitments made by Guatemala in relation to the Comprehensive Agreement on Human Rights. The CICIG was ratified by Congress on August 2007, by Decree No. 35-2007, after the Constitutional Court issued a favorable advisory opinion. The CICIG is an international and independent organization, created to support, strengthen and assist institutions of the State of Guatemala in the investigation and prosecution of crimes allegedly committed by illegal groups and vigilant or clandestine security forces and other criminal organizations. Currently, the CICIG has a mandate in full force until September 2017 and the extension through 2019 is in process and already requested by Guatemala. During this time, three Commissioners have chaired the CICIG. Iván Velasquez Gomez, who assumed his role in October 2013, is the current appointed Commissioner.

The CICIG works together with institutions in its fight against impunity:

- *Public Ministry*. As the main institution of criminal investigation of the country, is the most important partner of the CICIG. This has strengthened the trust between agents, assistant prosecutors and investigators of the CICIG.

- *The Ministry of Interior*, as head of the security entities, represents a strong ally in the fight against impunity. During the first months of 2015, the CICIG supported the fight against extortion, strengthening the relations with this Ministry.

- *Supreme Court of Justice.* As a result of the partnership should be emphasized the creation of the First Court of major risks “C”, which would enable the processing of the high impact proceedings with greater agility and speed.

- *Civil Society.* A institutional policy of openness to civil society has allowed to analyze circumstantial situations domestic scene, to acknowledged issues from different points of view and establish cooperative relations in various areas of the Commission’s work.

- *Academic Sector and Think Tanks.* This has helped on issues related to the justice system, the electoral financing policy, the country's customs system and the legal reforms necessary to consolidate a Constitutional State. The view of this sector represents an important source of input for the design and execution of the institutional policy of this Commission.

- *Business Sector.* The relationship between the Coordinating Committee of Agricultural, Commercial, Industrial and Financial Associations (CACIF) and the CICIG have also been characterized by multiple bilateral meetings with leaders of different business associations, in order to analyze the national situation and the problems caused by the smuggling of goods, to identify criminal structures responsible for these acts and their possible link with state agents.

Relationship with donors and international agencies. The Commission held numerous productive meetings with diplomatic representatives of foreign governments accredited by Guatemala. It is also relevant to mention that representatives of international organizations have exchanged ideas and experiences that strengthen the work of the CICIG, as well as allied activities or third parties that are in interested in supporting the institutionalization of the country. The financial contributions from donor countries have been as vital as the appointment of experts to contribute to the fulfillment of specific functions within the Commission. In this regard, it is important to emphasize the permanent provision that Argentina, Chile, Colombia, Sweden and Uruguay have had to extend the permanency of its staff in the CICIG. Recently, Peru has formalized its willingness to send specialized staff to support the work of the Commission and Switzerland is making the necessary arrangements to ensure the future presence of its experts. As for the national economy the donors have reaffirmed their commitment to financial support that will enable the continuity of the work of the current mandate.

Citizens Movement

On April 16, 2015, the CICIG and the Public Ministry filed before the Supreme Court of Justice the case of a customs fraud known as La Linea, a criminal structure that involved high ranking members of the state. According to the investigation, the members of this criminal structure supposedly controlled the Tax Administration generated millions of dollars in profits for the individuals involved in the scheme. The first phase of the investigation resulted in a series of arrests that included the former President Otto Pérez Molina, officials of the SAT and against Roxana Baldetti, who was the Vice President at that time. Public demonstrations against corruption were held for more than four consecutive months throughout Guatemala City and in several provincial capitals.

Recent Developments in Corruption Cases

The "Linea" Case

The evidence collected during the investigation by the CICIG and the Public Ministry confirmed a link between the heads of the criminal structure and Juan Carlos Monzón Rojas, the private secretary of the then vice president, Roxana Baldetti. As a result of this investigation during the months of May and June 2015, several government officials, including the Vice President Roxana Baldetti, resigned from their respective offices due to accusations of corruption. On August 21, 2015 former Vice President Baldetti was arrested on charges of conspiracy, fraud and customs fraud, all related to her alleged involvement in the customs corruption racket for which she had previously resigned. On that same day, Guatemala´s Public Ministry in conjunction with the CICIG filed a request for impeachment against the then President Otto Perez Molina over his alleged involvement in the customs corruption racket. On September 2, 2015, President Otto Perez Molina resigned from office following the approval by the Guatemalan Congress to strip him of immunity, and Guatemala's Attorney General issued an arrest warrant for Perez Molina on the same day which led to his arrest.

Salvador González Álvarez (alias "Eco"), testified before the Court for Major Risk B that former President Otto Pérez and former Vice President Roxana Baldetti saw the Puerto Quetzal port in the Pacific Ocean as a "gold mine." Mr. Gonzalez's testimony detailed how the scheme to defraud the port operated and hour proceeds were shared among the conspirators. The CICIG confirmed that the prosecution of the corruption case by Government authorities had been handled in an acceptable manner, including the prosecution of former president Otto Pérez.

The investigation in connection with this case is still ongoing and additional charges may be filed against other individuals.

Money Laundering and Policies (The Clearing of Congress)

The CICIG, as part of its mandate, issued a report on the "Campaign Finance in Guatemala" as a tool to detect irregular mechanisms used by some political parties for financing their campaigns. On July 15, 2015, the Special Prosecutor Against Prosecutor (SFIC) filed before the Supreme Court a petition to remove immunity against two members of Congress, Jaime Antonio Martinez Lohaiza and Jesus Manuel Barquin Duran, Vice Presidency candidate of the political party LIDER at the time. The investigation began in the second semester of 2014, alleging the existence of a scheme based in the Department of Jutiapa since 2009 to develop laundering activities and with the collaboration of local and national state authorities.

The Case of the Public Ministry Against José Isabel Maldonado Castillo

During the investigation of the Money Laundering case, the Public Ministry and the CICIG confirmed involvement in the corruption and money laundering case of prosecutor José Isabel Maldonado Castillo, who in 2011 partially dismissed a complaint filed by the Special Verification Intendency (IVE), against Edgar Guerra d head of the money laundering conspiracy. In August 2015, Mr. Maldonado Castillo was accused of obstruction of justice, and was granted a plea bargain.

Network Cases

This case involves allegations of influence peddling of public officials, a judge and private individuals. The investigation began in 2014 when businessman César Augusto Medina Farfán, illicitly brokered business transactions sought advantages and impunity from public officials such as Private Secretary of the President of the Republic, Gustavo Martínez, and Carlos Muñoz, former superintendent of the SAT. Mr. Gustavo Martínez, also the son-in-law of President Otto Pérez, was sentenced to house arrest on January 9, 2016.

Health Providers

The investigation by the CICIG and the Special Prosecutor Against Impunity (SFIC) began on October 27, 2015, which dismantled a criminal structure that was allegedly integrated by officials and employees of the Guatemalan Institute of Social Security ("IGSS" as per its acronym in Spanish) and private individuals, whose purpose was to favor certain medicine suppliers in exchange for kick-backs. The presiding judge opened trial against ten of the accused, and decreed house arrest to them. The process is at an intermediate stage, meaning that the Judge has not defined if they have to stand trial.

The Clearing of the Congress of the Republic

The PM and the CICIG are currently investigating cases related to Members of Congress such as:

- Fraud of job positions in Congress: in June 2015, an impeachment was issued against the former president and Congressman Pedro Menéndez Muadi, embezzlement and criminal association. He resigned from office after the case was exposed.

- Irregular procurement to remodel the headquarters of the Guatemalan Institute of Social Security, located in the department of Chiquimula, where congressman Baudilio Hichos accrued public funds

- The request for impeachment of Congressman Mario Israel Rivera Cabrera by the CICIG and FECI in July 2015, for the alleged crimes of illicit enrichment and money laundering.

- Influence peddling at the Ministry of Social Development, which relates to Congressmen Luis Adolfo Chavez Perez, Mirza Judith Arreaga Meza and Mario Yanes Guerra. These cases were assigned by the Supreme Court to a magistrate judge. The Congressmen have filed a series of actions to limit the magistrate judge's ability to hear any case of impeachment.

- The impeachment of Congressman Gudy Rivera Estrada, following assertions by Magistrate Judge Claudia Escobar Mejia of the Fifth Chamber of the Court of Civil and Commercial Branch Appeals that the legislator attempted to pressure the magistrate judge to grant an injunction in favor of Vice President Roxana Baldetti, in exchange for being reelected judge.

- On July 15, 2015, the SFIC filed before the Supreme Court a petition to remove immunity against two members of Congress, Jaime Antonio Martinez Lohayza and Jesus Manuel Barquin Duran, and also against Baltazar Edgar Barquin Duran, Vice Presidency candidate of the political party LIDER at the time. The investigation began in the second semester of 2014, alleging the existence of a scheme based in the Department of Jutiapa since 2009- to develop laundering activities and with the collaboration of local and national authorities represented in various branches of government. Former Congressmen Manuel Barquin and Jaime Martinez Lohayza allegedly received funding for their political campaign in exchange for protection by Edgar Barquin, who held the position of President of the Bank of Guatemala.

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, and is comprised 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 2011 to 2015, the current account registered annual deficits that fluctuated between 3.4% and 0.3% of GDP, representing an average deficit of 2.2 of GDP during the period. The entry into effect of DR-CAFTA in 2006 resulted in 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 in the aftermath of the global economic and financial crisis. A recovery of the main factors that make up the current account occurred in 2011. This recovery was associated with the positive growth rates registered in foreign trade and remittances. From 2012 to 2014, the recovery of the global economy continued but at a moderate pace and the emerging economies remained as the main source of global economic growth. The current account deficit in 2014 was 2.1% of GDP. In 2015, the current account deficit was 0.3% of GDP, reflecting a moderate recovery of the country's foreign trade. Exports of merchandise in 2015 decreased by 1.5% (increased by 7.9% in 2014) and imports decreased by 4.0% (increased by 4.3% in 2014).

The persistent shortfall in the net service balance from 2011 to 2015, was caused mainly by the performance of the transportation, storage and telecommunications and the final intermediating insurance and as ancillary activities line items 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 of incoming of tourists.

The rent balance has been persistently showing deficit mainly as a result of payments on external public debt, as well as the remittance of profits and dividends by foreign firms.

Capital Account

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

Between 2011 and 2015, 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 the private sector's external liabilities (encouraged by greater liquidity abroad). Those flows provided resources to finance the current account deficit.

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

Balance of Payments
(in millions of US$(1))

	For the year ended December 31,				
	2011	2012	2013(1)	2014(2)	2015(2)
Current account: (3)					
Trade balance:					
Exports (FOB):					
Traditional	2,918.0	2,797.6	2,739.6	2,785.5	2,599.9
Non-traditional	7,600.6	7,305.1	7,443.0	8,206.2	8,230.9
Total exports	10,518.6	10,102.7	10,182.6	10,991.7	10,830.8
Imports (FOB)	(15,482.0)	(15,837.7)	(16,358.7)	(17,055.8)	(16,379.6)
Trade deficit	(4,963.4)	(5,735.0)	(6,176.1)	(6,064.1)	(5,548.8)
Services balance(4)	(118.7)	78.1	(80.6)	(57.7)	(114.5)
Rent (net)	(1,650.4)	(1,297.6)	(1,207.1)	(1,552.9)	(1,618.3)
Current transfers:					
of which:					
Remittances	4,396.0	4,915.6	5,246.0	5,699.1	6,460.6
Foreign aid	614.8	587.7	701.4	529.9	395.9
Other	123.0	141.6	165.3	216.0	222.6
Total current transfers, net	5,133.8	5,644.9	6,112.7	6,445.0	7,079.1
Total current account	(1,598.7)	(1,309.6)	(1,351.1)	(1,229.7)	(202.5)
Capital and financial account:					
Capital account	2.6	—	—	—	—
Financial account:					
Bank of Guatemala	(2.3)	(2.4)	(1.9)	(38.2)	(20.1)
Public sector	37.4	721.0	799.2	5.7	464.1
Bonds, net	(325.0)	700.0	400.0	—	—
Loans	362.3	21.0	399.2	5.7	464.1
Disbursements	644.3	296.1	697.5	317.6	813.8
Amortization	(282.0)	(275.1)	(298.3)	(311.9)	(349.7)
Private sector, net:					
Foreign direct investment, net	1,008.9	1,205.4	1,261.5	1,282.3	1,115.8
Portfolio investment, net	(66.9)	22.1	532.6	794.4	(51.9)
Other investment, net	1,049.7	315.9	28.4	(247.3)	(246.4)
Total financial account	2,026.8	2,262.0	2,619.8	1,796.9	1,061.5
Total capital and financial account	2,029.4	2,262.0	2,619.8	1,796.9	1,061.5
Errors and omissions	(224.8)	(453.5)	(566.5)	(494.7)	(383.6)
Change in reserve assets(4)(5)	205.9	498.9	702.2	72.5	475.4
Current account deficit (as % of GDP)	(3.4)%	(2.6)%	(2.5)%	(2.1)%	(0.3)%

(1) Translated from *quetzales* to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of December 31, 2015.
(2) Preliminary 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 has been characterized by the export of agricultural commodities and the import of raw materials, consumer and capital goods, and intermediate products.

The following tables present the exports by type of product, certain information of Guatemala's principal exports, and exports classified by destination for the years indicated.

Exports (FOB) by Type of Product(1)
(in millions of US$(2) and as % of total exports)

	For the year ended December 31,									
	2011		2012		2013		2014(3)		2015(3)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Traditional:										
Coffee	1,174.2	11.3	958.1	9.6	714.5	7.1	668.2	6.2	663.0	6.2
Sugar	648.8	6.2	803.0	8.1	941.9	9.4	951.7	8.8	850.6	8.0
Bananas	475.3	4.6	499.8	5.0	594.7	5.9	651.8	6.0	716.3	6.7
Oil	335.4	3.2	291.7	2.9	277.3	2.8	277.0	2.6	126.9	1.2
Cardamom	296.9	2.9	250.3	2.5	215.6	2.2	239.8	2.2	243.1	2.3
Total traditional	2,930.6	28.2	2,802.9	28.1	2,744.0	27.4	2,788.5	25.8	2,599.9	24.4
Non-traditional:										
Exports outside of Central America:										
Chemical products	292.6	2.8	290.8	2.9	285.6	2.8	319.5	3.0	368.1	3.4
Vegetables	174.2	1.7	190.1	1.9	192.7	1.9	206.8	1.9	217.0	2.0
Fruits and preservatives	353.4	3.4	453.7	4.6	512.3	5.1	534.0	4.9	522.4	4.9
Natural rubber	366.4	3.5	275.2	2.8	222.2	2.2	171.5	1.6	127.1	1.2
Flowers and plants	76.3	0.7	83.5	0.8	93.9	0.9	76.5	0.7	85.4	0.8
Sesame seeds	27.6	0.2	29.6	0.3	48.9	0.5	51.6	0.5	43.2	0.4
Processed foods	392.5	3.8	439.9	4.4	455.1	4.5	502.7	4.7	490.3	4.6
Shrimp, fish and lobster	59.7	0.6	62.9	0.6	69.6	0.7	76.0	0.7	50.6	0.5
Other(4)	2,929.8	28.2	2,551.2	25.6	2,622.3	26.2	3,004.6	27.8	3,064.9	28.7
Total non-traditional exports to countries other than Central America	4,672.5	44.9	4,376.9	43.9	4,502.6	44.9	4,943.2	45.8	4,969.0	46.5
Exports to Central America(5)	2,797.8	26.9	2,798.9	28.1	2,778.2	27.7	3,072.4	28.4	3,110.7	29.1
Total non-traditional	7,470.3	71.8	7,175.8	71.9	7,280.8	72.6	8,015.6	74.2	8,079.7	75.6
Total exports	10,400.9	100.0	9,978.7	100.0	10,024.8	100.0	10,804.1	100.0	10,679.6	100.0

(1) Total exports in the balance of payments differ from the total exports presented above since these amounts do not include goods acquired in ports.
(2) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(3) Preliminary data.
(4) Includes honey, tobacco, clothing, textiles, wood, glass and others.
(5) Not include the amount corresponding to traditional products.
Source: Bank of Guatemala.

Volume and Price of Leading Exports(1)

	For the year ended December 31,				
	2011	2012	2013	2014(2)	2015(2)
Coffee export volume (thousands of *quintals*)	5,147.6	4,999.1	4,774.8	4,045.4	4,042.2
Coffee export price (US$/*quintal*)	228.11	191.66	149.65	165.19	164.03
Sugar export volume (thousands of *quintals*)	28,437.5	33,747.2	42,555.1	46,662.0	47,123.6
Sugar export price (US$/*quintal*)	22.81	23.79	22.13	20.39	18.05
Banana export volume (thousands of *quintals*)	35,335.7	36,571.2	41,561.4	43,222.3	47,489.5
Banana export price (US$/*quintal*)	13.45	13.67	14.31	15.08	15.08
Oil export volume (thousands of barrels per year)	3,529.4	3,018.6	2,984.6	3,220.1	3,169.6
Oil price (US$/barrel)	95.03	96.63	92.93	86.01	40.03
Cardamom export volume (thousands of *quintals*)	510.7	793.5	855.9	856.6	737.2
Cardamom export price (US$/*quintal*)	581.31	315.51	251.84	279.96	329.73

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

Geographic Distribution of Exports (FOB)[1]
(in millions of US$[2] and as % of total exports)

	For the year ended December 31,									
	2011		2012		2013		2014[3]		2015[3]	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	4,307.5	41.4	3,955.0	39.6	3,778.9	37.7	3,812.7	35.3	3,681.9	34.5
Mexico	512.3	5.0	550.2	5.5	469.6	4.7	433.7	4.0	429.8	4.0
Canada	158.7	1.5	149.5	1.5	159.5	1.6	235.1	2.2	232.2	2.2
Total North America	4,978.5	47.9	4,654.7	46.6	4,408.0	44.0	4,481.5	41.5	4,343.9	40.7
Central America:										
Costa Rica	404.3	3.9	424.5	4.3	396.2	3.9	418.3	3.9	417.7	3.9
El Salvador	1,132.3	10.9	1,110.8	11.0	1,108.5	11.1	1,264.0	11.7	1,239.7	11.6
Honduras	814.7	7.8	795.5	8.0	791.0	7.9	885.5	8.2	903.4	8.5
Nicaragua	459.1	4.4	473.4	4.8	486.9	4.9	513.7	4.7	554.8	5.2
Total Central America	2,810.4	27.0	2,804.2	28.1	2,782.6	27.8	3,081.5	28.5	3,115.6	29.2
South America:										
Argentina	8.8	0.1	4.4	0.1	5.7	0.1	3.1	0.0	7.5	0.1
Brazil	21.1	0.2	11.1	0.1	16.3	0.1	19.1	0.2	20.0	0.2
Colombia	67.4	0.6	61.3	0.6	38.6	0.4	52.9	0.5	62.2	0.6
Ecuador	24.2	0.2	22.1	0.2	22.2	0.2	28.1	0.3	38.0	0.3
Venezuela	70.0	0.7	72.2	0.7	88.9	0.9	71.1	0.6	73.9	0.7
Other South America	229.4	2.2	223.9	2.3	148.0	1.5	153.5	1.4	165.6	1.5
Total South America	420.9	4.0	395.0	4.0	319.7	3.2	327.8	3.0	367.2	3.4
Europe:										
France	28.2	0.3	20.4	0.2	26.8	0.3	22.9	0.2	21.3	0.2
Germany	145.2	1.4	119.7	1.2	88.1	0.9	118.2	1.1	85.1	0.8
Italy	106.5	1.0	84.6	0.8	61.4	0.6	75.3	0.7	108.9	1.0
Netherlands	136.2	1.3	170.1	1.7	255.9	2.5	270.7	2.5	285.3	2.7
Spain	83.6	0.8	95.1	1.0	80.1	0.8	98.7	0.9	59.2	0.5
United Kingdom	40.5	0.4	39.6	0.4	48.0	0.5	59.1	0.6	86.8	0.8
Other EU	164.6	1.6	121.3	1.2	102.3	1.0	175.7	1.6	189.3	1.8
Total EU	704.8	6.8	650.8	6.5	662.6	6.6	820.6	7.6	836.6	7.8
Other Europe	70.8	0.7	64.2	0.7	61.9	0.6	81.6	0.8	92.8	0.9
Total Europe	775.6	7.5	715.0	7.2	724.5	7.2	902.2	8.4	929.4	8.7
Asia:										
Japan	212.2	2.0	176.7	1.8	188.7	1.9	162.5	1.5	185.5	1.7
Saudi Arabia	102.9	1.0	86.4	0.9	67.4	0.7	74.9	0.7	72.9	0.7
South Korea	125.0	1.2	53.1	0.5	153.3	1.5	293.0	2.7	111.6	1.1
Taiwan	38.2	0.4	52.2	0.5	58.9	0.6	61.0	0.6	44.8	0.4
Other Asia	266.0	2.6	256.1	2.6	425.5	4.2	455.7	4.2	562.4	5.3
Total Asia	744.3	7.2	624.5	6.3	893.8	8.9	1,047.1	9.7	977.1	9.2
Africa:										
South Africa	10.5	0.1	6.7	0.1	18.4	0.2	6.7	0.1	3.4	0.0
Other Africa	60.7	0.6	146.5	1.4	203.1	2.0	230.7	2.1	223.6	2.1
Total Africa	71.2	0.7	153.2	1.5	221.5	2.2	237.4	2.2	227.0	2.1
Oceania:										
Australia	9.2	0.1	8.1	0.1	6.5	0.1	9.0	0.1	20.2	0.2
New Zealand	3.1	0.0	3.0	0.0	14.0	0.1	3.0	0.0	15.0	0.1
Total Oceania	12.3	0.1	11.1	0.1	20.5	0.2	12.8	0.1	35.2	0.3
Other[3]	587.7	5.6	621.0	6.2	654.2	6.5	714.6	6.6	684.2	6.4
Total	10,400.9	100.0	9,978.7	100.0	10,024.8	100.0	10,804.1	100.0	10,679.6	100.0

(1) Total exports in the balance of payments differ from the total exports of this table since these amounts do not include good acquired in ports.
(2) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(3) Preliminary data.
(4) Includes the Dominican Republic, Netherlands Antilles, Panama, Puerto Rico and others.
Source: Bank of Guatemala.

