The Republic of Guatemala

US$500,000,000 4.900% Notes due 2030
US$700,000,000 6.125% Notes due 2050

The Republic of Guatemala is offering US$500,000,000 aggregate principal amount of 4.900% Notes due 2030 (the "2030 Notes") and US$700,000,000 aggregate principal amount of 6.125% Notes due 2050 (the "2050 Notes", and together with the 2030 Notes, the "Notes"). Interest on the 2030 Notes will be payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2019 and ending on June 1, 2030 (the "2030 Notes Maturity Date"). Interest on the 2050 Notes will be payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2019 and ending on June 1, 2050 (the "2050 Notes Maturity Date"). Principal on the 2030 Notes will be paid in three installments on June 1, 2028, June 1, 2029 and on the 2030 Notes Maturity Date. Principal on the 2050 Notes will be paid in three installments on June 1, 2048, June 1, 2049 and on the 2050 Notes Maturity Date.

The Notes will contain provisions, commonly known as "collective action clauses." Under these provisions, which differ from the terms of certain 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 April 28, 2016, 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 April 28, 2016, 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."

The Republic may, at its option, redeem the 2030 Notes, in whole at any time or in part from time to time, prior to March 1, 2030 (the date that is three months prior to the 2030 Notes Maturity Date, the "2030 Notes Par Call Date") by paying the greater of the principal amount of the Notes to be redeemed and a "make whole" amount, plus accrued and unpaid interest to, but excluding, the redemption date. On or after the 2030 Notes Par Call Date, the Republic may, at its option, redeem the 2030 Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Republic may, at its option, redeem the 2050 Notes, in whole at any time or in part from time to time, prior to December 1, 2049 (the date that is six months prior to the 2050 Notes Maturity Date, the "2050 Notes Par Call Date") by paying the greater of the principal amount of the Notes to be redeemed and a "make whole" amount, plus accrued and unpaid interest to, but excluding, the redemption date. On or after the 2050 Notes Par Call Date, the Republic may, at its option, redeem the 2050 Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2050 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. See "Description of Notes—Optional Redemption.

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 on 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.

Issue Price:	**2030 Notes 98.258% plus accrued interest, if any, from May 31, 2019**
	2050 Notes 98.316% plus accrued interest, if any, from May 31 2019

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 31, 2019.

Global Coordinator and Sole Book-Running Manager

Citigroup

The date of this offering circular is May 23, 2019.

Guatemala


GUATEMALA
MEXICO
BELICE
HONDURAS
EL SALVADOR
Golfo de Honduras
OCEANO PACÍFICO
Dos Lagunas
Uaxactún
Parque Nacional Tikal
Melchor de Mencos
Lago Petén Itzá
Flores
La Libertad
Sierra del Lacandón
Sayaxché
San Luis
de Santa Amelia
Puerto Barrios
Santa Cruz Barillas
Chipam
El Estor
Lago de Izabal
Sierra de los Cuchumatanes
Sierra de Chama
Sierra del Santa Cruz
Panzos
Cobán
Semuc Champey
Cunén
Huehuetenango
Sa de las Minas
Salamá
Zacapa
Santa Cruz del Quiché
Rabinal
Guastatoya
Volcán de Tajumulco 4220 m
Sierra Madre
Quetzaltenango
CIUDAD DE GUATEMALA
Jalapa
San Marcos
Sololá
Chimaltenango
Volcán Santa María 3772 m
Lago de Atitlán
Antigua
San Miguel Petapa
Retalhuleu
Volcán de Agua 3752 m
Jutiapa
Mazatenango
Cuilapa
Escuintla
Volcán Pacaya 2552 m
Pacific Lowlands
San José
Sipacate
LEYENDA
Límite País
Vía Principal
Otro Camino
Río
Mayor 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 "we," "us," "our," "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 ("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 current 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 (the "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 (*Superintendencia de Administración Tributaria*, or the "SAT"), the Ministry of Public Finance (*Ministerio de Finanzas Públicas*), the Guatemalan Tourism Institute (*Instituto Guatemalteco de Turismo*, or the "INGUAT"), the Superintendency of Banks (*Superintendencia de Bancos*), the National Institute of Statistics (*Instituto Nacional de Estadística*, or the "INE"), several agencies that are supervised by or report to the Ministry of Economy (*Ministerio de Economía*), 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 INE which 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 INE 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.

- The Dominican Republic-Central America FTA, the first free trade agreement between the United States and a group of smaller developing economies: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic is referred to in this offering circular as the "DR-CAFTA."

Currency and Exchange Rates

Unless otherwise specified, "U.S. dollar," "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*, at a rate of Q7.73695 per US$1.00, which was the reference *quetzal*/U.S. dollar exchange rate for purchasing U.S. dollars published by the Bank of Guatemala on December 31, 2018. In certain cases, *quetzales* have been converted into U.S. 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 May 21, 2019, the official *quetzal/*U.S. dollar exchange rate was Q7.66192 per US$1.00. On December 31, 2018, the official *quetzal/*U.S. dollar exchange rate was Q7.73695 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 2016, 2017 and 2018 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

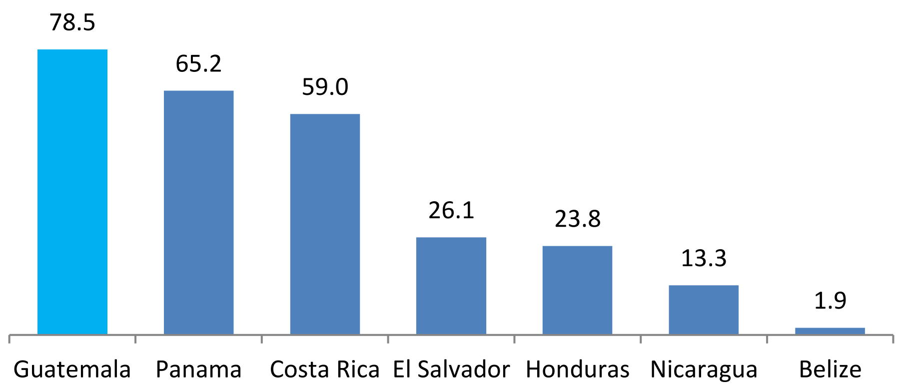
The following summary does not purport to be complete and it is wholly qualified by, and it is subject to, the detailed information appearing elsewhere in this offering circular. Investors should read the entire offering circular carefully before making an investment decision.

REPUBLIC OF GUATEMALA

General

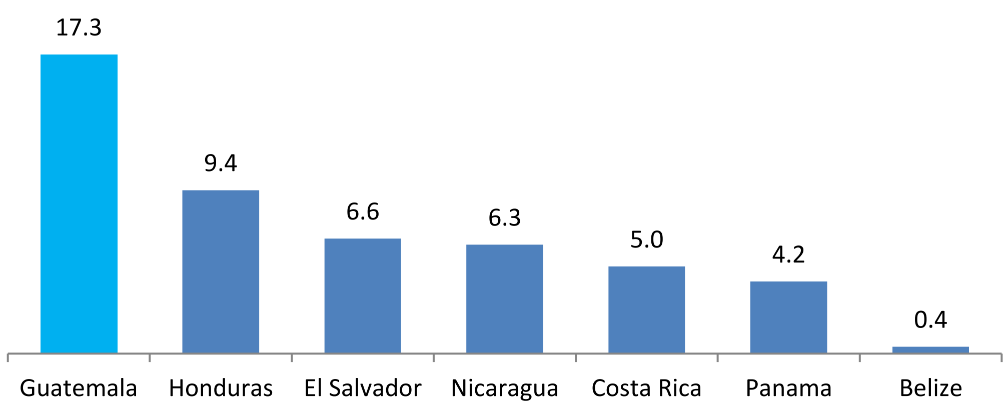
Guatemala is a Central American country bordered by Mexico to the northwest, Belize to the northeast, Honduras to the east and El Salvador to the southeast and covers a territory of 42,042 square miles (108,889 square kilometers). Its population is approximately 17.3 million (based on estimated data from the last census in 2002) and it had an estimated nominal GDP of US$78,461.7 million in 2018. Guatemala is Central America's largest country in terms of population and its largest economy. Approximately 44.8% of the population lives in urban areas, approximately 51.1% is female, and approximately 66.9% is younger than 30 years old, based on the most recently available census data. The estimated population growth rate decreased slightly from 2.39% in 2014 to 2.19% in 2018.

The graphic below presents a comparison of nominal GDP throughout Central America by country, for the year ended December 31, 2018 in billions of U.S. dollars.



Sources: Guatemala: Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2019.

Guatemala has the largest population of any country in Central America, nearly twice as many inhabitants as Honduras, the next most populous neighbor. The graphic below presents a comparison of population throughout Central America by country, as of December 31, 2018 in millions.