The Republic's exports in 2015 were mainly destined for North America (40.7%), Central America (29.2%), Asia (9.2%), and Europe (8.7%). Although Europe is the Republic's fourth most relevant export market, the EU-Central America Association Agreement (ADA) is expected to result in an increase in aggregate export volumes to this important region, but also its relative importance as a destination for the Republic's export products is expected to improve.

The table below presents imports classified by product. In 2015, the main imports were raw materials and intermediate goods (35.0%), followed by consumer goods (27.5%), capital goods (19.8%), mineral fuels and lubricants (15.0%).

Imports (CIF) by Product(1)
(in millions of US$(2) and as % of total imports)

	For the year ended December 31,									
	2011		2012		2013		2014(3)		2015(3)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Raw materials and intermediate goods:										
Agriculture	555.9	3.3	632.3	3.7	636.9	3.7	639.0	3.5	603.8	3.6
Manufacturing	5,196.6	31.3	4,942.0	29.1	5,102.2	29.1	5,248.5	28.7	5,201.6	31.4
Total raw materials and intermediate goods	5,752.5	34.6	5,574.3	32.8	5,739.1	32.8	5,887.5	32.2	5,805.3	35.0
Consumer goods:										
Durable and semi-durable	1,866.4	11.2	2,032.5	12.0	2,051.6	11.7	2,181.2	11.9	2,485.3	15.0
Non-durable	2,582.0	15.6	2,712.0	15.9	2,885.9	16.5	3,026.8	16.6	3,139.9	12.5
Total consumer goods	4,448.4	26.8	4,744.5	27.9	4,937.5	28.2	5,208.0	28.5	5,625.2	27.5
Capital goods:										
Manufacturing, telecommunications and construction	2,276.9	13.7	2,314.4	13.6	2,612.2	14.9	2,651.8	14.5	2,663.4	16.1
Transportation	393.9	2.4	560.1	3.3	441.3	2.5	470.4	2.6	512.7	3.1
Agriculture	69.4	0.4	76.5	0.5	70.3	0.4	80.5	0.4	98.1	0.6
Total capital goods	2,740.3	16.5	2,951.0	17.4	3,123.8	17.8	3,202.7	17.5	3,274.3	19.8
Mineral fuels and lubricants	3,284.3	19.8	3,307.6	19.5	3,310.3	18.9	3,534.4	19.3	2,482.7	15.0
Construction materials	387.0	2.3	416.4	2.4	406.9	2.3	448.7	2.5	450.3	2.7
Other	0.5	0.0	0.5	0.0	0.3	0.0	0.5	0.0	1.6	0.0
Total imports	16,613.0	100.0	16,994.4	100.0	17,517.9	100.0	18,281.8	100.0	17,639.5	100.0

(1) Total imports in the Balance of Payments differ from the total imports of this table since these amounts include goods acquired in ports and because in this table those are valued Cost, Insurance and Freight (CIF) while in Balance of Payments they are valued Free on Board (FOB).
(2) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(3) Preliminary data.
Source: Bank of Guatemala.

The table below presents the geographic origin of imports. North America is the most important source of imports (49.0%), followed by Asia (21.0%), and Central America (11.3%).

Geographic Distribution of Imports (CIF)(1)
(in millions of US$(2) and as % of total imports)

	For the year ended December 31,									
	2011		2012		2013		2014(3)		2015(3)	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	6,508.6	39.2	6,460.6	38.0	6,488.9	37.0	7,345.1	40.2	6,512.4	36.9
Mexico	1,858.9	11.2	1,915.7	11.3	1,860.2	10.6	1,951.6	10.7	2,040.0	11.6
Canada	100.4	0.6	93.3	0.6	86.2	0.5	77.7	0.4	94.9	0.5
Total North America	8,467.9	51.0	8,469.6	49.9	8,435.3	48.1	9,374.4	51.3	8,647.3	49.0
Central America:										
Costa Rica	455.5	2.7	476.8	2.8	519.80	3.0	537.3	2.9	599.6	3.4
El Salvador	820.4	4.9	777.2	4.6	820.00	4.7	830.6	4.6	903.7	5.1
Honduras	344.7	2.1	367.1	2.1	394.80	2.2	424.1	2.3	366.6	2.1
Nicaragua	76.9	0.5	97.8	0.6	109.90	0.6	125.1	0.7	131.4	0.7
Total Central America	1,697.6	10.2	1,718.9	10.1	1,844.5	10.5	1,917.1	10.5	2,001.3	11.3
South America:										
Argentina	91.4	0.6	162.5	1.0	186.9	1.0	57.4	0.3	73.2	0.4
Brazil	274.7	1.7	250.8	1.5	249.4	1.4	202.4	1.1	227.0	1.3
Colombia	596.8	3.6	551.4	3.2	770.1	4.4	376.9	2.1	375.8	2.1
Ecuador	184.0	1.1	224.2	1.3	134.7	0.8	68.0	0.4	69.1	0.4
Venezuela	58.1	0.3	41.2	0.2	10.1	0.1	39.7	0.2	24.0	0.2
Other	299.8	1.8	321.2	1.9	279.9	1.6	407.7	2.2	319.6	1.8
Total South America	1,504.8	9.1	1,551.3	9.1	1,631.1	9.3	1,152.1	6.3	1,088.7	6.2
Europe:										
France	52.4	0.3	69.2	0.4	90.3	0.5	79.3	0.4	89.6	0.5
Germany	256.1	1.6	278.1	1.6	289.4	1.6	276.9	1.5	288.9	1.6
Italy	108.0	0.7	118.3	0.7	124.9	0.7	143.0	0.8	119.0	0.7
Netherlands	96.6	0.6	94.2	0.5	112.6	0.6	108.4	0.6	131.7	0.7
Spain	172.0	1.0	186.4	1.1	222.1	1.3	305.0	1.7	262.9	1.5
United Kingdom	51.8	0.3	43.9	0.3	46.1	0.3	47.0	0.3	44.9	0.3
Other	356.7	2.1	304.5	1.8	328.2	1.9	336.4	1.8	388.0	2.2
Total EU	1,093.6	6.6	1,094.6	6.4	1,213.6	6.9	1,296.0	7.1	1,325.0	7.5
Other Europe	263.4	1.6	271.1	1.6	267.9	1.5	86.7	0.5	95.9	0.5
Total Europe	1,357.0	8.2	1,365.7	8.0	1,481.5	8.4	1,382.7	7.6	1,420.9	8.0
Asia:										
Indonesia	19.7	0.1	27.1	0.2	37.7	0.2	36.0	0.2	40.1	0.2
Japan	303.9	1.8	276.3	1.6	255.2	1.5	255.8	1.4	279.6	1.6
South Korea	369.0	2.2	427.2	2.5	405.0	2.3	440.1	2.4	433.8	2.5
Taiwan	122.7	0.8	128.9	0.7	125.7	0.7	121.5	0.7	146.0	0.8
Other Asia	1,831.2	11.0	2,050.9	12.1	2,197.3	12.6	2,688.6	14.7	2,801.6	15.9
Total Asia	2,646.5	15.9	2,910.4	17.1	3,020.9	17.3	3,541.9	19.4	3,701.1	21.0
Africa:										
South Africa	2.3	0.0	6.4	0.0	6.5	0.1	6.8	0.0	3.5	0.0
Other Africa	19.9	0.1	28.8	0.2	4.6	0.0	6.3	0.0	5.5	0.1
Total Africa	22.2	0.1	35.2	0.2	11.1	0.1	13.1	0.0	9.0	0.1
Oceania:										
Australia	19.4	0.1	14.1	0.1	12.4	0.1	7.5	0.0	11.5	0.1
New Zealand	17.5	0.1	18.3	0.1	18.7	0.1	21.8	0.1	23.7	0.1
Total Oceania	36.9	0.2	32.4	0.2	31.1	0.2	29.3	0.1	35.2	0.2
Other(4):	880.1	5.3	910.9	5.4	1,062.4	6.1	871.1	4.8	736.0	4.2
Total	16,613.0	100.0	16,994.4	100.0	17,517.9	100.0	18,281.7	100.0	17,639.5	100.0

(1) Total imports in the Balance of Payments differ from the total imports of this table since these amounts include goods acquired in ports and because in this able those are valued Cost, Insurance and Freight (CIF) while in Balance of Payments they are valued Free on Board (FOB).
(2) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(3) Preliminary data.
(4) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

Traditional Exports

Coffee

In 2011, exports of coffee were valued at US$1,174 million compared to US$958.1 million in 2012. The 18.4% decrease in 2012 was the result of a 2.9% decrease in volume from 5.1 million *quintals* in 2011 to 5.0 million *quintals* in 2012 and to a decrease in the international price per *quintal* of coffee from US$228.11 in 2011 to US$191.66 in 2012, which resulted from a significant increase in coffee supply globally.

In 2013, exports of coffee were valued at US$714.5 million, 25.4% lower than the US$958.1 million in 2012, primarily as a result of the lower international price per *quintal* of US$149.65 compared to US$191.66 in 2012. In volume terms, coffee exports were 4.8 million *quintals* in 2013 compared to 5.0 million *quintals* in 2012.

In 2014, the international prices of coffee increased to US$165.19 per *quintal* from US$149.65 per *quintal* in 2013 as a result of a deficit in the supply due to a drought in Brazil. Coffee exports were US$668.2 million in 2014 compared to US$714.5 million in 2013, primarily as a result of a decrease in volume exported from 4.8 million *quintales.* Exports of coffee in 2015 were US$663.0 million, 0.8% lower than in 2014 (US$668.2 million). In volume terms, coffee exports totaled 4.0 million of *quintals*, similar amount in 2014. International price of coffee in 2015 was US$164.03 per *quintal*, while in 2014 it was US$165.19.

Sugar

In 2012, exports of sugar were valued at US$803.0 million, a US$154.2 million or 23.8% increase compared to 2011. This increase in 2012 was attributable primarily to an increase in total volume exported from 28.4 million *quintals* in 2011 to 33.7 million *quintals* in 2012 and, to a lesser extent, to an increase in price per *quintal* of sugar to US$23.79 per *quintal* in 2012 from US$22.81 per quintal in 2011.

Sugar exports in 2013 were valued at US$941.9 million, an increase of US$138.9 million or 17.3% compared to US$803.0 million in 2012. The increase in 2013 was attributable primarily to higher volume exported which increased from 33.7 million *quintals* in 2012 to 42.6 million *quintals* in 2013, which more than compensated for the decrease in price per *quintal* to US$22.13 in 2013 from US$23.79 per quintal in 2012. Higher volume of exports in 2013 resulted from the improved yields from sugarcane plantations primarily as a result of improved weather conditions that resulted in higher yields per planted acre.

In 2014, the international price of sugar fell as a result of higher levels of stock in most of the main exporter countries, a weak demand in China and Russia, and also due to the effects of the appreciation of the U.S. dollar.

Exports of sugar in 2015 reached US$850.6 million, 10.6% or US$101.1 million lower than in 2014 (US$951.7 million). The volume of sugar exports totaled 47.1 million *quintals*, 0.4 million *quintals* (0.9%) more than that recorded in 2014 (46.7 million *quintals*). Moreover, the international price per *quintal* of sugar in 2015 was US$18.05 per *quintal*, equivalent to a 11.5% decrease compared to 2014 (US$20.39).

Bananas

In 2012, exports of bananas were valued at US$499.8 million compared to US$475.3 million in 2011, representing an increase of 5.2%. This increase in 2012 resulted primarily from a 3.5% increase in volume of exports to 36.6 million *quintals* from 35.3 million *quintals* in 2011 and to a slight increase in price per *quintal* from US$13.45 in 2011 to US$13.67 in 2012.

Banana exports in 2013 were valued at US$594.7 million, 19.0% higher than the US$499.8 million recorded in 2012. The increase in 2013 was attributable primarily to a 13.6% increase in volume exported from 36.6 million *quintals* in 2012 to 41.6 million *quintals* in 2013 and, to a lesser extent, to an increase in price per *quintal* from US$13.67 in 2012 to US$14.31 in 2013.

Banana exports in 2015 were valued at US$716.3 million, an increase of US$64.5 million or 9.9% compared to US$651.8 million in 2014. The volume exported in 2015 reached 47.5 million *quintals*, representing an increase of 4.3 million *quintals* compared to 43.2 million *quintals* in 2014. The international price per *quintal* was US$15.08 in both 2014 and 2015.

Global stocks of bananas showed a reduction in production from Ecuador, Costa Rica, Honduras and Colombia, as those countries faced unfavorable weather conditions in 2014 and 2015. In addition, the growth in volume of Guatemalan exports of bananas was driven, among other factors, by higher productivity associated with favorable weather conditions during 2015 in the main producing regions.

Cardamom

Exports of cardamom in 2012 were valued at US$250.3 million compared to US$296.9 million in 2011, representing a decrease of 15.7%, which was primarily attributable to a sharp decline in international prices per *quintal* from US$581.31 in 2011 to US$315.51. Volume of cardamom exports increased by 55.4% in 2012 to 0.8 million *quintals* from 0.5 million *quintals* in 2011. The decrease in price per *quintal* of cardamom during 2012 resulted primarily from global over supply.

In 2013, cardamom exports were valued at US$215.6 million, a 13.6% decrease compared to US$250.3 million in 2012, while volume exported increased to 0.9 million *quintals* from 0.8 million *quintals* in 2012, but the price per *quintal* in 2013 decreased to US$251.84 per *quintal* from US$315.51 in 2012.

The international price of cardamom recovered in 2014 to US$279.96 per *quintal* from US$251.84 in 2013, primarily as a result of the improved quality of cardamom produced in Guatemala that generated greater acceptance in the key markets for the product. Volume exported in 2014 was 0.9 million *quintals*, in line with 2013.

Exports of cardamom in 2015 were US$243.1 million, an increase of US$3.3 million or 1.4% compared to US$239.8 million in 2014. In volume terms, exports of cardamom were 0.7 million *quintals*, similar to the volume exported in 2014. Furthermore, the export price per *quintal* in 2015 was US$329.73 per *quintal*, US$49.77 more than the price per *quintal* recorded in 2014 (US$279.96).

Oil

In 2012, oil exports were valued at US$291.7 million, a US$43.7 million or 13.0% decrease compared to US$335.4 million in 2011. Export volume decreased to 3.0 million barrels from 3.5 million barrels in 2011. The international price per barrel in 2012 was US$96.63 compared to US$95.03 per barrel in 2011.

Oil exports were valued at US$277.3 million in 2013, a decrease of US$14.4 million or 4.9% compared to US$291.7 million in 2012. Oil export value decreased 1.1% to slightly less than 3.0 million barrels in 2013 from slightly more than 3.0 million barrels in 2012. In 2014, exports of oil were valued at US$277.0 million a US$0.3 million decrease compared to 2013, notwithstanding the 0.2 million barrel increase in volume that resulted from the decrease during 2014 in price per barrel of oil to US$86.01 from US$92.93 in 2013.

Oil exports were valued at US$126.9 million in 2015, a decrease of US$150.1 million or 54.2% compared to 2014. The average export price per barrel of oil decreased from US$86.01 in 2014 US$40.03 per barrel in 2015. In terms of volume, exports in 2015 were almost the same as exports in 2014 at 3.2 million barrels.

Non-traditional Exports

In 2012, non-traditional exports were valued at US$7,175.8 million, a decrease of US$294.5 million or 3.9% compared to US$7,470.3 million in 2011. This decrease in 2012 was attributable primarily to a 6.3% decrease in exports of non-traditional products to Central American countries a 12.9% decrease in other exports and to a 24.9% decrease in exports of natural rubber, partially offset by a 12.1% increase in processed foods and a 28.4% increase in fruits and preservatives.

In 2013, non-traditional exports were US$7,280.8 million, an increase of US$105.0 million or 1.5% compared to 2012, primarily attributable to greater exports of food and preservatives, in processed foods and in other exports, partially offset by decreased exports of natural rubber and chemical products. Exports to Central American countries were stable in 2013 compared to 2012 while exports to other countries increased slightly.

In 2014, non-traditional exports were valued at US$8,015.0 million an increase of US$734.2 million or 10.1% over 2013, primarily as a result of increases in the value of all non-traditional exports in 2014 except for exports of natural rubber and flowers and plants. Non-traditional exports were valued at US$8,079.7 million in 2015, US$64.7 million higher than exports of recorded US$8,015.0 million in 2014. This increase in 2015 resulted primarily from an increase in exports to Central American neighbors.

Tourism Proceeds

Guatemala has several tourist attractions and a rich and diverse cultural history including the Mayan Culture. As such, tourism is an important source of foreign currency for the country.

The following tables set forth information related to foreign currency earnings coming from tourism and total number of tourists visiting Guatemala for the period presented.

Income from Tourism
(in millions of US$(1) and % change from prior period)

	As of December 31,				As of September 30	
	2011	2012	2013	2014(1)	2014(1)	2015(1)
Income from tourism	937.2	986.8	1,020.6	1,041.0	830.3	822.9
% change from prior year	(4.9)	5.3	3.4	2.0	N/A	(0.9)

(1) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(2) Preliminary data.
N/A = Not available.
Source: Bank of Guatemala.

Number of Foreign Visitors by Country or Region

Country or Region	For the year ended December 31,				For the nine months ended September 30,
	2011	2012	2013	2014	2015(1)
Canada	42,719	53,696	52,955	52,531	38,667
Unites States of America	429,216	434,175	446,814	447,140	324,247
Mexico	132,661	144,076	152,506	139,437	98,852
Belize	35,960	35,481	40,303	33,758	18,607
El Salvador	542,316	604,871	638,058	795,614	640,320
Honduras	223,010	235,680	220,497	214,664	124,402
Nicaragua	74,362	77,238	77,691	63,837	46,575
Costa Rica	42,039	44,984	46,417	39,739	30,075
Panama	12,571	12,499	12,919	13,011	10,617
South America and the Caribbean	64,576	68,375	78,276	88,006	70,616
Europe	173,074	185,871	177,994	191,364	126,747
Asia	25,636	25,458	24,198	27,356	21,706
Other countries	24,523	28,769	31,498	35,941	23,336
Total	1,822,663	1,951,173	2,000,126	2,142,398	1,574,767

(1) Preliminary data.
(2) Tourism data for 2015 is only available through September 30.
N/A = Not available.
Source: Guatemalan Tourism Institute (INGUAT).

In the period 2011-2015, income from tourism and travel fluctuated from year to year, primarily as a result of several international events. However, the total number of tourists continued its upward trend, with the exception of 2011 primarily due to the effects of Tropical Storm Agatha.

For 2012 and 2013, income from tourism increased, as global tourism began to recover from the effects of the international economic crisis and the A (H1N1) pandemic. In addition, Guatemala celebrated the “13 Baktun” (culmination of 5,200 year cycle of the Mayan civilization’s calendar), that attracted hundreds of international visitors. For 2014, tourism arrivals increased by 7.1% to 2.1 million from 2.0 million in 2013.

For 2014, tourism has increased due to the promotion of the attractiveness of Guatemala as a tourism destination, and an improving on air connectivity.

Foreign Direct Investment

Foreign Direct Investment by Country and Economic Activity (in millions of US$)(1)

	For the year ended December 31,									
	2011		2012		2013		2014(2)		2015(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Central America and Dominican Republic:										
Panama	12.7	1.2	27.2	2.2	2.9	0.2	18.1	1.3	21.6	1.8
Honduras	13.4	1.3	22.5	1.8	59.4	4.6	6.6	0.5	17.9	1.5
El Salvador	17.1	1.7	5.6	0.4	15.9	1.2	52.8	3.8	15.4	1.3
Costa Rica	6.9	0.7	25.1	2.0	15.3	1.2	19.2	1.4	6.4	0.5
Nicaragua	0.1	—	13.5	1.1	—	—	0.2	—	0.1	—
Dominican Republic	0.3	—	3.6	0.3	0.4	—	0.3	—	—	—
Total Central America and Dominical Republic	50.5	4.9	97.5	7.8	93.9	7.2	97.2	7.0	61.4	5.1
Rest of World:										
United States	127.2	12.4	227.2	18.3	220.9	17.1	440.6	31.7	347.8	28.8
Colombia	154.9	15.1	48.4	3.9	154.8	11.9	141.9	10.2	181.8	15.0
Mexico	81.4	7.9	95.7	7.7	142.8	11.0	105.2	7.6	97.6	8.1
Canada	305.4	29.8	289.7	23.3	155.5	12.0	108.6	7.8	63.4	5.2
Spain	2.0	0.2	48.9	3.9	73.5	5.7	42.6	3.1	59.5	4.9
Russia	12.6	1.2	134.2	10.8	185.4	14.3	85.5	6.2	57.1	4.7
Luxembourg	0.0	0.0	0.1	0.0	24.8	1.9	38.7	2.8	44.9	3.7
South Korea	38.0	3.7	34.7	2.8	47.5	3.7	33.6	2.4	32.0	2.6
Israel	(15.1)	(1.5)	1.0	0.1	10.2	0.8	38.3	2.7	25.3	2.1
Switzerland	3.8	0.4	28.6	2.3	19.0	1.5	24.5	1.8	17.1	1.5
England	121	11.8	73.7	5.9	(30.0)	(2.3)	71.8	5.2	11.5	1.0
Germany	31.1	3	28.5	2.3	28.5	2.2	21.6	1.6	9.7	0.8
Taiwan	0.2	—	0.5	—	1.4	0.1	0.4	—	1.5	0.1
Portugal	0.4	—	—	—	0.3	—	—	—	0.1	—
China	6.2	0.6	0.2	—	—	—	0.2	—	(0.9)	(0.1)
Others	106.5	10.4	135.6	10.9	166.9	12.9	138.0	9.9	198.7	16.5
Total rest of world	975.6	95.1	1,147.0	92.2	1,201.5	92.8	1,291.5	93.0	1,147.1	94.9
By Economic Activity										
Energy	330.7	32.2	150.3	12.1	190.8	14.7	384.3	27.7	377.0	31.2
Manufacturing	149.7	14.6	144.8	11.6	186.0	14.4	178.6	12.9	189.3	15.7
Trade	106.3	10.4	304.2	24.4	254.3	19.6	278.7	20.0	141.9	11.7
Agriculture, petroleum, mining and quarry	325.2	31.7	417.8	33.6	334.7	25.8	201.2	14.5	139.5	11.5
Banks	71.8	7.0	98.7	7.9	172.4	13.3	157.8	11.4	124.7	10.3
Telecommunications	35.0	3.4	82.7	6.6	89.9	6.9	129.9	9.4	105.6	8.8
Other activities	7.4	0.7	46.0	3.8	67.3	5.3	58.2	4.1	130.5	10.8
Total	1,026.1	100.0	1,244.5	100.0	1,295.4	100.0	1,388.7	100.0	1,208.5	100.0

(1) Translated from quetzales to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of each year-end date.
(2) Preliminary data.
Source: Bank of Guatemala.

Compared to 2007, there has been an increase in foreign direct investment flows to Guatemala, reflecting an improvement in the business climate and the effect of DR-CAFTA. Most foreign direct investment flows have been directed to mining, agriculture, manufacturing, electricity, commerce and other industries.

Following ratification and entry into effect of DR-CAFTA in 2006, the expectations arising from trade liberalization of trade led to an increase in foreign direct investment, as companies invested mainly in the mining and power generation sectors, as well as manufacturing and commercial and services sector. Along with a favorable macro-economic stability and improved infrastructure, as well as incentives and promotion of laws that targeted capital investment, foreign direct investment inflows to Guatemala have shown a positive growth in most years (with the exception of 2009 in the aftermath of the international economic crisis) with growth of 67% in the period from 2007 to 2012.

In 2015, foreign direct investment flows came primarily from the United States (28.8%), Mexico (8.1%), Colombia (15.0%), and Canada (5.2%), which together accounted for 57.1% of total foreign direct investment. In 2015, the key sectors for foreign direct investment flows were energy, with 31.2%, manufacturing with 15.7%, and trade with 11.7% of total foreign direct investment.

Remittances

The average annual growth rate of workers' remittances in the period 2011-2015 was 8.3%. In 2015, the net flow of workers' remittances amounted to US$6,460.6 million. According to the "Survey on Remittances 2010, Protection for Childhood and Adolescence" published by the International Organization for Migration, 1.6 million Guatemalan migrants were estimated to be residing abroad in 2010. Substantially all workers' remittances in 2015 originated in the United States.

Exchange Rate Policy and Foreign Exchange Rates

The exchange rate is allowed to float freely and is determined by supply and demand of foreign exchange. We believe the Bank of Guatemala's intervention in the foreign exchange market is warranted in some circumstances, including when such intervention is aimed at moderating exchange rate volatility, without affecting its trend. Against this background, the intervention of the Bank of Guatemala in the foreign exchange market is triggered by a transparent, quantitative rule aimed at moderating excessive volatility without interfering with the trend of the nominal exchange rate. During 2011, the *quetzal* appreciated 2.5% against the U.S. dollar. In 2012, the nominal exchange rate depreciated by 1.2% against the U.S. dollar. In 2013 and 2014, the *quetzal* appreciated by 0.8% and 3.1%, respectively, and in 2015 the exchange rate depreciated 0.5%.

The Bank of Guatemala's intervention rule has been modified several times since its inception, in order to allow for greater flexibility for intervention in the exchange 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 behavior of the exchange rate reflects a seasonal pattern, which prevailed during the 2011-2015 period. In 2014, fluctuations in the exchange rate were generally consistent with historical exchange rate movements. However, during the second half 2014, exchange rate showed a relative appreciation against the U.S. dollar.

Exchange Rates
(Q per US$1.00)

	Period End	Average for Period
2011	7.81083	7.78343
2012	7.90230	7.83110
2013	7.84137	7.85657
2014	7.59675	7.73095
2015	7.63237	7.65564

Source: Bank of Guatemala.

MONETARY AND FINANCIAL SYSTEM

Financial System

The financial system of Guatemala is comprised of 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 Superintendency of Banks, under the direction of the Monetary Board. The equity market is not well 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 issuers of long-term debt securities.

The Monetary Board and the Bank of Guatemala

The Constitution empowers the Monetary Board, as the governing body of the Bank of Guatemala, to determine the monetary and foreign exchange 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, as chairman, 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. 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 of Guatemala 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 policy is consistent with the objective of price stability. Thus, the Bank of Guatemala participates in the foreign exchange market within a set of rules publicly known, only to reduce exchange rate volatility.

Monetary Policy

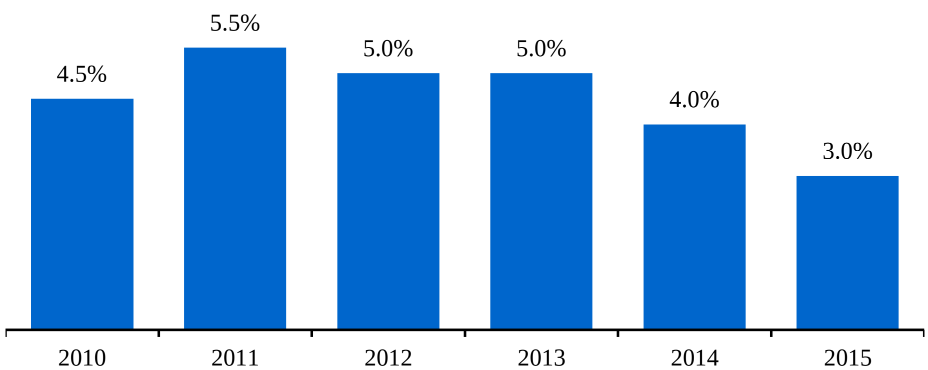
In an inflation targeting regime, the Bank of Guatemala generally announces the monetary policy stance in relation to the inflation outlook of the economy by determining the short term interest rate that has an impact on the liquidity conditions of the financial markets. This interest rate is usually called “monetary policy leading interest rate.” When the Bank of Guatemala identifies significant inflationary pressures, it increases the level of the monetary policy leading 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 leading interest rate. The Bank of Guatemala keeps the monetary policy leading interest 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 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.

Beginning in 2013, the Monetary Board's medium-term inflation target has been to maintain the inflation rate within a target range of 4.0%, plus or minus 1%, and to achieve the following goals:

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

Since June 1, 2011, the monetary policy lending rate has been 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 the maintenance, on average, of lower balances of short-term deposits at the Bank of Guatemala, which in turn improves the incidence of changes in monetary policy leading interest rate on financial decisions and, consequently, on lending and borrowing rates, enhancing the transmission mechanism of the monetary policy on aggregate demand, the real exchange rate and, particularly, on the path of inflation. The graph below shows the monetary policy lending rate for the years presented.



Source: Bank of Guatemala.
Note: These percentages represent year-end figures.

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 the Bank of Guatemala for the receipt of term deposits ("DP"). For the year ended December 31, 2015, these operations registered volume of Q23,554.9 million (US$3,086.2 million), or 4.8% of GDP.

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, designed 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, provides the framework to regulate foreign currency transactions that are suspected of being associated with illegal activities such as the drug trade. This law makes money laundering a crime, requires reporting of suspicious financial transactions, and permits the Guatemalan authorities to share information about such suspicious transactions with other countries through a Memorandum of Understanding. Any cash transaction in excess of US$10,000 in domestic or foreign currency has to be registered and reported to the Superintendency of Banks. This law establishes 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 Bureau), 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 in or out of the country is required to report such fact at the port of entry or exit. The Special Verification Intendancy is obligated 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 anti-money laundering regime.

- The Bank of Guatemala's Organic Law, which became effective on June 1, 2002, has 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 provides that the Bank of Guatemala is an autonomous entity authorized to set monetary policy, that members of the Monetary Board may only be removed for cause, and that the Bank of Guatemala is required to release information to the public related to monetary policy and its implementation. In addition, the law establishes 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 uses monetary, exchange and credit policies to promote stability at the general level of prices.

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

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

- The Banking Supervision Law (Decree 18-2002), which became effective as of June 1, 2002, gives the Superintendency of Banks greater functional independence, regulatory oversight and greater disciplinary authority to exercise its supervisory functions more effectively. This law is intended to promote greater public confidence in the banking system. In addition, this law establishes the qualifications required of the head of the Superintendency of Banks, including its authority and causes for removal.

- The Insurance Activity Law (Decree 25-2010), which became 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, as well as 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, enhancing its ability 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 Insurance Activity Law, the Monetary Board has issued several regulations beginning in 2010. In addition, the Superintendent of Banks, within its jurisdiction, has issued regulation of its own pursuant to this law.

- The Microfinance Entities Act (Decree 25-2016) passed by Congress on April 12, 2016, regulates the incorporation procedure, licensing, merger, functioning, operations, services, suspension and liquidation of the microfinance companies.

In addition, specific provisions within these and other laws have been put in place for the: (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 Superintendency of Banks; and (xi) modernization of the payment system for large transactions.

To date, these improvements have proven to be effective. In 2006-2007, difficulties in two commercial banks, which accounted for approximately 10% of the 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 Banking and Financial Groups Law. Furthermore, the impact on the rest of the financial system was contained. The deposit insurance fund ("FOPA") and the Fiduciary Fund for Bank Capitalization financed the effect of the dissolution of the two failed banks. The 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 in the face of the 2008-2009 global financial crisis. The financial sector had limited exposure to the sources of the global financial crisis and banks had not invested in high-risk instruments linked to the U.S. mortgage market. Moreover, the financial system experienced significant consolidation in recent years, with weaker institutions being absorbed by generally more solid ones. Starting in 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 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.

Nevertheless, the Guatemalan financial sector still faces significant 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.

Commercial Banks

As of December 31, 2015, Guatemala had 17 commercial banks, including one branch of a foreign bank and one Government-owned bank. Four large commercial banks have the largest market share based on assets and deposits. As of December 31, 2015, these banks held 75.3% of total assets of the financial system and 73.4% of deposits of the Guatemalan banking system. As of December 31, 2015, total assets of Guatemalan commercial banks totaled Q264,623.8 million (US$34,671.3 million). Total liabilities of Guatemala's commercial banks amounted to Q240,121.7 million (US$31,461.0 million), of which Q192,543.6 million (US$25,227.2 million) were deposits. The state-owned bank has 1.2% of market share based on assets in the Guatemalan bank system.

Offshore Entities

As of December 31, 2015, there were six offshore entities authorized to operate in Guatemala, one of them in the process of voluntary liquidation. Approximately 85.7% of the assets are concentrated in three institutions, which also held 86.8% of total deposits. Total assets of the offshore entities were Q25,423.2 million (US$3,331.0 million), which represent 8.5% of total assets of the Guatemalan financial system. Total deposits of offshore entities were Q22,547.2 million (US$2,954.1 million), which represented 10.5% of the deposits of the financial system. Total liabilities of offshore entities were Q22,876.5 million (US$2,997.3 million). There has been a reduction in the number of offshore entities, from ten institutions in 2007 to six institutions as of December 31, 2015, mainly due to financial mergers and acquisitions.

Financial Firms

Guatemalan law allows the existence of financial 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. Financial firms cannot receive deposits from the public, but finance their operations primarily through loans and the issuance of bonds or Notes, as well as their own capital. Financial firms are not subject to reserve or investment requirements, and so their cost of capital is lower than that of banks. There are currently 14 financial firms in Guatemala, of which 13 are private and one is Government-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, 2015, the bank had total assets of Q3,121.7 million (US$409.0 million) and liabilities of Q2,945.0 million (US$385.9 million). Its loans represent 0.9% of the loans granted by commercial banks. This bank deposits represent 1.3% of the deposits of the banking system.

The following table sets forth the number of commercial banks, financial firms and offshore entities, as well as the distribution of loans, deposits and assets in the financial system corresponding to each category and to the National Mortgage Bank.

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

	As of December 31,						As of December 31, 2015		
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**Loans**	**Deposits**	**Assets**
Commercial banks	17	17	17	17	17	17	89.5%	88.4%	87.4%
Finance firms	15	14	14	14	14	14	1.1%	—	3.1%
Offshore entities	8	7	7	7	7	6	8.5%	10.5%	8.5%
Crédito Hipotecario Nacional de Guatemala	1	1	1	1	1	1	0.8%	1.2%	1.0%
Total	41	39	39	39	39	38	100.0%	100.0%	100.0%

(1) Owned by the Government.
Source: Superintendency of Banks.

In spite of the economic effects of the global financial crisis, total assets in the Guatemalan financial system increased from 53.3% of GDP in 2008 to 61.1% of GDP in 2015. The country has experienced economic growth and a stable price environment over this period. The Guatemalan economy and its financial system were resilient to the effects caused by the economic and financial global crisis.

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

- Grupo Ficohsa from Honduras acquired 90% of the shares of Banco Americano, S.A. (February 2012);
- Bancolombia from Colombia acquired 40% of the shares of Banco Agromercantil de Guatemala, S.A. (in 2013) reaching a 60% stake in 2015;
- Grupo Aval from Colombia acquired Banco Reformador S.A. (November 2013); and
- Banco de América Central, S.A. acquired Banco Reformador, S.A. (August, 2015).

Furthermore, Guatemalan banks have opened branches or invested in banks in Central America:

- Banco Industrial, S.A. has opened branches in El Salvador and Honduras;
- Banco de Desarrollo Rural, S.A. has invested in Banrural in Honduras; and
- Banco G&T Continental, S.A. has opened branches in El Salvador, Costa Rica and Panama.

There are currently no restrictions on foreign investment in Guatemalan banks or financial institutions, and so non-Guatemalan companies can obtain banking licenses.

Financial groups (*grupos financieros*) were permitted by the Law of Banks and Financial Groups (December 19, 2002). These groups are the association of two or more companies that perform activities that are financial in nature. One member of a financial group must be a bank, and must be under common control in terms of property, management or use of corporate image. In the absence of the foregoing, a financial group must have a control agreement in place. The Superintendency of Banks is responsible for the surveillance and inspection of such financial groups.

There are currently 10 financial groups in the Guatemalan financial system:

- Grupo Financiero Corporación BI, led by Banco Industrial, S.A;
- Grupo Financiero de Occidente, led by Financiera de Occidente, S.A.;
- Grupo Financiero Agromercantil, led by Banco Agromercantil de Guatemala, S.A.;
- Grupo Financiero Citibank de Guatemala, led by Banco Citibank de Guatemala, S.A.;
- Grupo Financiero Bac-Credomatic, led by Banco de América Central, S.A.;
- Grupo Financiero G&T Continental, S.A., led by Banco G&T Continental, S.A.;
- Grupo Financiero Banco Internacional, led by Banco Internacional, S.A.;
- Grupo Financiero Banrural, led by Banco de Desarrollo Rural, S.A.;
- Grupo Financiero de los Trabajadores, led by Banco de los Trabajadores; and
- Grupo Financiero Vivibanco, led by 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
(as % change from prior year)

As of December 31,	Growth rate (%)	Growth rate (%)
2011	15.2	17.0
2012	11.0	11.4
2013	12.2	12.8
2014	11.4	12.5
2015	8.7	9.5

Source: Superintendency of Banks.

Commercial banks are the principal source of private sector financing and accounted for 89.5% of all loans of the financial system as of December 31, 2015. Major borrowers include companies engaged in wholesale and retail trade (15.9%), manufacturing (12.2%), private and financial services (11.1%), electricity and water (8.7%), construction (7.5%), and agriculture, livestock, fishing and forestry (5.7%). Consumer credit and mortgages have increased from 27.9% of total loans as of December 31, 2010 to 30.2% of total loans as of December 31, 2015. The increase is primarily due to the greater availability of consumer credit and diversification of financial products in recent years. The following tables set forth the allocation of loans by economic sector.

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

	As of and for the year ended December 31,				
	2011	2012	2013	2014(1)	2015(1)
Private sector:					
Agriculture, livestock, fishing and forestry	6,410.9	7,550.9	8,415.2	9,341.4	9,860.0
Mining and quarries	164.7	232.0	203.6	212.5	177.1
Manufacturing	12,905.0	15,001.5	16,983.7	18,935.5	21,104.2
Electricity and water	4,117.6	6,307.9	7,506.9	9,987.2	15,093.5
Construction	12,391.9	13,314.6	12,960.5	12,241.6	12,938.1
Wholesale and retail trade	20,427.9	23,162.1	25,186.8	26,938.4	27,561.1
Transportation, storage and telecommunications	1,325.8	1,805.6	1,956.1	2,061.9	2,133.9
Private and financial services	11,503.9	14,068.9	16,329.7	17,345.7	19,235.5
Community, social and personal services	4,245.9	4,831.5	5,243.8	4,569.7	6,041.4
Consumer credit and mortgages	30,095.3	34,591.1	40,032.5	44,893.6	52,153.8
Private transfers	3,278.6	4,355.6	4,888.5	4,349.7	4,794.0
Others	1,030.9	1,327.0	1,581.5	1,974.3	1,875.4
Total private sector loans	107,898.3	126,548.8	141,288.8	152,851.5	172,968.1
Total public sector loans	9,096.3	6,317.0	7,262.0	10,153.4	8,942.7
Total loans	116,994.6	132,865.8	148,550.8	163,004.9	181,910.8

(1) Preliminary data.
Source: Superintendency of Banks.

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

	As of the year ended December 31,				
	2011	2012	2013	2014(2)	2015(2)
Private sector:					
Agriculture, livestock, fishing and forestry	820.8	955.5	1,073.2	1,229.7	1,291.9
Mining and quarries	21.1	29.4	26.0	28.0	23.2
Manufacturing	1,652.2	1,898.4	2,165.9	2,492.6	2,765.1
Electricity and water	527.2	798.2	957.3	1,314.7	1,977.6
Construction	1,586.5	1,684.9	1,652.8	1,611.4	1,695.2
Wholesale and retail trade	2,615.3	2,931.1	3,212.0	3,546.0	3,611.1
Transportation, storage and telecommunications	169.7	228.5	249.5	271.4	279.6
Financial intermediation, insurance and ancillary services	1,472.8	1,780.4	2,082.5	2,283.3	2,520.2
Community, social and personal services	543.6	611.4	668.7	601.5	791.6
Consumer credit and mortgages	3,853.0	4,377.4	5,105.3	5,909.6	6,833.2
Private transfers	419.8	551.2	623.4	572.6	628.1
Others	132.0	167.9	201.7	259.9	245.7
Total private sector loans	13,813.9	16,014.2	18,018.4	20,120.6	22,662.4
Total public sector loans	1,164.6	799.4	926.1	1,336.5	1,171.7
Total loans	14,978.5	16,813.6	18,944.5	21,457.2	23,834.1

(1) Translated from *quetzales* to U.S. dollars at the official reference exchange rate published by Bank of Guatemala as of December 31, 2015.
(2) Preliminary data.
Source: Superintendency of Banks.