Sources: Guatemala: INE. Other countries: Estimates made by the staff of the IMF, World Economic Outlook Database, April 2019.

The Guatemalan Government is divided into three branches: Executive, Legislative and Judicial. A separate Electoral Supreme Court (*Tribunal Supremo Electoral*) 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 without possibility of re-election. The form of government is a representative democracy.

The Guatemalan Economy

Guatemala's economy is the largest in Central America, with a preliminary nominal GDP of US$78,461.7 million for the year ended December 31, 2018.

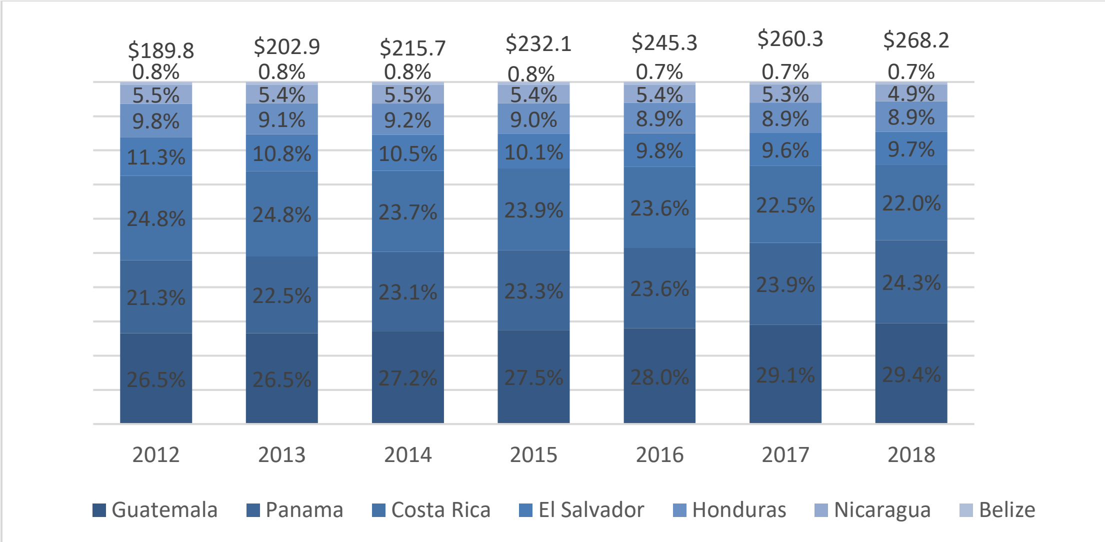
Recently, Guatemala's economy has been characterized by:

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

The significant diversification of Guatemala's economy has allowed it to sustain continued and stable growth in the last ten years. Guatemala's economy has increased its share of the regional economy from 26.5% in 2012 to 29.4% in 2018. Guatemala's GDP grew at a real rate of 4.2% in 2014, 4.1% in 2015, 3.1% in 2016, 2.8% (preliminary) in 2017, and 3.1% (preliminary) in 2018. No economic sector represented more than 18.0% of GDP in 2018. In 2018, the three largest sectors of the economy as a percentage of GDP were manufacturing, accounting for 17.6% of GDP, private services, accounting for 15.9%, and agriculture, livestock, fishing and forestry, accounting for 13.4%.

In recent years, high levels of exports and foreign direct investment, coupled with substantial and growing remittances, have helped Guatemala maintain solid international reserve positions. Exports have averaged more than US$10.9 billion in value for the Guatemalan economy over the five-year period ended as of December 31, 2018, while foreign direct investment has amounted to more than US$5.0 billion since 2014. Remittances have increased at a compared annual growth rate of 12.7% since 2014, and were US$9,287.8 million in 2018. These factors have helped support Guatemala's international reserves, which were US$12,755.6 million at December 31, 2018, representing 155.1% of Guatemala's total external debt. According to Moody's Country Credit Statistical Handbook - November 2018, Guatemala's level of international reserves as a percentage of its total public debt, including internal and external debt, is the highest in Central America with a 66.0% ratio, followed by Honduras with 47.4%, Costa Rica with 25.4%, El Salvador with 21.1%, Nicaragua with 19.3%, Belize with 10.7%, and Panama with 9.1%.

The graphic below presents the percentage of each country's economic share of the overall Central American economy.