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

	As of the year ended December 31,				
	2011	**2012**	**2013**	**2014[(1)]**	**2015[(1)]**
Private sector:					
Agriculture, livestock, fishing and forestry	5.5	5.7	5.7	5.7	5.7
Mining and quarries	0.1	0.2	0.1	0.1	0.1
Manufacturing	11.0	11.3	11.4	11.6	12.2
Electricity and water	3.5	4.7	5.1	6.1	8.7
Construction	10.6	10.0	8.7	7.5	7.5
Wholesale and retail trade	17.5	17.4	17.0	16.5	15.9
Transportation, storage and telecommunications	1.1	1.4	1.3	1.3	1.2
Financial intermediation, insurance and ancillary services	9.8	10.6	11.0	10.6	11.1
Community, social and personal services	3.6	3.6	3.5	2.8	3.5
Consumer credit and mortgages	27.9	27.3	28.3	29.4	30.2
Private transfers	2.8	3.3	3.3	2.7	2.8
Others	0.9	1.0	1.1	1.2	1.1
Total private sector loans	92.2	95.2	95.1	93.8	95.1
Total public sector loans	7.8	4.8	4.9	6.2	4.9
Total loans	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.
Source: Superintendency of Banks.

Interest rates float freely without governmental restrains. The weighted average bank lending rate was 16.31% in 2011, 16.30% in 2012, 16.78% in 2013, 16.79% in 2014 and 16.00% in 2015.

The following table sets forth information regarding interest rates for loans and deposits in *quetzales*, for the years indicated.

Interest Rates on Commercial Bank Loans
(Denominated in *quetzales* (%))

	Year ended December 31				
	2011	**2012**	**2013**	**2014[(1)]**	**2015[(1)]**
Loans	13.88	13.97	14.15	14.03	13.41
Weighted average interest rate for total credit transactions	16.31	16.30	16.78	16.79	16.00
Real	10.11	12.85	12.39	13.84	12.93

(1) Preliminary data.
Source: Superintendency of Banks.

Interest Rates Paid by Commercial Banks
(Deposits in *quetzales* (%))

	Year ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Savings deposits	1.93	1.92	1.91	1.88	1.79
Fixed-rate term deposits	7.08	7.19	7.19	7.20	7.09
Weighted average interest rate for total debit transactions.	4.21	4.42	4.55	4.59	4.67
Real	0.88	3.74	0.16	1.64	1.60

Source: Superintendency 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.

As of December 31, 2015, the annual change rate of M2 was 8.9%. The behavior of this monetary aggregate has been consistent with the fluctuations in inflation and economic growth, meaning that no significant inflationary pressures have arisen from monetary expansions.

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$)(1)

	Year ended December 31,				
	2011	**2012**	**2013**	**2014(2)**	**2015(2)**
Currency in circulation	2,599.9	2,677.5	2,853.1	3,176.8	3,556.8
Commercial bank deposits at Bank of Guatemala	2,188.8	2,529.3	2,638.3	2,984.1	3,216.1
Monetary base	4,788.7	5,206.8	5,491.4	6,160.8	6,772.9
Gross international reserves	6,187.9	6,693.8	7,272.6	7,333.4	7,751.2
Net international reserves	6,187.9	6,693.8	7,272.6	7,333.4	7,751.2

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of each year-end date.
(2) Preliminary data.
Source: Bank of Guatemala.

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

Liquidity and Credit Aggregates
(In millions of US$[1] and *quetzales*)

	Year Ended December 31,									
	2011		2012		2013		2014[6]		2015[6]	
	US$	Q	US$	Q	US$	Q	US$	Q	US$	Q
Monetary aggregates:										
Currency in circulation	2,599.9	20,307.4	2,677.5	21,158.2	2,853.1	22,372.4	3,176.8	24,133.1	3,556.8	27,146.9
M1	7,341.2	57,340.5	7,741.1	61,172.1	8,038.2	63,030.5	8,889.4	67,530.5	9,832.9	75,048.2
M2	18,080.8	141,226.1	19,618.7	155,033.3	21,545.5	168,945.9	24,164.0	183,567.8	26,323.0	200,906.9
M3	18,842.0	147,171.7	20,232.6	159,884.1	22,623.6	177,400.0	25,300.0	192,197.8	27,546.8	210,247.4
	US$		US$		US$		US$		US$	
Credit by sector [2]:										
Public sector[3]	1,164.6		799.4		926.1		1,336.5		1,171.7	
Private sector[4]	13,621.1		15,840.4		17,874.3		20,068.5		22,540.3	
Other[5]	139.1		123.2		100.7		108.1		109.9	
Total credit aggregates	14,924.8		16,763.0		18,901.1		21,513.1		23,821.9	
Deposits[6][2]:										
Local currency	12,346.3		13,494.3		14,679.3		16,556.8		18,137.9	
Other	3,134.7		3,447.0		4,013.0		4,430.4		4,628.2	
Total deposits	15,480.9		16,941.3		18,692.3		20,987.2		22,766.1	

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of each year-end date.
(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.
(6) Preliminary data.
Source: Bank of Guatemala.

By December 31, 2015, the banking system's credit to the private sector rose 12.3% driven mainly by an increase in consumer and business loans.

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

Principal Monetary Indicators
(In millions of US$[1] and *quetzales* and %[2] change from prior year)

	Year Ended December 31,								
	2011			2012			2013		
	US$	Q	%	US$	Q	%	US$	Q	%
Monetary issue	3,140.8	24,532.5	7.6	3,360.0	26,552.1	7.0	3,459.9	27,130.3	3.0
Monetary base	4,788.7	37,403.8	12.5	5,206.8	41,145.9	8.7	5,491.4	43,059.9	5.5
M1	7,341.2	57,340.5	10.8	7,741.1	61,172.1	5.4	8,038.2	63,030.5	3.8
Quasi money	9,301.4	72,652.0	16.3	10,336.2	81,679.9	11.1	11,645.4	91,316.2	12.7
M2	18,080.8	141,226.1	13.6	19,618.8	155,033.3	8.5	21,545.5	168,946.0	9.8

	Year Ended December 31,					
	2014[3]			2015[3]		
	US$	Q	%	US$	Q	%
Monetary issue	3,839.1	29,164.4	11.0	4,364.1	33,308.1	13.7
Monetary base	6,160.8	46,802.4	12.2	6,772.9	51,693.5	9.9
M1	8,889.4	67,530.5	10.6	9,832.9	75,048.2	10.6
Quasi money	13,131.0	99,752.8	12.8	14,370.2	109,678.5	9.4
M2	24,164.0	183,567.8	12.2	26,323.0	200,906.9	8.9

(1) Translated from quetzales to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of each year-end date.
(2) Percentage changes are based on *quetzales.*
(3) Preliminary data.
Source: Bank of Guatemala.

Supervision of the Financial System

The following table sets forth information regarding the risk categories and loan-loss reserve requirements in effect as of December 31, 2015.

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

	Commercial and Consumer Loans		Mortgage Loans	
Category	Loan-loss reserves	Criteria (days past due)	Loan-loss reserves	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: Superintendency of Banks.

The following table sets forth information regarding loans of the banking system by risk category as of December 31, 2015.

Classification of Aggregate Assets of the Guatemalan Financial System
(in millions of US$)[(1)]

Category	As of December 31, 2015 Banks	Finance firms	Offshore bank	Total	Percentage
A	19,604.6	236.6	1,794.2	21,635.4	93.1%
B	589.6	6.6	86.0	682.1	2.9%
C	270.2	0.6	15.1	285.9	1.2%
D	228.4	3.5	16.1	248.0	1.1%
E	367.4	4.8	26.8	399.0	1.7%
Total	21,060.2	252.0	1,938.3	23,250.5	100.0%

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of December 31, 2015.
Source: Superintendency of Banks.

Non-performing loans reached their highest level in August 2009, influenced by the world financial crisis. However, as a result of efforts made by financial institutions, this indicator has gradually decreased in recent years. The following table sets forth information regarding past-due loans as percentage of total loans.

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

As of December 31,	Past-Due Loans as % of Total Loans[(1)]
2011	1.6
2012	1.3
2013	1.2
2014	1.3
2015	1.3

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

Financial System Performance

The assets of the banking system stood at Q264,623.8 million (US$34,671.3 million) as of December 31, 2015, having increased by Q24,142.8 million (US$3,163.2 million) year over year. The loan portfolio of Q153,085.6 million (USS20,057.4 million) was 57.9% of total assets, an increase of Q18,749.8 million (US$2,456.6 million), or 14.0%, in comparison to December 2014. This result was influenced by the country's improved economic performance, with GDP growth of 4.1% in 2015, according to data published by the Bank of Guatemala.

The investment portfolio of banks consists mainly of securities issued by the central Government and the Bank of Guatemala. As of December 31, 2015, investments reached Q61,423.0 million (US$8,047.7 million), a Q4,767.2 million (US$624.6 million) or 8.4% increase, in comparison to 2014.

Non-performing loans as a proportion of the gross loan portfolio evolved favorably, dropping to 1.3% as of December 31, 2015, after reaching an eight-year maximum of 2.7% in 2009. The improvement in recent years was the result of greater efforts by banks to manage their non-performing loan portfolio.

Coverage of the non-performing loan portfolio improved markedly due to increasing levels of reserves in compliance with the provisioning program provided for in Resolution JM-167-2008. Accordingly, the indicator rose from 140.8% in 2011 to 152.0% as of December 31, 2015.

The structure of the liabilities of the Guatemalan banking sector shows a strong base of domestic deposits. As of December 31, 2015, deposits stood at Q192,543.6 million (US$25,227.2 million), Q16,763.5 million (US$2,196.4 million) representing a 9.5% increase, in comparison to December 31, 2014. Term deposits were 43%, demand deposits 37% and savings (passbook) deposits were 20%. Loans outstanding, which are mainly credit lines available from foreign banks, stood at December 31, 2015, Q37,429.9 million (US$4,904.1 million), an increase of Q4,706.4 million (US$616.6 million) or 14.4%, compared to December 31, 2014.

In recent years, the capitalization or the Guatemalan banking system has been strengthened. As of December 31, 2015, stockholders' equity in the banking system rose to Q24,502.2 million (US$3,210.3 million), having increased by Q2,170.2 million (US$284.3 million) or 9.7% compared to December 31, 2014, which was the result of an increase in capital reserves by Q1,212.0 million (US$158.8 million).

The strengthening of banks, as measured by the capital adequacy ratio, stood on average at 14.1% as of December 31, 2015. This ratio has remained above 12% in recent years, exceeding the 8% required by the Basel Committee on Banking Supervision as the minimum for this indicator. The Superintendency of Banks of Guatemala requires a 10% minimum capital requirement to its banks.

Bank liquidity, as measured by the cash reserve ratio, was 41.8%. This percentage has remained stable since 2007.

As of December 31, 2015, profits of the banking system stood at Q4,002.7 million (US$524.4 million), an increase of Q291.3 million (US$38.2 million) or 7.8%, compared to December 31, 2014. This was caused by an increase in the investment margin by Q431.1 million (US$56.5 million) and in the services margin by Q210.8 million (US$27.6 million).

Regulation of the Financial System

The Superintendency of Banks, acting under the direction of the Monetary Board, supervises and inspects financial institutions. The Monetary Board proposes a list with three candidates from which the President chooses and appoints the Superintendent of Banks for a four-year term. Banks are required to file monthly and annual reports issued by 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 must have 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 the 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.

The Bank of Guatemala has promulgated reserve requirements that apply to 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. In addition to this mandatory reserve requirement, the banks must deposit with the Bank of Guatemala 14.6% of funds from the issuance of bonds and 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 regulate risk management, disclosure of information, the deposit insurance, market exit regime, penalty regime, and minimum requirements for hiring external auditors auditing and its scope; such regulations are based on 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 Registered that the banking system had 145.3% 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. Furthermore, the Operational Risk Management Regulation (2016) imposes on banks and financial intermediaries part of financial groups, an obligation to develop and implement comprehensive processes that include, among others, operational risk management.

Regarding topics of financial inclusion, a regulation was issued for the Provision of Financial Mobile Services (2011), as well as the authorization of banking agents (2010), to bring financial basic services to country’s rural areas.

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) sets forth the role of the 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).

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,” constituted by the Vice President of the Republic (presiding and coordinating), the Minister of Foreign Affairs, the Minister of the Interior, the Secretary of Strategic Intelligence from the Presidency of the Republic, Civil Intelligence General Director, the 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 Bank of Guatemala, the Minister of Economy, and the General Secretary for Management of Forfeited Property (“SENABED”).

In addition, the Superintendency of Banks has been working in two important projects: (a) the Securities Market Law, and (b) the Credit Unions Law.

Amendments to Banking and Financial Laws

On September 26, 2012, the Congress issued Decree Number 26-2012, which introduced important amendments to the Banking and Financial Groups Law and the Organic Law of the Bank of Guatemala approved by decree numbers 19-2002 and 16-2002, respectively. These reforms took effect as of April 1, 2013. Such reforms reinforce the institutions licensing and functioning regime and also bank resolution mechanisms. Moreover, these reforms also strengthen prudential issues of the financial regulation and promote market discipline.

The most significant reforms include 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.

The legal grounds to revoke the operating license of offshore entities have been increased, 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 Bank of Guatemala's role as a lender of last resort, the maximum amount of credit to be granted to commercial banks with liquidity needs was increased. In addition, the period in which commercial banks have to repay such credit was extended.

Prudential Issues

With regard to investment limits for banks, the more important changes are the following: limits will also apply to offshore entities 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 entities investments in foreign sovereign debt; a limit was introduced for banks and financial 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, financial firms and offshore entities, 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, financial firms and offshore entities, such entities are required to obtain a credit rating issued by an internationally recognized rating agency. Such agency must be registered with the Superintendency of Banks.

Bank Resolution Mechanisms

Based on the authority of the faculties of the Assets and Liabilities Exclusion Board, the reallocation of an intervened 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 auction processes. In addition, the reallocation of liabilities of any intervened financial entity, when the estimated value of assets allows it, a specific priority of distribution of liquidation proceeds may be determined for liabilities for exclusion as follows: deposits, bonds and promissory notes. Notwithstanding, 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.

Within the funding sources of the deposit insurance funds ("FOPA"), government contributions are allowed to be used to strengthen the financial position of the Fund, at the request of the Bank of Guatemala. Banks operating in Guatemala are assessed fees to contribute to the FOPA. These two fees fixed and variable. The fixed fee is Q2.00 per Q1,000 of deposits, and the variable fee is determined based on the risk posed by the respective bank, up to a maximum of Q2 per Q1,000 of the total amount of deposits.

Inflation

The average inflation rate from 2011 through 2015 was 4.2%, slightly above the inflation targets set by the Bank of Guatemala for those years. The rate of inflation generally is affected by higher prices of commodities. During the first quarter of 2011, oil prices increased due to geopolitical factors in some countries in the Middle East (*i.e.*, Egypt and Libya). Moreover, in 2010 and 2011, corn and wheat prices increased significantly, which in turn had an important impact on food prices. 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.

In addition, internal factors, such as weather phenomena including Tropical Storm Agatha, the eruption of a volcano near Guatemala City in 2010, and the Tropical Depression in 2011, had a moderate effect on agricultural output. In 2012, the inflation rate was impacted by a number of factors including, among others, the decrease in the average price of propane and white corn, and also by stable oil prices. At the end of 2012, a reduction in worldwide demand led to lower international prices, especially in developed economies (including the U.S. and European Union). In 2012, food prices were key factors in the trajectory of the inflation rate, as well as propane prices, which showed a downward tendency due to strategic competition between companies.

In 2013, propane prices returned to normal levels, although food prices, especially prices of vegetables and meats experienced volatility throughout the year. Also gasoline prices were determinant in the resulting inflation rate during 2013.

From the second half of 2014 through the third quarter of 2015, lower oil prices generated downward pressures on inflation, which offset the effects of increasing food prices; however, since October 2015, that favorable effect has declined and food inflation impact is now more relevant. During 2015, the inflation rate stayed within the target range (4.0%, +/-1%), although in the last quarter, the inflation rate reflected a slowdown, mainly due to the drastic downturn in the international oil prices. In 2015, the effect of lower fuel prices was partially offset by the increase in the food and beverage prices, with rates up to four times higher than total inflation. For 2015, the inflation rate was 3.1%, below the lower range of the target for that year.

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

Variation in Consumer Price Index (%)

At December 31,	CPI
2011	6.2
2012	3.5
2013	4.4
2014	3.0
2015	3.1

Source: Bank of Guatemala and INE.

Since April 1, 2011, the consumer price index has been calculated using information from a new basket of goods (as of December 31, 2010, equal to 100). This basket compiles information from eight geographical regions in 24 major urban centers with a total of 441 varieties of products (including goods and services). The previous basket (as of December 31, 2000, equal to 100) was in place until March 31, 2011 and included 424 varieties of products (including goods and services). To date, the modification of the basket has not had a material effect on Guatemala's inflation rate.

International Monetary Reserves

Guatemala's net international reserves for December 31, 2015 were US$7,751.2 million, an increase of US$417.7 million from the level recorded in 2014. Net international reserves held at the Bank of Guatemala as of December 31, 2015 would cover 5.5 months of imports (5.4 in 2014), or the equivalent of 11.6 times the amount of the country's external debt service in one year (11.8 times in 2014).

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)]

	As of December 31,				
	2011	2012	2013	2014[(3)]	2015[(3)]
Bank of Guatemala:					
Assets[(2)]	6,187.9	6,693.8	7,272.6	7,333.4	7,751.2
Liabilities	—	—	—	—	—
Total[(3)]	6,187.9	6,693.8	7,272.6	7,333.4	7,751.2
Commercial private banks:					
Assets	569.1	657.0	800.4	716.5	589.9
Liabilities	(2,138.9)	(2,818.7)	(3,452.3)	(3,955.3)	(4,551.1)
Total	(1,569.8)	(2,161.7)	(2,651.9)	(3,238.9)	(3,961.2)
Net international reserves of the banking system	4,618.1	4,532.1	4,620.7	4,094.5	3,790.0

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of each year-end date.
(2) Amounts also reflect the gross international reserves of Bank of Guatemala.
(3) Preliminary data.
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, it has served as an interbank market on which overnight and short-term deposits, as well as government debt securities, are traded. The interbank positions typically traded are collateralized with public sector securities, making these transactions comparable to repurchase transactions.

Legal Framework

Guatemala has implemented a legal framework with the objective to support a transparent and efficient securities market. The principal laws and regulations that govern Guatemala's capital markets are the Guatemalan Commercial Code (*El Código de Comercio de Guatemala*) (Decree 2-70) and the Capital Markets and Merchandise Law and its regulation (*La Ley del Mercado de Valores y Mercancías y su reglamento*) (Decree Numbers 34-96, and its modifications 49-08 and 122-09).

The Guatemalan Commercial Code is more general and sets forth rules and regulations for business entities. This law also governs the liability of shareholders, minimum capital requirements, type of shares, voting rights, rights of shareholders, transfers of registered shares and ordinary and extraordinary general meetings, among other areas.

The Capital Markets and Merchandise Law and its regulation regulates broker-dealers, and transactions in securities, public offerings, the stock markets, other financial agents and institutions (intermediaries). This law also regulates the Securities Market and 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 of 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 regulations promulgated under the Capital Markets and Merchandise 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 over-the-counter market. Other regulations 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.

Draft of Securities Market Act

A draft of a new Securities Act is currently under review by regulatory authorities. If enacted, international standards and best practices rules for the securities market will be implemented, including the following:

- establishing of a supervisory and regulatory body to oversee the stock exchange market and investment fund managers;
- setting new requirements for stock exchange and investment fund managers;
- improving transparency of market information; and
- improving the requirements for securities offering.

PUBLIC SECTOR FINANCES

The public sector in Guatemala is comprised of the central Government; local governments; and non-financial and financial public institutions.

Public Sector Budget Process

The Constitution of Guatemala mandates that a general, centralized annual budget for revenue and expenditures of the Republic must be prepared and approved by Congress every November of each year before taking effect. The Constitution allows some public entities to have separate budgets, but the budget must incorporate the level of transfers required by them, which will require the corresponding approvals by the executive branch and Congress. Although certain revenues are assigned for specific purposes, public revenues are centralized, and public sector entities are not allowed to finance through direct funding, except as permitted by law. The Constitution mandates a transparent use of public funds and forbids any confidential expenditure. Public entities that have private funds must publish their sources and their spending targets during the first six months of each year. According to the Constitution, the revenue and expenditures of the public sector are audited by General Comptroller's Office (*La Contraloría General de Cuentas*).

Government

The budget process is set forth in the Constitution and the Organic Budget Law. The Minister of Public Finance has primary responsibility for preparing the budget proposal. At the beginning of each year, the Ministry of Public Finance, with the support of the Technical Commission of Public Finance, plans the strategy for the development of a budget for the current and following fiscal years. The President announces the annual goals established for each Ministry and agency and the level of expenditure for each one. After consulting with the Bank of Guatemala, the Secretariat for Planning and Programming of the Presidency (*Secretaria de Planificación y Programación de la Presidencia SEGEPLAN*) and the Technical Budget Office (*Dirección Técnica del Presupuesto*), the Ministry of Public Finance prepares the preliminary budget. Thereafter, the Minister of Public Finance presents the preliminary budget to the Economic Cabinet comprised of the Ministers of Agriculture, Livestock and Food, Mines and Energy, and Economy; the President of Bank of Guatemala; and the Secretary of Planning and Programming of the Presidency. The Economic Cabinet analyzes the budget and presents its recommendations to the Ministry of Public Finance, who, in turn, presents it to the full Cabinet for the final approval by the Executive Branch. The President, through the Minister of Public Finance, must present the proposed budget to Congress on September 2nd of each year. The Finance Committee of Congress evaluates the budget proposal and delivers its recommendations to Congress for consideration. Then, Congress has the authority to accept, reject or amend the budget proposal. If the budget for next year is not approved by Congress, the Organic Budget Law mandates that the current budget will apply instead, with any changes that the Congress may enact. Congress has until November of each year to approve the budget.

The budget for 2015 was approved on November 28, 2014, pursuant to Decree No. 22-2014, and entered into effect on January 1, 2015. For 2016, the budget was approved on November 30, 2015, pursuant to Decree No. 14-2015, and became effective as of January 1, 2016

Other Public Sector Entities

The Government budget allows transfers from the Government to public entities. The budget process for public entities differs from the Government's own process.

Each non-financial public institution and public enterprise prepares its own budget proposal under the supervision of the Technical Budget Office, taking into account any transfers made to the entity within the Government's budget. The National Electrification Institute, or the "INDE" (*Instituto Nacional de Electrificación*) is the only public enterprise exempted from the general budget process. This institution prepares its own budget that is submitted to the Technical Budget Office for evaluation and elaboration of the corresponding governmental agreement to be included in the budget. Each non-financial public institution submits its proposal to the Technical Budget Office for evaluation and presents its recommendation 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 Minister. The final budget of each non-financial public institution incorporates the respective level of transfer that is specified in the final

Government budget, promulgated by December the 1st of each year. The budget for each non-financial public institution for the next year must be approved by December 15 and, once approved, the budget will be sent to Congress for integration into the general budget.

Municipalities prepare their own budgets with the advice of the Municipal Development Institute, or the "INFOM" (*Instituto de Fomento Municipal*). Municipal budgets are not subject to the approval of the Ministry of Public Finance or Congress. These autonomous and decentralized entities must act in accordance with the general policies of the nation. The Constitution mandates that 10% of the ordinary revenues of the general budget must be transferred to municipalities. This portion of Government revenues is distributed among the municipalities using a rule or formula provided.

Public financial institutions prepare their own budgets, taking into account any transfers to such institutions established in the Government budget. The University of San Carlos de Guatemala, the only public university in the country, has the constitutional right to 5% of the ordinary revenues of the Government. In addition, this institution reports its financial situation and budget to the Government and Congress.

Public enterprises, financial or non-financial, are legal entities created with the purpose of producing goods and services for the market. Public enterprises are subject to control by the central Government, including the ability to determine an entity's policy through the designation of directors, if necessary. The Government is deemed to have control of an entity if the Government holds (i) more than half of the shares entitled to vote, (ii) controls more than half of the voting rights of the shareholders, or (iii) is legally authorized to determine the policies of the entity or assign directors of the entity.

Public enterprises report their earnings to the Government, but are financially independent. Accordingly, the Government is not required by law to record losses of such entities in its accounts, with the sole exception of *Crédito Hipotecario Nacional de Guatemala*, the only Government-owned bank in Guatemala, which has an unconditional and unlimited guarantee by the Government.

Public Budget

The public budget is the annual expression of the economic and social development strategy of the Government. The Organic Budget Law establishes that the amounts of revenues and expenditures of the Government set forth in the budget need not necessarily be completely used, as long as the programmed goals are achieved.

Current legislation allows for budgetary adjustments. Congress can increase the budget by decree and the Ministry of Public Finance is able to make appropriate adjustments within the budget, including cuts and suspension of credits, or modifications when current revenues or expenditures are lower than budget estimates. Budget changes may be made within its budget ceiling, via transfers between institutions involving the creation in some categories of expenditure, and in the financing sources within the same programs. In all cases, the transfers must be notified to the Technical Budget Office, within ten days, for approval.

Budget for 2016

The budget ceiling for 2016 is Q70,796.3 million, to be financed mainly through tax revenues (77.1%) and other financial resources (22.9%). For 2016, the Government earmarked approximately 17.4% of the total budget for investment, 65.0% for general expenses and the remaining 17.6% to service public debt. The Government estimates a fiscal deficit of 1.6% of GDP for 2016.

The following table sets forth the budgeted and actual central Government expenses for 2015 by entity.

2015 Central Government Budget
(In millions of US$)[(1)]

Entities	Budgeted	Executed
Presidency of the Republic	29.3	26.4
Ministry of Foreign Affairs	52.5	48.1
Ministry of the Interior	597.4	511.1
Ministry of National Defense	274.8	252.4
Ministry of Public Finance	38.3	34.4
Ministry of Education	1,606.1	1,578.5
Ministry of Health and Social Assistance	857.2	720.0
Ministry of Labor and Social Security	82.5	79.2
Ministry of Economy	38.8	31.3
Ministry of Agriculture, Livestock and Feeding	184.6	113.6
Ministry of Communications, Infrastructure and Housing	769.4	467.7
Ministry of Energy and Mines	10.6	9.2
Ministry of Culture and Sports	55.0	38.9
Secretariats and other Executive Branches	174.9	145.4
Ministry of Environment and Natural Resources	22.0	18.8
Obligations of the State Treasury	2,969.4	2,652.2
Public Debt Services	1,340.3	1,335.7
Ministry of Social Development	125.4	92.8
Attorney General's Office	8.5	8.1
Total	9,237.0	8,164.0

(1) Translated from *quetzales* to U.S. dollars with the annual reference exchange of December 31, 2015, published by the Bank of Guatemala.
Source: Budget Technical Office, Ministry of Public Finance.

2016 Central Government Budget
(In millions of US$)[(1)]

Entities	Budgeted
Presidency of the Republic	26.6
Ministry of Foreign Affairs	52.3
Ministry of the Interior	586.1
Ministry of National Defense	270.1
Ministry of Public Finance	41.6
Ministry of Education	1,689.2
Ministry of Health and Social Assistance	724.8
Ministry of Labor and Social Security	83.3
Ministry of Economy	40.1
Ministry of Agriculture, Livestock and Feeding	165.7
Ministry of Communications, Infrastructure and Housing	475.5
Ministry of Energy and Mines	9.2
Ministry of Culture and Sports	58.4
Secretariats and other Executive Branches	146.1
Ministry of Environment and Natural Resources	18.7
Obligations of the State Treasury	3,114.2
Public Debt Services	1,631.1
Ministry of Social Development	134.4
Attorney General's Office	8.4
Total	9,275.8

(1) Translated from *quetzales* to U.S. dollar at the annual reference exchange rate of December 31, 2015, published by the Bank of Guatemala.
Sources: Budget Technical Office and Ministry of Public Finance

Central Government Accounts

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

Central Government Accounts
(in millions of US$[1] and as % of total GDP)

	As of and for the year ended December 31,									
	2011		2012		2013		2014		2015	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal revenue:										
Current revenues:										
Taxes:										
Import duties	325.4	6.3	295.1	5.4	250.1	4.2	264.3	4.2	281.8	4.3
Taxes on goods and services (including VAT)	3,218.3	62.2	3,454.8	63.2	3,604.3	61.1	3,788.1	59.6	3,921.0	60.4
Estate and real estate taxes	1.8	0.0	1.2	0.0	1.5	0.0	2.0	0.0	2.8	0.0
Income taxes	1,631.2	31.5	1,716.8	31.4	2,041.8	34.6	2,296.3	36.2	2,290.4	35.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Total tax revenues	5,176.7	100.0	5,467.9	100.0	5,897.7	100.0	6,350.7	100.0	6,496.1	100.0
Non-tax revenues[2]:										
Social security contributions	156.0	53.7	162.6	48.5	181.7	56.4	209.2	55.0	215.7	54.6
Public services	43.5	15.0	47.5	14.2	44.5	13.8	45.4	11.9	45.9	11.6
Other	91.0	31.3	125.5	37.4	95.8	29.8	125.9	33.1	133.2	33.7
Total non-tax revenues	290.5	100.0	335.6	100.0	322.0	100.0	380.5	100.0	394.8	100.0
Current transfers	75.5	100.0	52.0	100.0	49.1	100.0	23.2	100.0	13.7	100.0
Other current revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Total current revenues	5,542.7	100.0	5,855.5	100.0	6,268.8	100.0	6,754.4	100.0	6,904.6	100.0
Capital revenues:										
Capital income	1.7	100.0	2.4	100.0	1.1	100.0	0.9	100.0	3.4	100.0
Total capital revenues	1.7	100.0	2.4	100.0	1.1	100.0	0.9	100.0	3.4	100.0
Total fiscal revenue	5,544.4	100.0	5,857.9	100.0	6,269.9	100.0	6,755.3	100.0	6,908.0	100.0
Expenditures:										
Current expenditures:										
Consumption expenditures	2,769.8	55.6	3,066.2	56.8	3,297.4	56.9	3,620.0	59.0	3,702.3	57.5
Interest on public internal debt	431.0	8.7	503.0	9.3	529.5	9.1	564.7	9.2	656.0	10.2
interest on public external debt	272.5	5.5	266.0	4.9	306.6	5.3	286.9	4.7	338.9	5.3
Social security contributions	404.3	8.1	422.1	7.8	455.8	7.9	488.2	8.0	509.2	7.9
Current transfers	1,104.0	22.2	1,145.1	21.2	1,209.1	20.9	1,180.7	19.2	1,227.7	19.1
Total current expenditures	4,981.6	100.0	5,402.4	100.0	5,798.4	100.0	6,140.5	100.0	6,434.1	100.0
Capital expenditures:										
Real investment	874.4	46.2	507.6	30.6	479.8	29.6	552.9	32.0	269.4	19.4
Financial investment	0.8	0.0	0.3	0.0	0.5	0.0	0.8	0.0	0.0	0.0
Capital transfers	1,018.1	53.8	1,153.6	69.4	1,138.0	70.3	1,172.8	67.9	1,119.7	80.6
Total capital expenditures	1,893.3	100.0	1,661.5	100.0	1,618.3	100.0	1,726.5	100.0	1,389.1	100.0
Total expenditures	6,874.9	100.0	7,063.9	100.0	7,416.7	100.0	7,867.0	100.0	7,823.2	100.0
Fiscal balance:										
Current account balance	561.1	42.2	453.0	37.6	470.3	41.0	613.9	55.2	470.5	51.4
Capital account deficit	(1,891.7)	(142.2)	(1,659.2)	(137.6)	(1,617.1)	(141.0)	(1,725.6)	(155.2)	(1,385.7)	(151.4)
Fiscal deficit	(1,330.6)	100.0	(1,206.2)	100.0	(1,146.8)	100.0	(1,111.7)	100.0	(915.2)	100.0
Financing:										
Net foreign financing	48.6	3.7	733.4	56.8	810.1	71.0	15.9	1.4	475.2	51.9
Net domestic financing	1,067.1	80.2	257.9	20.0	294.4	25.8	1,062.8	95.6	522.5	57.1
Payment of monetary cost	0.0	0.0	42.9	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Other financing sources	215.0	16.2	257.9	20.0	35.9	3.1	32.9	3.0	(82.3)	(9.0)
Total financing	1,330.7	100.0	1,292.1	100.0	1,140.4	100.0	1,111.6	100.0	915.4	100.0
GDP	47,666.8		50,404.5		53,852.7		58,731.8		63,787.3	
Nominal exchange rate (Q per US$)	7.783		7.831		7.857		7.731		7.656	
Government revenues as % of GDP		11.6		11.6		11.6		11.5		10.8
Government expenditures as % of GDP		14.4		14.0		13.8		13.4		12.3
Deficit as % of GDP		(2.8)		(2.4)		(2.1)		(1.9)		(1.4)

(1) Translated from *quetzales* to U.S. dollars at the average daily exchange rate each year.
(2) Includes foreign aid.
Source: Ministry of Public Finance.

Tax Regime

The ratio of tax revenues to GDP was 10.8% in 2012, 11.0% in 2013, 10.8% in 2014 and 10.2% in 2015. Guatemala has historically experienced low levels of tax collection principally 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 resulting from the invocation of constitutional provisions on privacy and bank secrecy to avoid sharing taxpayers' financial information.

However, Guatemala is committed to reducing tax avoidance and tax fraud. Nevertheless, the aforementioned provisions on privacy and the bank secrecy in the constitution continue to create issues for tax collecting. To address these issues, Congress is currently reviewing reforms to the Banking and Financial Groups Law.

Taxes are collected by the Superintendency of Tax Administration, or the "SAT" (*Superintendencia de Administración Tributaria*), except for some municipalities that directly collect real estate taxes, and other institutions such as the Guatemalan Institute of Tourism, or the "INGUAT" (*Instituto Nacional Guatemalteco de Tourismo*) and the Ministry of Energy and Mines, which collect exit taxes and taxes relating to mining and oil royalties, respectively. In 1998, the Tax Administration was created with the support of the World Bank, with the principal objective of improving tax collection.

Import Duties

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 Government 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 Superintendency of Banks, which is the sum of a fixed base amount plus a percentage of any amount exceeding the base amount for each bracket.

Taxes on Goods and Services (including VAT)

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.

Income Taxes

Corporate income tax consists of the following regimes:

(a) the general regime, which includes a corporate tax of 25% of net income (this rate was 31% until 2013 and 28% in 2014);

(b) the optional regime, which includes a flat tax of 5% for the first Q30,000 of gross revenue increasing to 7% for gross revenue above Q30,000 of in a month.

Individuals 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 basis, at rates of 5% to 7%.

Solidarity Tax

In December 2008, through Decree No. 73-2008, the Congress established the Solidarity Tax-ISO on individuals and corporations, trusts, participation contracts, informal companies, branches, agencies or temporary or permanent establishments of foreigners operating in the country, commercial 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, and oil derivatives), stamps, vehicles registration, vehicles circulation, royalties, among other.

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

Tax Revenues
(As % of total tax revenue)

	Year ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015[(1)]**
Import duties	6.3	5.4	4.2	4.2	4.3
Taxes on goods and services (including VAT)	62.2	63.2	61.1	59.7	60.4
Estate and real estate taxes	0.04	0.02	0.02	0.03	0.04
Income taxes	31.5	31.4	34.6	36.1	35.3
Other taxes	0.02	0.01	0.01	0.01	0.01
Total tax revenues	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.
Source: SICOIN; Ministry of Public Finances.

The reduction of import duties from 6.8% in 2010 to 4.3% in 2015 was a result of the opening to foreign trade as a way to increase economic output. Income tax increased from 29.7% in 2010 to 35.3% 2015. However, there was a slight reduction of 0.8% in revenue from income tax in 2015 compared to 2014, due to a tax reduction policy that brought the income tax rate (optional regime) from 31% in 2012 to 25% in 2015. Revenue from taxes on goods and services (including VAT) were lower in 2015 mainly due to the drop off the oil prices and operative issues of customs' administration.

Tax Reforms

In 2012, a substantial tax reform was enacted, including the Updating Tax Law, Decree 10-2012 (*Ley de Actualización Tributaria*) and the Law Against Tax Evasion II, Decree 4-2012 (*Ley de Antievasión II*), which include dispositions to strengthen the tax collection system, and to reduce smuggling and tax avoidance generally. In addition, in 2013, Decree 19-2013 was implemented, which includes other changes aimed at correcting problems in the collection of income tax on capital and construction activities, as well as certain other changes to the tax code, tax stamps and stamped paper.

Despite the aforementioned tax reforms, the tax burden remained at essentially the same level. In 2014, tax collection decreased by -1.3% compared to 2013, primarily as a result of external factors such as the decline in international oil prices which resulted in a substantial decrease in taxable imports. The impact of the fall in international oil prices was one of the principal factors that caused a 5.8% reduction in direct tax collection for 2015.

The principal effect of the reforms is reflected in increased contribution of direct taxes, the solidarity tax and the income tax, which collectively increased from 3.4% of GDP in 2012 to 3.8% of GDP in 2013. Similarly, an increase in the share of these taxes relative to total revenues was reflected in the increase from 31.4% of total revenues in 2012 to 34.6% of total revenues in 2013. In 2014, direct taxes were 3.6% of GDP, slightly lower than in 2013, as a result of the gradual decrease on the income tax rate for profit activities from 31% in 2013 to 28% in 2014. In 2015, these taxes decreased by 1.2% as compared to 2014. This decrease reflects the gradual reduction in the income tax rate approved in the 2012 tax reform.

On January 26, 2012, through the Law Against Evasion II, Congress approved several amendments to the regulations relating to income tax, VAT, the vehicle circulation tax, the tobacco tax, and the tax code and the criminal code. This reform was complemented by a broader package of amendments to the Updating Tax Law, which includes a new income tax that took into effect in January 2013, additional reforms to customs regulations and a new vehicle registration tax.

The new simplified income tax aims to reduce the complexity and ambiguity of the previous tax law, to facilitate tax compliance, and to reduce tax avoidance and evasion.

The Law Against Tax Evasion II provides for the improvement and strengthening of the ability of the Tax Administration to combat tax noncompliance. For that purpose, the Law Against Tax Evasion II provides new tools and includes changes aimed to reduce tax evasion and to increase the tax basis.

Although the Constitutional Court struck down certain provisions of these tax reforms, such as tax simulation, positive developments were achieved as a result of the tax reforms, including the disclosure of information and the ability to install control devices to observe economic and industrial activities (in industries such as telecommunications, manufacturing, transportation service, among others). Furthermore, the reforms made it possible to amend previously existing sanctions on crimes.

Pursuant to the reforms to the tax code, the tax authorities can reduce the amount of fines and other sanctions such as interest up to 85% of the original amount when taxpayers accept their culpability. This also may be applied to criminal cases, when the commission of a tax fraud crime is under investigation. Another important reform is the extension of the time that taxpayers have to pay taxes, overdue fines and interest up to 18 months, regardless of whether the case is administrative, judicial or criminal.

The Tax Administration has enacted complementary measures to increase tax compliance and tax revenue, such as the improvement of controls on exempt entities and withholding agents; tax credit claims refunds; updating registers of active vehicles; the improvement of the effectiveness of the judicial system with respect to tax issues; the support of partial tax amnesties offered by the Government; more general control of VAT; and a new condensed process of auditing by which the fiscal presence by commercial activity is improved; the use of risk analysis techniques; increased numbers of employees in customs and highways with on-line support to customs declarations; the improvement of control of goods entered on electronic cargo records; and the implementation of new control mechanisms of companies operating under Decree 29-89.

In addition, to the recent tax reforms, the Tax Administration with support of the Government is continuing to combat tax evasion through the evaluation of tax service employees, improving banking and financial information, increasing the use of electronic invoicing technology, and improving inter-institutional coordination among governmental entities, which includes the Ministry of Governance, the Public Ministry and the Guatemalan Army, to reduce smuggling and to improve tax compliance.

In December 2014, Decree 22-2014, which contained the General Budget of Revenues and Expenditures for Fiscal year 2015 (Book I) and Fiscal Adjustment Law (Book II) was adopted. The Fiscal Adjustment Law contained adjustments to the tax rate per sack of cement and to the royalties rate on the exploitation of minerals and construction materials. In addition, as part of this law, a new tax on fixed or mobile lines was created. These changes were expected to result in collections of 0.42% of GDP. In the case of the cement sack tax rate, the change was from Q1.50 to Q5.00 per sack, and the expected impact was 0.04% of GDP. The royalties rate was adjusted from 1% to 10% for the exploitation of minerals and construction materials. The expected impact of this change is 0.10% of GDP. Lastly, the creation of the new tax on fixed or mobile lines was expected to result in collections of 0.28% of GDP.

The Fiscal Adjustment Law was subject to strong criticism from several sectors of civil society, some of which, who the Government before the Constitutional Court, seeking to stop implementing the law. The Constitutional Court held against the Government, preventing the new tax on fixed or mobile lines from becoming effective. In September 17, 2015, the Constitutional Court upheld the change in the cement sack tax rate and, in the case of the change in the royalties' rate, the Court restored the rate to the previous rate of 1%.

Fiscal Policy

Public sector debt as a percentage of GDP was 24.4% in 2014 and 24.3% in 2015. The Government believes that this rate is consistent with the policy set for debt sustainability.

Since 2001, Guatemala has had a solid track record of low deficits with an average deficit of 2.1% between 2001 and 2013. Since 2001, in only in two out of 14 years, has the annual deficit been was higher than 3% (3.1% in 2009 and 3.3% in 2010) due to the reduction in imports and remittances that affected tax revenues after the global economic crisis, as well as the need to protect social expenditures as a counter-cyclical policy to protect the most vulnerable citizens.

After 2007, other factors had adverse effects on public finances: the lack of political consensus for implementing fully the most recent tax reform, as well as unexpected rebuilding expenses as response to natural disasters (including tropical storm Agatha and the eruption of the Pacaya Volcano in 2010, the tropical depression in 2011, the November 2012 and July 2014 earthquakes and the extensive heat wave and partial drought in 2014). Nevertheless, after 2010, there has been a continuous reduction in the deficit which closed 2015 at 1.4% of GDP.

The following table sets forth the deficits between 2011 and 2015.

General Government Net Lending/Borrowing
(as a % of GDP)

For the year ended December 31,				
2011	**2012**	**2013**	**2014**	**2015**
(2.8)	(2.4)	(2.1)	(1.9)	(1.4)

Source: Ministry of Public Finance.

The Government's fiscal policy in recent years has focused on trying to meet the basic social needs of the population, despite the reduction in tax revenue, which has led to fiscal consolidation begun in 2011, as a way to preserve macroeconomic stability and fiscal sustainability over the medium term. This has allowed the Government to achieve two of its medium-term objectives of reducing the fiscal deficit to 1.4% in 2015 and keeping public debt below 30% of GDP (24.3% of GDP in 2015). However, public spending fell sharply in recent years, thereby affecting public investment and, to a lesser extent, spending on social measures and policies.

The Government's remaining challenges include increasing tax revenues to match the growing needs of Guatemalans for social concerns (education, health and housing, internal security, justice and infrastructure) and maintaining the flexibility of the budget to address problems associated with internal and external economic shocks, such as international crises or natural disasters. Nevertheless, the current administration (as well as recent previous administrations) has continued to focus on the protection of social expenditure, increasing the quality of government intervention and improving the targeting of the resources to protect the most vulnerable segments of the population.

Deficit Management

The Government finances its deficit mainly using domestic and foreign financing. The former includes the issuance of securities (mainly treasury bonds of the Republic), which must be approved by Congress. The latter consists of external loans from international institutions and placement of government securities abroad in foreign currency.

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

In order to maintain an open access to the internal and external financial markets, as well as to finance its deficit, the Government is committed to preserve its fiscal discipline, debt sustainability and a stable macroeconomic environment.

Public Expenditure

The Government has historically maintained similar levels of expenditure with respect GDP. Since 2000, the average budget as a percentage of GDP has been approximately 14.7%. However, in recent years, there has been a reduction in spending, reaching a level of 12.8% of GDP in 2015, as a result of the reduction in tax revenues and the government's policy to avoid increasing public debt.

For 2015, due to expenditure commitments, tax provisions and other laws, from each Q1.00 that was collected by the Government, approximately Q0.91 was specifically earmarked for, or was intended to finance, a spending obligation, such as making debt service payments, which reduces budget flexibility. The specific uses defined by law include, among others, the contributions of 10% of total ordinary revenues of the budget to municipalities, 5% to the University of San Carlos de Guatemala, 1% to eradicate illiteracy, 2% to the Judicial system and no less than 5% of that 2% allocation of the Judicial System, to be diverted to the Constitutional Court.

Additionally, since the signing of Peace Agreements in 1996, a commitment to social spending to comply with the requirements of the accords has been a priority for the Government. As a result, social spending increased 20.7% from 40.6% in 2001 to 48.4% in 2015. The need to protect social services, despite the decrease in tax revenues, has caused an increase in social spending; which increase has been gradual in recent years, without affecting the fiscal deficit.

Social Expenditure as % of Total Government Expenditure

For the year ended December 31,				
2011	**2012**	**2013**	**2014**	**2015**
43.5%	44.5%	45.3%	46.7%	48.4%

Source: Ministry of Public Finance

Public Investment

From 2009-2011, public investment spending grew 17.4%, higher than the three preceding years (9.3%). This growth in public spending was mainly the result of unbudgeted expenses due incurred to counteract the effects of the natural disasters that occurred during this period, such as Tropical Storm Agatha, the eruption of volcano Pacaya and heavy rainy seasons. Reconstruction costs were mainly directed at the rehabilitation of roads and productive infrastructure, the rebuilding of houses, schools, health centers and other social expenses.

From 2012-2015, investment spending appeared to decrease due to the changes in the classification of public expenditure since, from 2012, infrastructure spending is recorded in the goods and services category (prior to such year, it was considered as a direct investment). In addition, fiscal policy consolidation efforts through the gradual reduction of the deficit has reduced the availability of public investment funds, thereby reducing this type of investment. It is expected that a significant improvement in tax revenues will allow the increase of investment spending in the medium term.

Improvements in Transparency and Efficiency of Public Expenditure

In 2009, the Government implemented measures to maintain a proper recording and control of infrastructure contracts, and to supervise works in process, providing physical and financial verification tied with the adequate budget allocation. In 2010, an interconnection was implemented among the National Public Investment System, or the "SNIP" (*Sistema Nacional de Inversion Pública*), the Management Information System and the Integrated Accounting System, or "SICOIN" (*Sistema de Contabilidad Integrada*), to allow the selection and evaluation of projects contained in the Geographic List of Infrastructure Projects. In 2011, a Budget Availability Certificate was implemented to avoid finance contracts exceeding the budget ceiling of the relevant institution. This Certificate is provided to suppliers and contractors, guaranteeing that each institution has enough budget resources to meet its contracts needs for each year.

In March 2012, an inter-institutional agreement of coordination was signed among the Comptroller General of Accounts, the Public Ministry and the Ministry of Public Finance to improve the control of the use of public funds and compliance with the law relating thereto. Since 2012, the Government has been working in implementing a methodology for Management for Results (*Gestión por Resultados*), with the goals of identifying, measuring and monitoring performance indicators of different levels of public actions aiming to improve the living conditions of Guatemalan citizens. The methodology establishes that public expenses are formulated, executed, monitored and evaluated on the basis of what the population needs and what provides the most value for their development. For its implementation, studies are being conducted that identify the best actions to improve the impact of the Government in this regard.

Congress approved, by Decree No. 13-2013, certain amendments to the Budget Code in 2013. Among the most important amendments are: extending the scope of the law to trusts of international organizations and associations that manage or administer public resources; reporting of physical and financial management focused on results; formulation of multi-year budgets; prohibiting the signing of agreements with international organizations; and the Certificate of Budget Availability (*Constancia de Disponibilidad Presupuestaria*) prior to underwrite contracts or agreements and Certificate of Financial Availability (*Constancia de Disponibilidad Financiera*) to ensure the existence of a financial resources to cover the amount of the contract to be executed in the year. In addition, amendments to the Organic Law of the Comptroller General's Office and the Tax Authority were approved.

In 2014 and 2015, the Government followed up on the outcomes and recommendations from several sources in relation to the issues of transparency, fighting corruption and promoting citizen participation in the processes of governance (PEFA Report; National Action Plan 2014-2016 Open Government, Open Budget Index, CUNCC; CICC EITI initiatives, COST and STAR, and others).

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

Consolidated Public Sector Accounts[1]
(as % of GDP)

	For the year ended December 31,				
	2011	**2012**	**2013**	**2014[2]**	**2015[2][3]**
Balance:					
Total non-financial public sector	(2.4)	(2.0)	(1.7)	(1.5)	(1.3)
Bank of Guatemala losses	(0.3)	(0.4)	(0.3)	(0.4)	(0.3)
Consolidated public sector deficit	(2.7)	(2.4)	(2.0)	(1.9)	(1.6)
Financing:					
Central Government					
External:					
Foreign loans (net)	0.8	0.1	0.8	1.2	0.7
Bonds	(0.7)	1.4	0.7	0.0	0.0
Total external	0.1	1.5	1.5	1.2	0.7
Internal:					
Bonds	2.3	0.5	0.5	0.7	0.8
Use of government deposits	0.5	0.4	0.1		(0.1)
Total internal	2.8	0.9	0.6	0.7	0.7
Overall balance Central Government	2.8	2.4	2.1	1.9	1.4
Rest of non-financial public sector balance	0.4	0.4	0.4	0.4	0.1
Bank of Guatemala losses	0.3	0.4	0.3	0.4	0.3
Combined public sector financing	2.7	2.4	2.0	1.9	1.6

(1) Data from 2015 not available.
(2) Data provided by the Ministry of Public Finances and Bank of Guatemala.
(3) Estimated by the Ministry of Public Finance.
Source: IMF estimates prepared on the basis of information provided by the Ministry of Public Finances and Bank of Guatemala

In 1998, the Financial Administration Integrated System, or the "SIAF" (*Sistema Integrado de Administración Financiera*) was created to develop an on-line system which allows public access to financial information, with the goal of improving public expenditure transparency. This project was supported and funded by the World Bank and divided into several stages, with the ultimate goal of including consolidated public sector information, specifically local government information.

In 2000, the Government began to integrate decentralized and autonomous entities to the SICOIN, which has been gradual. As of the date of this offering circular, there is only one autonomous institution (the University of San Carlos de Guatemala) which does not use SICOIN as its official financial management system. The SIAF system gathers data related to Government's transactions, facilitating access to governmental information, such as execution of budgets, accounting statements and economic transactions.

At the end of 2015, the SICOIN includes 333 out of 334 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 the Government is working to improve the situation.

PUBLIC SECTOR DEBT

All amounts in this section are for public sector debt of the Government and the debt that has been guaranteed by the Government. The Bank of Guatemala manages its debt separately and independently from the Government and follows different policies.

The Government has procedures to manage public sector debt. Any new debt issuance requires favorable opinions of the Monetary Board, the Secretary of Planning and Programming and the Ministry of Public Finance, as well as the consent of Congress. According to applicable law, the Government is not liable for the debts of autonomous public sector entities, including the Bank of Guatemala, unless an express guarantee is issued by the Government and authorized by Congress. The constitutive laws of certain public sector entities, including the National Mortgage Bank, expressly provide that their liabilities are guaranteed by the Government.

Since 2010, the Government has followed a fiscal policy resulting an average deficit of 2.3% of GDP between 2010 and 2015 that has contributed to maintain a modest debt. As result, at December 31, 2015, public sector debt was 24.3% of GDP in 2015, slightly more than the public sector debt to GDP ratio for 2014.

Between 2005 and 2009, average public sector debt was 21.6% of GDP. This average increased to 21.9 during the global financial crisis 2008-2009. This change in the debt level was mainly influenced by the global financial crisis that reduced tax revenue, and by the Government's efforts to protect social spending during the crisis which required it to issue more debt.

The following table sets forth public sector debt as percentage of GDP for the years indicated.

Public Sector Debt as % of GDP

For the year ended December 31,				
2011	2012	2013	2014(1)	2015(1)
23.9%	24.6%	24.8%	24.4%	24.3%

(1) Preliminary data as of December 31.
Source: Ministry of Public Finance.

As of December 31, 2015, public sector external debt was US$7,489.95 million, which represented approximately 48.2% of total public sector debt. The following table sets forth the composition of public sector debt between internal and external debt.

Total Public Sector Debt
(millions of US$(1) and as % of total)

	For the year ended December 31,									
	2011		2012		2013		2014		2015	
	US$	%	US$	%	US$	%	US$	%	US$	%
External Public Debt	5,604.9	49.3	6,304.7	51.4	7,070.2	52.9	7,039.3	49.2	7,489.9	48.2
Internal Public Debt	5,764.8	50.7	5,965.2	48.6	6,300.4	47.1	7,559.6	51.8	8,052.5	51.8
Total	11,369.7	100.0	12,269.9	100.0	13,370.6	100.0	14,598.9	100.0	15,542.5	100.0

(1) Translated from *quetzales* to U.S. dollars at the average daily exchange rate for each year.
Source: Ministry of Public Finance.

Compared to countries in the region, Guatemala has the lowest ratio debt to GDP. The following table sets forth the credit ratings and debt to GDP ratios of the countries in the region.

Public Sector Debt as Percentage of GDP (2015)

	Long-term Credit Ratings			**2015**
	Moody's	**S&P**	**Fitch**	
Guatemala	Ba1	BB	BB	24.3%
Mexico	A3	BBB+	BBB	43.9%
Nicaragua	B2	B+	B+	47.4%
El Salvador	Ba3	B+	B+	64.1%
Honduras	B3	B	—	46.2%
Costa Rica	Baa1	BB-	BB+	60.0%
Belize	Caa2	B-	—	79.9%
Panama	Baa2	BBB	BBB	38.7%

Source: Ministry of Public Finance, World Bank, Moody's, S&P and Fitch.

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 indebtedness. The Government incurred limited amounts of commercial bank debt and bonds in the 1980s and 1990s, and had no need to restructure any such debt.

Short-term foreign currency requirements were managed through the issuance of Bank of Guatemala Stabilization Bonds.

In the early 1990s, the Government fell into arrears on certain loans from bilateral 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 which 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 most recent time the Government had issues servicing its debt was more than 20 years ago.

The Organic Budget Law (*Ley Orgánica del Presupuesto*), pursuant to Decree No. 101-97 of Congress, mandates that the Republic must 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 the Notes offered hereby, the Republic is required to maintain an account with the Bank of Guatemala known as the "*Fondo de Amortización*" (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 of interest on, principal of and commissions and other expenses related to debt service on Notes. Similar laws provide for such payments to be made into the Amortization Fund for payments due on other debt issuances. However, Decree 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.

Guatemala has a solid record of debt service, including with respect to the debt securities it has issued since 1997 (the first issuance), which include:

- in August 1997, US$150 million of 8.5% notes due 2007 (which have been repaid in full);
- in November 2001, US$325 million of 10.25% notes due 2011 (which have been repaid in full);
- in August 2003, US$300 million of 9.25% notes due 2013 (which have been repaid in full);

- in October 2004, US$330 million of 8.12% notes due 2034;
- in June 2012, US$700 million of 5.75% notes due 2022; and
- in February 2013, US$700 million of 4.87% notes due 2028.

Although Guatemala renegotiated certain external indebtedness with Paris Club lenders as discussed below, the Republic has not defaulted on any external or internal debt.

Management of the Public Debt

The Ministry of Public Finance, through the Public Credit Office, is the governing entity of the Public Credit System (Article 73, *Acuerdo Gubernativo 540-2013).* Recently in 2014, under the Ministerial Agreements 456-2011 and 26-2014, this office was restructured conforming three deputy offices: *Subdirección de Negociación de Operaciones* (Front Office); *Subdirección de Gestión de Política de Crédito Público* (Middle Office); and *Subdirección de Operaciones* (Back Office). The Front Office is responsible of negotiating new debt; the Middle Office is in charge of public debt analysis and management of risks; and the Back Office is in charge of the timely and adequately debt service.

It is important to mention the Budget Organic Law, established in Article 66 of the Budget Organic Law states that the Ministry of Public Finance must, in each year's budget, set aside funds in the Amortization Fund (*Fondo de Amortización*) at Bank of Guatemala to guarantee the timely and adequately public debt service, which includes amortization, interests, commissions and related credit operation costs.

Public Sector Indicators

As of December 31, 2015, total public sector debt totaled US$15,542.5 million. Domestic debt increased from 50.7% of total public sector debt in 2011 to 51.8% in 2015. During the same period, local currency-denominated debt increased from 44.9% of total public sector debt in 2011 to 46.2% in 2015, an increase of 1.3%. These changes in the debt structure accompanied have contributed to reducing exchange rate risk of the public sector debt portfolio.

Most of the public sector debt has been issued with fixed interest rates. Between 2010 and 2015, the average percentage of fixed interest rate debt was approximately 67.7% of total public sector debt. As of December 31, 2015, 69.1% of public sector debt bears interest at fixed rates and the remainder, 30.9%, bears interest at variable interest rates. Accordingly, the interest risk of the public sector debt portfolio is low.

Most of the debt bearing interest at variable rates was issued to multilateral and bilateral institutions. As of December 31, 2015, 29.8% and 1.1% of total public sector debt is owed to multilateral and bilateral institutions, respectively. The interest rates on debt issued to international institutions tends to be lower given preferential conditions available from such institutions.

Weighted average interest rates in 2015 for external and internal public sector debt were 4.4% and 7.9%, respectively. Interest payments for debt service in 2015 represented 1.6% of GDP, or 15.3% of tax revenues.

Long-term domestic debt and multilateral debt contributes to reduce rollover risk. The weighted maturity of external and domestic internal debt in 2015 is 9.62 years and 8.52 years, respectively. The weighted maturity overall is 9.05 years. Low interest rates of debt issued to multilateral and bilateral institutions contribute to reduce the rollover risk.

External Debt

As of December 31, 2015, public sector external debt was comprised 71.5% by debt issued to multilateral institutions; 5.4% by debt issued to bilateral organizations and governments; and the remainder, 23.1%, was issued to private creditors (bondholders). As of December 31, 2015, the Government's public sector external debt and its debt service was 69.2% and 6.3% of total exports (FOB), respectively.

The following table sets forth the composition of public sector external debt by creditor as of the dates indicated.

Public Sector External Debt by Creditor
(in millions of US$[1] except %)

	As of the Year ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Official Creditors:					
Multilateral organizations:					
Inter-American Development Bank	2,176.97	2,216.75	2,414.67	2,356.51	2,500.56
World Bank	1,390.90	1,394.75	1,545.67	1,493.31	1,761.89
CABEI	1,029.49	1,021.03	1,038.21	1,051.82	1,080.47
International Fund for Agricultural Development	17.10	14.25	10.59	7.45	5.71
Organization of Petroleum Exporting Countries	14.92	14.86	10.58	7.93	7.57
Total multilateral organizations	4,629.38	4,661.63	5,019.72	4,917.02	5,356.20
Bilateral lending institutions:					
United States (US-AID, C.C.C.)	20.41	14.69	10.78	8.11	7.08
Kreditanstalt für Wiederaufbau—Germany	71.32	73.69	75.13	66.34	57.32
Mediocredito Centrale—Italy	0.86	0.24	—	—	—
Canadian International Development Agency	1.50	1.44	1.25	1.06	0.82
Union Bank of Switzerland	4.74	4.91	4.52	3.43	2.72
Japanese International Cooperation Agency	220.61	199.56	163.57	137.29	130.85
Eximbank—Republic of China (Taiwan)	18.05	11.11	6.17	4.23	3.29
International Cooperation and Development Fund—Republic of China (Taiwan)	8.05	7.42	6.58	5.84	5.10
BBVAE—Spain	—	—	17.03	19.25	28.80
BNDES—Brazil	—	—	35.47	146.68	167.77
Total bilateral entities	345.54	313.06	320.50	392.24	403.75
Private Creditors:					
9 1/4% Notes due 2013	300.00	300.00	—	—	—
5 3/4% Notes due 2022	—	700.00	700.00	700.00	700.00
4 7/8% Notes due 2028	—	—	700.00	700.00	700.00
8 1/4% Notes due 2034	330.00	330.00	330.00	330.00	330.00
Total private creditors	630.00	1,330.00	1,730.00	1,730.00	1,730.00
Total	5,604.92	6,304.69	7,070.23	7,039.26	7,489.95
External debt (as % of GDP)[2]	11.80%	12.62%	13.10%	11.78%	11.71%
External debt interest service (as % of GDP)[2]	0.57%	0.53%	0.57%	0.49%	0.53%

(1) Non-U.S. dollars amount are translated to U.S. dollars at the official exchange rate for each the year-end date.
(2) Preliminary data, GDP provided by the Bank of Guatemala.
Source: Ministry of Public Finance.

In recent years, the Guatemalan public sector has reduced its bilateral and commercial bank debt, while increasing multilateral debt and debt issued to the private sector. A significant portion of the multilateral and bilateral debt of the public sector is on favorable terms, which are characterized by long maturity contracts, significant grace periods and low interest rates.

The principal creditors that hold external debt as of December 31, 2015 are the Inter-American Development Bank (33.39%), the World Bank (23.52%), bond holders (23.10%), and the Central American Bank for Economic Integration (14.43%).

As set forth in the following table, most of the external debt of the Republic as of December 31, 2015 was denominated in U.S. dollars (97.27%).

Summary of Public Sector External Debt by Currency
(In millions of US$[1], except %)

Currency	As of December 31, 2015 Amount	% of total external debt
U.S. dollar	7,285.47	97.27%
Japanese yen	130.85	1.75%
Euros	64.39	0.86%
Special drawing right [2]	5.71	0.08%
Canadian dollar	0.82	0.01%
Swiss franc	2.72	0.04%
Total	7,489.95	100.00%

(1) Non-U.S. dollars amount are translated to U.S. dollars at the official exchange rate for the year-end date.
(2) Unit of account of IMF.
Source: Ministry of Public Finance.

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

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

	As of December 31				
	2011	2012	2013	2014[4]	2015[4]
Interest payments	272.48	266.04	306.57	286.88	338.89
Amortization [2]	270.60	263.86	287.55	302.43	339.92
Total public sector external debt service [3]	543.09	529.90	594.12	589.31	678.81
Total public sector external debt service:					
as % of total exports (FOB)	5.16%	5.24%	5.83%	5.36%	6.27%
as % of GDP[4]	1.14%	1.05%	1.10%	1.00%	1.06%
as % of total tax revenue	10.49%	9.69%	9.00%	9.28%	10.45%

(1) Non-U.S. dollars amount are translated to U.S. dollars at the official exchange rate for the year-end date.
(2) Excludes amounts refinanced.
(3) Includes central Government debt and rest of the public sector guaranteed.
(4) Preliminary data.
Source: Ministry of Public Finance and Bank of Guatemala.

As set forth in the preceding table, external debt service as percentage of total exports (FOB) has been increasing from 5.16% in 2011 to 6.27% in 2015. Similarly for the same period, debt service as percentage of GDP has been reducing from 1.14% in 2011 to 1.06% of GDP in 2015; and debt service as percentage of tax revenue has been reducing slightly from 10.49% in 2011 to 10.45% in 2015. These trends are associated to an increase of the participation of internal debt. The following table sets forth information regarding external public sector debt by interest rate for the years indicated.

Public Sector External Debt by Interest Rate Type
(In millions of US$[1] and as % of total)

	As of December 31,									
	2011		2012		2013		2014[2]		2015[2]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fixed rate	1,422.79	25.39%	2,418.43	38.36%	2,690.87	38.06%	2,722.58	38.68%	2,691.42	35.93%
Floating rate	4,182.13	74.61%	3,886.25	61.64%	4,379.36	61.94%	4,316.68	61.32%	4,798.52	64.07%
Total	5,604.92	100.0%	6,304.69	100.0%	7,070.23	100.0%	7,039.26	100.0%	7489.95	100.0%

(1) Translated from *quetzales* to U.S. dollars at the official average daily exchange rate for each year-end date.
(2) Preliminary data.
Source: Ministry of Public Finance.

As of December 31, 2015, most of the Republic's external debt was set at floating rates (64.07%), which is due to the high participation of multilateral and bilateral credits that are characterized by long maturity contracts, long grace periods, and low, variable interest rates.

The following table sets forth the projections of debt service on existing public sector external debt for 2015 through 2025.

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

	2016		2017		2018		2019		2020	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	327.0	316.8	373.3	305.4	384.8	289.7	362.7	274.1	373.0	258.9
Rest of public sector	8.1	2.6	8.0	2.3	7.5	2.0	7.0	1.8	6.9	1.5
Total	335.1	319.4	381.3	307.7	392.3	291.7	369.7	275.9	379.9	260.4

	2021		2022		2023		2024		2025	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	357.1	243.0	1041.9	208.4	316.5	174.4	321.9	161.3	323.9	147.3
Rest of public sector	7.0	1.2	6.1	1.0	5.1	0.8	5.1	0.6	4.6	0.4
Total	364.1	244.2	1048.0	209.4	321.6	175.2	327.0	161.9	328.5	147.7

(1) Amounts are for existing public sector external debt as of December 31, 2015.
(2) Translated from *quetzales* to U.S. dollars at the official average daily exchange rate for December 31, 2015.
Source: Ministry of Public Finance.

Internal Debt

Public sector internal debt, which does not include debt of the Bank of Guatemala, was US$8,052.50 million (Q61,459.68 million) at December 31, 2015. A portion of such debt is owed to public sector entities.

As of December 31, 2015, public sector internal debt is comprised of government bonds denominated in local currency (89.2%), with the remainder denominated in U.S. dollars (10.8%). All of the bonds denominated in local currency bear interest at fixed rates. Internal debt as a percentage of GDP and as percentage of the total public debt was 12.6% and 51.8%, respectively.

The following table, which does not include debt of the Bank of Guatemala, sets forth outstanding public sector internal debt as of the dates indicated.

Public Sector Internal Debt by Currency[1]
(In millions of US$[2] and as percentage)

Currency	As of December 31, 2011	%	2012	%	2013	%	2014[3]	%	2015[3]	%
Quetzales	5,107.41	88.60	5,150.58	86.34	5,533.78	87.83	6,690.35	88.50	7,183.20	89.20
U.S. dollars	657.38	11.40	814.61	13.66	766.61	12.17	869.30	11.50	869.30	10.80
Total	5,764.78	100.00	5,965.19	100.00	6,300.38	100.00	7,559.64	100.00	8,052.50	100.00
Internal debt as % of GDP	12.14%		11.94%		11.68%		12.65%		12.59%	
Internal debt as % of public debt	50.70%		48.62%		47.12%		51.78%		51.81%	

(1) Includes certain bonds of the Government held by entities of the public sector, such as the Guatemalan Institute of Social Security.
(2) Translated from *quetzales* to U.S. dollars at the official exchange rate at the year-end date.
(3) Preliminary data.
Source: Ministry of Public Finance.

The following table sets forth information regarding the public sector internal debt service from 2010 to 2015.

Public Sector Internal Debt Service
(In millions of US$)[1]

	As of December 31, 2011	2012	2013	2014[4]	2015[4]
Interest payments	431.02	502.92	529.43	564.16	655.30
Amortization [2]	0.00	43.00	0.85	1.26	1.62
Total public sector internal debt service	431.02	545.92	530.28	565.42	656.92
Total public sector internal debt service:					
as % of GDP[3]	0.90%	1.08%	0.98%	0.96%	1.03%
as % of tax revenues[3]	8.33%	9.98%	8.99%	8.90%	10.11%

(1) Translated from *quetzales* to U.S. dollars at the average daily exchange rate for each year.
(2) Excludes refinanced amounts.
(3) Percentage based on GDP and debt estimate due as of the end of year.
(4) Preliminary data.
Source: Ministry of Public Finance.

The following table sets forth the projection of the internal public debt service for 2016 through 2025.

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

	2016		2017		2018		2019		2020	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	0.00	48.07	39.53	48.08	17.10	45.69	0.00	44.98	171.47	44.99
In local currency	725.12	566.78	258.54	515.55	359.28	499.20	550.12	451.39	560.55	405.66
Total	725.12	614.85	298.07	563.63	376.38	544.89	550.12	496.38	732.02	450.65

	2021		2022		2023		2024		2025	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	250.35	35.71	0.00	24.15	64.87	22.42	0.00	20.10	0.00	20.11
In local currency	387.04	366.39	40.14	335.24	244.31	324.97	352.12	302.43	565.18	274.48
Total	637.39	402.10	40.14	359.39	309.18	347.39	352.12	322.54	565.18	294.59

(1) Translated from *quetzales* to U.S. dollars at the official average daily exchange rate for December 31, 2015.
Source: Ministry of Public Finance.

Debt of the Bank of Guatemala

The Bank of Guatemala and the Republic manage their debt separately and independently and follow different 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 (Decree 16-2002), the Bank of Guatemala recorded these losses in an account entitled quasi-fiscal losses. The Superintendency 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 Organic Laws of the Bank of Guatemala and upon prior authorization of the Congress, that liability will be transferred to the Ministry of Public Finance in exchange for a note in the amount of Q16,834.2 million and with a term of 100 years non-interest bearing to be 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 Bank of Guatemala's 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, in a total amount of Q3,446 million (US$430 million).

In 2011, quasi-fiscal losses reached Q1,017.1 million (US$130 million) which the Bank of Guatemala, in 2012, requested be restored and included in the 2013 budget; however, it was not approved by Congress. In addition, in 2012, quasi-fiscal losses reached Q1,401.8 million (US$177 million) which were also reclaimed by the Bank of Guatemala in 2013.

Since the 2014 Budget was not approved by Congress, the aforementioned losses are still pending to be restored. In 2013, quasi-fiscal losses reached Q1,523.84 million (US$194 million) which were also reclaimed by the Bank of Guatemala in 2014, but the Congress only approved Q361 million which are still pending to be received. In 2014, quasi-fiscal losses reached Q1,712.6 million (US$219 million), which were also requested by the Bank of Guatemala in 2015 and included in the budget for 2016, which was approved on November 30, 2015.

DESCRIPTION OF THE NOTES

The 4.500% Notes due 2026 (the "Notes") will be issued under a fiscal agency agreement, to be dated as of May 3, 2016 (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," respectively, and, collectively with the Luxembourg Agents (as defined below), the "Agents," which terms will include their respective successors and permitted assigns), and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent.

You can find the definition of certain capitalized terms used in this section under "—Certain Definitions." References to "holders" mean those persons or entities who have Notes registered in their names on the books the Fiscal Agent maintains for these purposes, and not those who own beneficial interests in Notes issued in book-entry form through DTC or any other clearing system or in Notes registered in street name.

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 May 3, 2016;
- be 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 May 3, 2026;
- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- bear interest at a rate of 4.500% per year, from and including May 3, 2016, to, but excluding, May 3, 2026. Interest on the Notes will be payable semi-annually in arrears on May 3 and November 3 of each year, commencing on November 3, 2016. Interest on the Notes will be computed on the basis of a 360-day year consisting of 12 months of 30 days each;
- pay interest to persons in whose names the Notes are registered at the close of business on the April 18 and October 19, as the case may be, preceding each payment date (each a "Regular Record Date").
- constitute general, unconditional, unsubordinated Indebtedness of the Republic backed by the full faith and credit of the Republic;
- be at least equal in right of payment with all of the Republic's other existing and future unsubordinated and unsecured Public External Indebtedness; it being understood that this provision shall not be construed to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness;
- be represented by one or more Global Notes 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 Global Notes as follows, but in limited circumstances may be represented by Notes in certificated definitive 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 one or more Global Notes (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 one or more Global Notes (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 immediately preceding the related scheduled payment date as defined on the face of the Notes. Payment of such interest will be made by a check in U.S. dollars 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. Payments of Principal and interest on Notes held in book-entry form will be made in accordance with the procedures of the DTC.

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, upon written request of the Republic, 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 (i) a Registrar having a specified office in The City of New York, (ii) a Paying Agent in The City of New York; (iii) 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; and (iv) a Transfer Agent in Luxembourg for 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 scheduled 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 scheduled payment date will accrue for the period from and after such scheduled 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, (i) 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 amount which would have been receivable in respect of the Notes in the absence of such withholding or deduction; (ii) make such withholding; and (iii) make payment of the amount so withheld to the appropriate governmental authority. No such Additional Amounts will, however, be payable in respect of:

- any Taxes with respect to the Notes that would not have been imposed but for the holder or beneficial owner 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 Taxes with respect to the Notes that are imposed by reason of the holder's or beneficial owner'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-E, W-8ECI or W-9); or

- any Taxes with respect to the Notes that are imposed by reason of the failure of the holder or beneficial owner to present such Notes 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 except to the extent such holder would have been entitled to receive such Additional Amounts if such Notes had been presented on the last day of such 30-day period.

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 additional Notes having the same terms and conditions as the Notes in all respects, except for the issue date, issue price, date from which interest accrues and first date on which interest will be paid. Additional Notes issued in this manner will be consolidated with and will form a single issue with the Notes; *provided* that, if any such additional Notes 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

    - 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.

(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 and at least equally with all other existing and future unsubordinated and unsecured Public External Indebtedness of the Republic. It being understood that this provisions shall not be construed to require the Republic to make payments under the Notes ratably with payment being made under any other Public External Indebtedness.

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 of such failure to the Fiscal Agent by a holder of Notes 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; or

(6) *Denial of Obligations under Notes*: Denial by an authorized official of the Republic's obligations under the Notes or the Fiscal Agency Agreement,

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 Events of Default shall have been cured. 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 $66^2/_3$% or more of the aggregate principal amount of the Outstanding Notes in accordance with the procedures set forth under "—Collective Action; Meetings, Modifications, Amendments and Waivers." Any Event of 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 (4) above unless the Republic's guarantee in respect of such Indebtedness has been approved by appropriate and specific Congressional action of the Republic.

Collective Action; Meetings, Modifications, Amendments and Waivers

Meetings

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 Fiscal Agency Agreement and 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 Fiscal Agency Agreement and 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 at any meeting of holders other than a meeting held to discuss a Reserved Matter (as defined below). With respect to any meeting of holders of Notes to discuss a Reserved Matter, (i) the persons entitled to vote 75% in principal amount of the Outstanding Notes will constitute a quorum if the Republic has selected either of the first two modification methods described below, and (ii) the persons entitled to vote a majority in principal amount of the Outstanding Notes will constitute a quorum if the Republic has selected the third modification method described below. 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. The quorum requirements set forth above shall apply to any meeting reconvened for lack of a quorum. 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 such adjourned meeting may be reconvened without further notice (except that if and for so long as the Notes are listed on the Luxembourg Stock Exchange, as may be required under the regulations of that exchange).

Holders of the Notes may also take any action that could be taken at a meeting of holders of Notes pursuant to written action with the consent of holders of the requisite percentage of Notes. The Republic will solicit any such consents not less than 30 nor more than 60 calendar days prior to the date fixed as the expiration date for the receipt of such consents as specified by the Republic.

Modification of Matters Other Than Reserved Matters

Subject to the provisions set forth below with respect to Reserved Matters, the holders of the Notes may generally approve, by vote or consent of not less than the majority of the aggregate principal amount of the Notes then Outstanding, any modification, amendment, supplement or waiver to the Fiscal Agency Agreement and/or the Notes proposed by the Republic.

Reserved Matters; Collective Action

Subject to the terms and conditions applicable to each series of Outstanding Debt Securities (as defined below), holders of such Outstanding Debt Securities (including the Notes) may approve, by vote or consent through one of three modification methods described below, any modification, amendment, supplement or waiver proposed by the Republic that would do any of the following:

- change the due date for the payment of the principal of, or any installment of interest on, any Outstanding Debt Securities (including the Notes);

- reduce the principal amount of any series of Outstanding Debt Securities (including the Notes), or the portion of such principal amount which is payable upon acceleration of the maturity of such Outstanding Debt Securities (other than in accordance with the express terms thereof);

- reduce the interest rate on any Outstanding Debt Securities (including the Notes);

- change the method used to calculate any amount payable on any Outstanding Debt Securities (including the Notes)(other than in accordance with the express terms thereof);

- change the currency in which any payment in respect of any Outstanding Debt Securities (including the Notes) is payable or the place or places in which such payment is to be made;

- modify the obligation of the Republic to make any payments on any Outstanding Debt Securities (including the Notes)(including any redemption price therefor);

- change the identity of the obligor under any Outstanding Debt Securities (including the Notes);

- change the definition of "Outstanding" with respect to any Outstanding Debt Securities (including the Notes);

- change the percentage of affirmative votes or written consents, as the case may be, required to make a "Reserved Matter Modification" (as defined in the Fiscal Agency Agreement);

- change the definition of "Uniformly Applicable" or "Reserved Matter Modification";

- change the governing law, 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 under the terms of any Outstanding Debt Securities (including the Notes);

- change the ranking of any Outstanding Debt Securities, (including 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 any Outstanding Debt Securities (including the Notes);

- change the obligation of the Republic to pay Additional Amounts in respect of any Outstanding Debt Securities (include the Notes);

- authorize the relevant fiscal agent or trustee, on behalf of the holders of any Outstanding Debt Securities (including the Notes), to exchange or substitute all of the Outstanding Debt Securities (including the Notes) for, or convert all of the debt securities into, other obligations of the Republic or any other person; or

- reduce the percentage or proportion of the principal amount of any Outstanding Debt Securities (including the Notes) that is required to modify, amend or supplement the Fiscal Agency Agreement (or any other agreement or indenture pursuant which any debt securities are issued) or the terms and conditions of any Outstanding Debt Securities (including 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 any other agreement or indenture pursuant which debt securities are issued) or any Outstanding Debt Securities (including the Notes) to be made, taken or given.

Any such modification, amendment or supplement will be binding on the holders of the relevant Outstanding Debt Securities (including the Notes). We refer to the above matters as "Reserved Matters." A change to a Reserved Matter, including the payment terms of any series of Outstanding Debt Securities (including the Notes), can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the Outstanding Notes insofar as the change affects the Notes (but does not modify the terms of any other series of debt securities issued by the Republic);

- where such proposed modification would affect the Outstanding Notes and at least one other series of Outstanding Debt Securities, the holders of more than 75% of the aggregate principal amount of the then Outstanding Debt Securities of all of the series affected by the proposed modification, taken in the aggregate, if certain "Uniformly Applicable" requirements are met (a "Cross-Series Modification With Single Aggregated Voting"); or

- where such proposed modification would affect the Outstanding Notes and at least one other series of Outstanding Debt Securities, whether or not the "Uniformly Applicable" requirements are met, the holders of more than $66^2/_3$% of the aggregate principal amount of the then Outstanding Debt Securities of all of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the then Outstanding Debt Securities of each series affected by the modification, taken individually.

Any modification consented to or approved by the holders of debt securities (including the Notes) pursuant to the above provisions will be conclusive and binding on all holders of the relevant series of debt securities (including the Notes) or all holders of all series of debt securities (including the Notes) affected by a Cross-Series Modification (as defined below), as the case may be, whether or not any such holders have given such consent, and on all future holders of those debt securities (including the Notes) whether or not notation of such modification is made upon the debt securities. Any such modification will be conclusive and binding on all subsequent holders of that debt security.

"Uniformly Applicable," as used herein, means a modification by which holders of Outstanding Debt Securities of all series affected by that modification (including the Notes, if so affected) are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be Uniformly Applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

We may select, in our discretion, any modification method for a Reserved Matter Modification in accordance with the Fiscal Agency Agreement and the Notes and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities (collectively, the "Outstanding Debt Securities") constituting Public External Indebtedness issued by the Republic on or after the date of this offering circular pursuant to a fiscal agency or other agreement or an indenture containing provisions substantially the same as those set forth under this "—Collective Action" caption (each, an "Outstanding Debt Agreement") is outstanding, if we certify to the Fiscal Agent under the Fiscal Agency Agreement and to the fiscal agent or trustee under the relevant Outstanding Debt Agreement that a proposed modification affecting more than one series of debt securities issued by the Republic (a "Cross-Series Modification") is being sought simultaneously with an "Outstanding Debt Agreement Reserved Matter Modification," the Outstanding Debt Securities affected by such Outstanding Debt Agreement Reserved Matter Modification shall be treated as "series affected by that proposed modification" as that phrase is used in the Fiscal Agency Agreement (as described in the preceding paragraphs); *provided*, that if we seek a Cross-Series Modification With Single Aggregated Voting, in determining whether such modification will be considered Uniformly Applicable, the holders of any series of Outstanding Debt Securities affected by the Outstanding Debt Agreement Reserved Matter Modification shall be deemed "holders of debt securities of all series affected by that modification," for the purpose of the definition of "Uniformly Applicable." It is the intention that in such circumstances, the votes of the holders of the affected Outstanding Debt Securities be counted for purposes of the voting thresholds specified in the Fiscal Agency Agreement for the applicable Cross-Series Modification as though those Outstanding Debt Securities had been affected by that Cross-Series Modification, although the holders of any Notes will be deemed to have acknowledged and agreed that the effectiveness of any modification, as it relates to the Outstanding Debt Securities, shall be governed exclusively by the terms and conditions of those Outstanding Debt Securities and by the applicable Outstanding Debt Agreement; *provided, however*, that no such modification as to such Outstanding Debt Securities will be effective unless such modification shall have also been adopted by and become binding up on the holders of the Outstanding Debt Securities pursuant to the amendment and modification provisions of such Outstanding Debt Securities set forth in the applicable Outstanding Debt Agreement.

"Outstanding Debt Agreement Reserved Matter Modification," for these purposes, means any modification to a reserved matter affecting the terms and conditions of one or more series of the Outstanding Debt Securities, pursuant to an Outstanding Debt Agreement.

Before soliciting any consent or vote of any holder of Outstanding Debt Securities (including the Notes) for any change to a Reserved Matter, we will provide the following information to the Fiscal Agent for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of our economic and financial circumstances that are in our opinion relevant to the request for the proposed modification, a description of our existing debt and description of our broad policy reform program and provisional macroeconomic outlook;

- if we shall at the time have entered into an arrangement for financial assistance with major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the creditors, as applicable, a copy of the arrangement or agreement;

- a description of our proposed treatment of external debt instruments that are not affected by the proposed modification and our intentions with respect to any other major creditor groups; and

- if we are then seeking any Reserved Matter Modification affecting any other series of debt securities, a description of that proposed modification.

The vote or consent of the holders of the Notes is not necessary under the Fiscal Agency Agreement to approve the particular form of any proposed amendment, modification, supplement or waiver. It is sufficient if the vote or consent approves the substance of the proposed amendment, modification, supplement or waiver.

Other Amendments

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 and/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 construed 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.

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 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.

"Outstanding" means any Notes authenticated and delivered pursuant to the Fiscal Agency Agreement (or debt securities authenticated and delivered under an Outstanding Debt 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 (or other debt securities) are present at a meeting of holders of Notes (or debt securities) for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement, Notes (or other debt securities) will be disregarded and deemed not to be outstanding, and may not be counted for quorum purposes or in any consent or vote with respect to any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement, if on the record date for the proposed action, such Notes (or other debt securities) are held by the Republic or by a Public Sector Instrumentality of Republic, except that (x) Notes (or debt securities) held by the Republic or any Public Sector Instrumentality of the Republic which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Fiscal Agent the pledgee's right so to act with respect to such Notes (or debt securities) and that the pledgee is not the Republic or a Public sector instrumentality of the Republic, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the Fiscal Agent in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Fiscal Agent, upon the certificate, statement or opinion of or representations by the Fiscal Agent and (y) in determining whether the Fiscal Agent will be protected in relying upon any such action or instructions, or any notice from holders, only Notes (or other debt securities) that a responsible officer of the Fiscal Agent knows to be so owned or controlled will be so disregarded.

As used in this definition, "Public Sector Instrumentality" means any (i) department, secretary, ministry or agency of the central government of the Republic and (ii) corporation, trust or other legal entity controlled by the central government of the Republic or by any of the entities identified in the preceding clauses (i) and (ii). The term "control" for these purposes means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or to elect or to appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

"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.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of registered Global Notes. Upon issuance, 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 the Global Notes 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 the Global Notes with DTC's custodian, DTC will credit portions of the principal amount of such Global Notes to the accounts of the DTC participants designated by the initial purchaser; and

- ownership of beneficial interests in the Global Notes 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 the Global Notes).

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 certificated definitive form except in the limited circumstances described below.

The Global Notes and beneficial interests therein 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 transferor 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 initial purchaser is 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 initial purchaser; 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 initial purchaser:

(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 initial purchaser 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 initial purchaser nor any person representing the Republic or the initial purchaser 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 of America within the meaning of Regulation S; or

(e) under any other available exemption from the registration requirements of the Securities Act; subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or such account's control.

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 date the Notes are first issued 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. THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE REPUBLIC."

(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.

(6) You acknowledge that the Republic, the initial purchaser 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 initial purchaser. 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.

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 Superintendency 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 to U.S. Holders

This summary deals only with Note that are held as capital assets by a U.S. holder (as defined below) who acquires the Note upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the Note that is, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to U.S. holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders whose "functional currency" is not the United States dollar; or
- alternative minimum, estate or gift tax consequences, if any.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

Interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. In addition to interest on the Note, which includes any Guatemalan tax withheld from the interest payments received, you will be required to include in income any additional amounts paid in respect of any Guatemalan withholding tax. You may be entitled to deduct or credit any such withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note will generally be considered foreign source income and, for purposes of the United States foreign tax credit, will generally be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Note where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or other Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will generally be your cost for that Note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the Note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Guatemalan tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources.

Backup Withholding and Information Reporting

Generally, information reporting will apply to all payments of interest and principal on a Note and the proceeds from a sale or other disposition of a Note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding on any such payments or proceeds.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the “participating Member States”).

The Commission’s Proposal has very broad scope and could, if introduced in its published form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw. It has been reported that Estonia has withdrawn from the process to introduce the FTT; the effect of such a withdrawal is still unclear.

In December 2015, a joint statement was issued by the participating Member States (except Estonia) indicating an intention to make decisions on the remaining open issues by the end of June 2016.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as initial purchaser of the offering of the Notes. Subject to the terms and conditions in the Purchase Agreement between the Republic and the initial purchaser, dated the date of this offering circular (the "Purchase Agreement"), the Republic has agreed to sell to the initial purchaser, and the initial purchaser 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 initial purchaser to purchase the Notes are subject to approval of legal matters by counsel and to other conditions.

The Republic has been advised that the initial purchaser 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 initial purchaser has advised us that, except as permitted by the Purchase Agreement and as set forth in "Transfer Restrictions," it will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Notes.

In addition, until 40 days 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, any such listing does not assure that a trading market for the Notes will develop. The initial purchaser 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 initial purchaser 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 initial purchaser in this offering, which creates a short position for the initial purchaser. 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 initial purchaser may conduct these transactions in the over-the-counter market or otherwise. If the initial purchaser commences any of these transactions, it may discontinue them at any time.

The initial purchaser 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.

Additionally, in the ordinary course of their business activities, the initial purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The initial purchaser and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchaser and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Pursuant to the Purchase Agreement, with respect to the Notes, the Republic has agreed to indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchaser may be required to make because of any of those liabilities.

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 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 initial purchaser 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 initial purchaser has advised us 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 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 initial purchaser 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 initial purchaser to publish a prospectus pursuant to Article 3 of 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 initial purchaser has advised us 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 initial purchaser has advised us 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.

Pursuant to Law No. 18,045 of Chile (the Chilean Securities Market Law) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS, the Notes may be privately offered in Chile to certain "qualified investors" identified as such by SVS Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the SVS).

SVS Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: April 27, 2016. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile* or "SVS").

2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS, due to the Notes not being subject to the oversight of the SVS.

3. Since the Notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the Notes in Chile.

4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the SVS.

De conformidad con la ley N° 18.045, de mercado de valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la "SVS"), los bonos pueden ser ofrecidos privadamente a ciertos "inversionistas calificados", a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. La oferta de los bonos comienza el 27 de Abril del 2016, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la SVS.

2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia.

3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos.

4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

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 initial purchaser has advised us, 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 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 initial purchaser 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, S.A., Guatemalan counsel to the Republic, and by Simpson Thacher & Bartlett LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the initial purchaser by Consortium-Legal (Rodriguez, Aguilar, Castellanos, Solares & Alvarado, S.C.), Guatemalan counsel to the initial purchaser, and by Shearman & Sterling LLP, U.S. counsel to the initial purchaser. As to all matters of Guatemalan law, Simpson Thacher & Bartlett LLP may rely on the opinions of Cuestas PPQ, S.A., and Shearman & Sterling LLP may rely upon the opinion of Consortium-Legal (Rodriguez, Aguilar, Castellanos, Solares & Alvarado, 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. All other information and statements set forth herein relating to the Republic are included as public official statements made on the authority of the Republic.

GENERAL INFORMATION

1. The issuance of the Notes was authorized pursuant to Decree No. 14-2015 of the Congress of the Republic.

2. 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.

3. 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 Decree No. 14-2015 referred to in paragraph 1 above;
- The Republic's consolidated public sector fiscal accounts for 2015 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.

4. The CUSIP numbers for the Regulation S Global Note and the Rule 144A Global Note are P5015V AF3 and 401494 AN9, respectively. The International Securities Identification Numbers (ISINs) for the Regulation S Global Note and the Rule 144A Global Note are USP5015VAF33 and US401494AN97, respectively. The Common Codes for the Regulation S Global Note and the Rule 144A Global Note are 140708330 and 140708305, respectively.

5. 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, 2015.

APPENDIX A
Republic of Guatemala: Global Public Sector External Debt
(As of December 31, 2015)

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (In millions of US$)(2)
CIDA	GOCE	16/03/1976	0.00%	30/09/2025	0.09
CIDA	GOCE	13/07/1977	0.00%	31/03/2027	0.73
USAID	GOCE	13/06/1983	3.00%	27/12/2023	1.04
USAID	GOCE	30/09/1987	5.00%	27/05/2018	0.03
USAID	GOCE	30/09/1987	5.00%	21/09/2020	0.16
USAID	GOCE	27/09/1986	5.00%	14/10/2016	0.01
USAID	GOCE	27/09/1986	5.00%	27/09/2018	0.01
BBVA-Spain	GOCE	15/11/2012	4.85%	25/06/2025	28.80
CABEI	GOCE	09/02/1999	3.00%	09/02/2019	0.23
CABEI	GOCE	18/06/2002	5.85%	05/08/2016	5.19
CABEI	GOCE	13/05/2003	5.88%	13/05/2023	6.56
CABEI	GOCE	24/09/2004	5.85%	24/09/2016	5.34
CABEI	GOCE	26/09/2007	5.90%	26/09/2022	15.95
CABEI	GOCE	13/05/2003	6.00%	13/05/2018	4.28
CABEI	INDE	09/12/2005	5.90%	09/12/2025	23.01
CABEI	GOCE	30/07/2008	5.90%	25/07/2028	8.93
CABEI	GOCE	16/01/2006	5.90%	25/01/2026	231.67
CABEI	GOCE	16/10/2008	5.90%	14/10/2028	56.59
CABEI	GOCE	11/09/2009	5.90%	27/11/2029	149.82
CABEI	GOCE	26/03/2010	5.90%	26/03/2025	85.17
CABEI	GOCE	11/10/2011	5.90%	25/10/2026	242.92
CABEI	GOCE	14/11/2012	5.90%	25/04/2033	78.96
CABEI	GOCE	07/07/2014	4.16%	28/11/2034	79.44
CABEI	GOCE	06/02/2015	4.20%	06/02/2035	86.00
CABEI	GOCE	15/10/1998	3.00%	15/10/2018	0.20
CABEI	GOCE	15/10/1998	3.00%	15/10/2018	0.20
IDB	INDE	17/09/2002	4.07%	15/06/2037	7.08
IDB	GOCE	20/10/1997	5.44%	20/10/2017	9.99
IDB	GOCE	20/10/1997	5.44%	20/10/2017	1.09
IDB	GOCE	14/03/1998	5.44%	14/03/2023	18.83
IDB	GOCE	18/09/1998	5.44%	18/09/2028	7.68
IDB	GOCE	11/12/1998	5.44%	11/12/2018	1.59
IDB	GOCE	14/03/1999	5.44%	14/03/2029	13.08
IDB	GOCE	22/01/1999	5.74%	22/01/2029	20.67
IDB	GOCE	26/03/2000	5.08%	26/03/2020	10.13
IDB	GOCE	18/10/1999	5.44%	18/10/2029	48.44
IDB	GOCE	19/05/1976	0.00%	19/05/2016	0.23
IDB	GOCE	11/02/2002	5.74%	11/02/2027	3.46
IDB	GOCE	11/02/2002	4.89%	11/02/2022	8.54
IDB	GOCE	11/02/2002	5.48%	11/02/2032	35.58
IDB	GOCE	03/07/2001	5.74%	03/07/2026	71.60
IDB	GOCE	17/09/2002	5.44%	17/09/2027	2.89
IDB	GOCE	12/12/2002	5.31%	12/12/2027	2.05
IDB	INDE	17/09/2002	2.29%	15/06/2027	21.63
IDB	INDE	17/09/2002	2.40%	17/09/2027	1.03
IDB	GOCE	12/12/2002	5.44%	12/12/2022	0.26
IDB	GOCE	17/09/2002	5.44%	17/09/2022	93.33

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (In millions of US$)(2)
IDB	GOCE	02/06/2003	4.45%	02/06/2028	28.38
IDB	GOCE	03/11/2006	2.62%	03/11/2031	27.63
IDB	GOCE	23/09/2005	5.12%	23/09/2030	25.67
IDB	GOCE	03/02/2006	5.74%	03/02/2031	77.50
IDB	GOCE	18/05/2007	2.08%	18/05/2032	9.07
IDB	GOCE	23/10/2007	2.30%	15/05/2032	13.30
IDB	GOCE	24/08/2012	1.34%	24/08/2037	3.45
IDB	GOCE	06/06/2007	5.44%	06/06/2027	76.67
IDB	GOCE	10/12/2007	2.45%	10/12/2032	22.72
IDB	GOCE	05/04/2008	2.25%	05/04/2033	44.97
IDB	GOCE	05/04/2008	5.44%	05/04/2038	44.82
IDB	GOCE	05/04/2008	0.25%	05/04/2048	12.20
IDB	GOCE	05/04/2008	5.44%	05/04/2028	32.50
IDB	GOCE	14/12/2011	2.29%	14/06/2032	7.62
IDB	GOCE	25/02/2009	3.72%	25/02/2029	360.00
IDB	GOCE	25/02/2009	2.34%	25/02/2034	81.70
IDB	GOCE	25/02/2009	2.58%	25/02/2029	121.06
IDB	GOCE	25/02/2009	0.25%	25/02/2039	12.20
IDB	GOCE	25/02/2009	2.58%	25/02/2039	46.81
IDB	GOCE	21/04/2010	2.30%	21/04/2035	53.10
IDB	GOCE	25/02/2009	2.34%	25/02/2034	7.29
IDB	GOCE	21/04/2010	2.39%	21/04/2035	15.75
IDB	GOCE	14/12/2011	0.25%	14/12/2051	3.53
IDB	GOCE	14/12/2011	2.44%	14/12/2041	14.11
IDB	GOCE	08/11/2012	0.25%	08/11/2052	0.41
IDB	GOCE	08/11/2012	1.17%	08/11/2042	1.63
IDB	GOCE	14/11/2012	0.25%	14/11/2052	1.70
IDB	GOCE	14/11/2012	1.17%	14/11/2042	6.80
IDB	GOCE	06/10/2011	1.19%	06/10/2031	213.20
IDB	GOCE	06/10/2011	0.25%	06/10/2051	7.36
IDB	GOCE	06/10/2011	3.85%	06/10/2041	29.44
IDB	GOCE	11/12/2013	1.20%	15/11/2033	72.00
IDB	GOCE	11/12/2013	0.25%	11/12/2053	32.40
IDB	GOCE	11/12/2013	4.75%	11/12/2043	129.60
IDB	GOCE	11/12/2013	0.25%	11/12/2053	0.06
IDB	GOCE	11/12/2013	1.19%	11/12/2043	0.26
IDB	GOCE	28/01/2015	1.19%	15/11/2034	97.50
IDB	GOCE	28/01/2015	0.25%	15/11/2054	30.50
IDB	GOCE	28/01/2015	2.99%	15/11/2044	122.00
IDB	INDE	10/01/1976	2.00%	15/01/2016	0.71
IDB	CORFINA	05/04/1976	2.00%	06/04/2016	0.11
IDB	GOCE	30/06/1976	2.00%	06/07/2016	0.45
IDB	GOCE	02/06/1977	2.00%	24/05/2017	1.28
IDB	EMPAGUA	18/05/1978	1.75%	18/05/2018	2.63
IDB	GOCE	18/02/1981	2.00%	18/02/2021	4.57
IDB	GOCE	12/06/1981	2.00%	24/05/2021	4.70
IDB	GOCE	27/04/1982	2.00%	24/10/2022	3.06
IDB	GOCE	27/04/1982	2.00%	24/10/2022	4.57
IDB	GOCE	20/03/1983	2.00%	24/03/2023	2.47
IDB	GOCE	20/03/1983	2.00%	24/03/2023	4.28
IDB	GOCE	06/09/1983	2.00%	06/09/2023	3.86

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (In millions of US$)[(2)]
IDB	GOCE	24/05/1984	2.00%	24/05/2024	2.02
IDB	GOCE	27/09/1984	2.00%	24/09/2024	4.92
IDB	GOCE	05/03/1987	2.00%	06/03/2027	4.82
IDB	GOCE	05/03/1987	2.00%	06/03/2027	9.55
IDB	GOCE	30/09/1996	5.44%	30/09/2021	0.45
IDB	GOCE	02/10/1991	2.00%	02/10/2031	16.82
IDB	GOCE	07/12/1992	2.00%	24/11/2032	8.03
IDB	GOCE	03/02/1993	2.00%	03/02/2033	23.25
IDB	GOCE	13/01/1996	5.74%	13/01/2021	26.32
IDB	GOCE	13/01/1996	5.74%	13/01/2021	13.16
IDB	GOCE	14/03/1998	2.00%	14/03/2038	7.54
IDB	GOCE	13/01/1996	5.74%	13/01/2021	3.66
IDB	GOCE	25/01/1994	2.00%	25/01/2034	24.67
IDB	GOCE	30/12/1996	5.44%	16/12/2026	18.99
IDB	GOCE	21/01/1997	5.74%	21/01/2027	8.09
IDB	GOCE	10/09/1997	5.44%	10/09/2022	2.24
IDB	GOCE	10/09/1997	5.44%	10/09/2022	5.62
IDB	GOCE	21/01/1997	2.00%	21/01/2037	21.65
IBRD	GOCE	11/09/1998	0.80%	15/01/2018	12.25
IBRD	GOCE	11/09/1998	0.80%	15/01/2018	2.95
IBRD	GOCE	04/12/1998	0.73%	15/10/2018	5.08
IBRD	GOCE	22/01/1999	1.11%	15/08/2018	8.78
IBRD	GOCE	22/01/1999	1.11%	15/08/2018	13.71
IBRD	GOCE	27/04/2000	1.11%	15/02/2019	9.60
IBRD	GOCE	27/04/2000	0.98%	15/10/2018	6.34
IBRD	GOCE	23/05/2002	0.99%	15/12/2017	2.76
IBRD	GOCE	14/11/2002	1.07%	15/02/2018	12.91
IBRD	GOCE	10/02/2003	1.03%	01/09/2018	8.18
IBRD	GOCE	13/12/2002	3.65%	15/08/2018	0.98
IBRD	GOCE	13/12/2002	5.28%	15/08/2018	40.80
IBRD	GOCE	27/10/2004	1.02%	15/02/2020	20.22
IBRD	GOCE	05/01/2006	5.40%	15/05/2025	52.74
IBRD	GOCE	18/05/2007	0.91%	15/11/2022	27.97
IBRD	GOCE	22/10/2007	0.46%	15/11/2023	21.30
IBRD	GOCE	18/05/2007	6.25%	15/06/2026	58.30
IBRD	GOCE	26/02/2008	0.45%	15/09/2022	38.85
IBRD	GOCE	12/04/2008	0.45%	15/09/2022	60.09
IBRD	GOCE	22/05/2008	5.00%	15/05/2027	63.86
IBRD	GOCE	06/03/2009	3.25%	15/03/2033	14.72
IBRD	GOCE	06/03/2009	4.18%	15/11/2034	200.00
IBRD	GOCE	01/06/2010	4.77%	15/05/2034	85.00
IBRD	GOCE	07/12/2009	5.27%	15/11/2035	350.00
IBRD	GOCE	16/12/2011	3.42%	15/02/2037	99.97
IBRD	GOCE	29/11/2012	1.37%	15/10/2035	4.56
IBRD	GOCE	13/11/2013	4.59%	15/09/2037	200.00
IBRD	GOCE	19/01/2015	2.90%	15/03/2039	340.00
BNDES-Brazil	GOCE	22/02/2013	4.94%	15/10/2028	167.77
CHINA	GOCE	22/04/1999	5.00%	22/04/2019	3.29
CHINA	GOCE	12/11/2015	1.32%	16/02/2046	0.00
ICDF	GOCE	22/06/1999	2.00%	15/01/2024	1.60
ICDF	GOCE	09/08/2002	3.50%	15/02/2022	3.50

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (In millions of US$)(2)
8 $^{1}/_{8}$% Notes due 2034	GOCE	06/10/2004	8.13%	06/10/2034	330.00
4 $^{7}/_{8}$% Notes due 2028	GOCE	13/02/2013	4.88%	13/02/2028	700.00
5 $^{3}/_{4}$% Notes due 2022	GOCE	06/06/2012	5.75%	06/06/2022	700.00
IFAD	GOCE	06/07/1998	0.57%	15/02/2017	0.89
IFAD	GOCE	27/02/2001	0.57%	15/02/2020	4.35
IFAD	GOCE	12/06/2008	0.57%	15/08/2024	0.47
IFAD	GOCE	13/12/2011	1.12%	15/02/2027	0.00
JICA	GOCE	09/02/1990	3.50%	20/02/2020	10.24
JICA	EMPAGUA	16/06/1992	2.70%	20/06/2022	11.76
JICA	GOCE	27/12/1995	3.00%	20/12/2025	12.00
JICA	GOCE	30/09/1999	1.48%	20/09/2039	33.65
JICA	GOCE	20/02/2006	0.75%	20/02/2046	61.11
JICA	GOCE	06/11/2012	0.94%	20/12/2037	2.07
KFW	GOCE	27/04/1995	0.75%	30/06/2045	6.16
KFW	GOCE	27/04/1995	0.75%	30/06/2035	5.43
KFW	GOCE	30/08/1995	0.75%	30/12/2045	3.08
KFW	GOCE	03/12/1986	0.75%	31/12/2036	5.84
KFW	GOCE	29/09/1987	0.75%	30/06/2037	5.98
KFW	GOCE	13/06/1988	0.75%	30/06/2038	3.13
KFW	GOCE	01/12/1993	2.00%	30/06/2018	0.04
KFW	GOCE	13/06/1988	0.75%	30/06/2038	3.13
KFW	GOCE	15/12/1988	0.75%	30/12/2038	1.60
KFW	GOCE	11/09/1990	0.75%	31/12/2040	4.48
KFW	GOCE	30/06/2005	0.75%	30/06/2045	3.78
KFW	GOCE	22/01/1998	0.75%	30/12/2048	8.94
KFW	GOCE	23/12/1992	0.75%	30/12/2042	0.75
KFW	GOCE	13/08/2002	0.75%	30/12/2052	4.97
OPEC	GOCE	06/09/2007	2.50%	15/03/2027	2.76
OPEC	GOCE	12/04/2008	2.75%	15/10/2027	1.27
OPEC	GOCE	19/12/2011	3.40%	15/07/2031	1.50
OPEC	GOCE	10/10/2001	2.00%	15/04/2018	1.04
OPEC	GOCE	10/10/2001	2.00%	15/04/2018	0.99
PL	GOCE	08/07/1998	4.00%	24/12/2022	1.52
PL	GOCE	13/08/1999	2.50%	25/01/2024	4.31
UBS	GOCE	26/07/2006	3.38%	30/12/2023	2.72

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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