(1) Calculated as GDP of each individual country over the sum of GDP of all Central American countries.
Source: IMF, World Economic Outlook Database, April 2019.

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 7.6% of preliminary GDP in 2018. 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 2018, the Guatemalan economy recorded an average current account deficit of 1.4% of GDP. In 2006, with the entry into effect of the DR-CAFTA, 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 resulting from 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.

From 2012 to 2014, the global economy continued to recover from the global financial crisis and ensuing recession 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 0.2% in 2015. Exports of goods decreased by 1.5% (compared to an increase of 7.9% in 2014) and imports decreased by 4.0% (compared to an increase of 4.3% in 2014). In 2016, a surplus in the current account of 1.5% of GDP was recorded as a result of a reduction in imports and exports combined with growing remittances. In 2017, a surplus in the current account of 1.6% of GDP was reported, mainly due to a 14.4% increase in remittances. In 2018, a surplus in the current account of 0.8% of GDP was reported, which was due to a 13.4% growth in remittances, partially offset by a 7.3% increase in imports. See "Balance of Payments and Foreign Trade—Remittances".

Monetary System

The Constitution of Guatemala provides for a Monetary Board (*Junta Monetaria*), which was first established in 1946. The president of the Monetary Board, who also acts as president for the Bank of Guatemala, is appointed by the president of the Republic. 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 was 3.0% in 2014, 3.1% in 2015, 4.2% in 2016, 5.7% in 2017, and 2.3% in 2018. During 2018, supply shocks that affected vegetable and fruit prices in 2017 dissipated. However, energy prices (gasoline, diesel and propane gas) increased as a result of the increase in international oil prices. Notwithstanding the foregoing, on average, the inflation rate remained within the target range throughout 2018. Since 2013, a medium-term inflation target (continuous target) of 4.0% (+/- 1%) has been in effect.

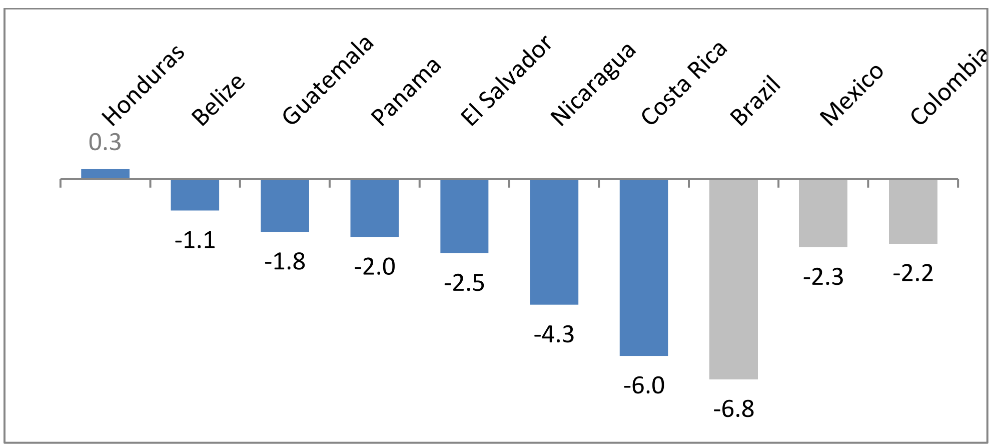
As of December 31, 2018, the monetary stabilization operations of the Bank of Guatemala (fixed-term deposits at the central bank) totaled Q34,698.0 million (approximately US$4,484.7 million), or 5.9% of GDP. The Bank of Guatemala currently has no outstanding external indebtedness.

Public Sector Finances

The Government has historically maintained a stable level of expenditure as a percentage GDP. Between 2000 and 2017, average budgeted expenditures as a percentage of GDP have been approximately 13.8%. However, in recent years, there has been a reduction in Government expenditures, and in 2018, budgeted expenditures were 12.3% of GDP, as a result of the reduction in tax revenues and the Government's policy of avoiding increases in public debt. The allocation for social expenditures increased from 46.7% of the Republic's budget in 2014 to an estimated 50.3% of the budget in 2018.

In the period from 2014 to 2018, the Republic's fiscal deficit averaged 1.5% of GDP. Guatemala's fiscal deficit as a percentage of GDP until 2018 was consistently decreasing from 1.9% in 2014 to 1.4% in 2015 to 1.1% in 2016 to 1.3% in 2017. However, in 2018 it increased to 1.8%. Guatemala has the lowest fiscal deficit in Central America.

The graphic below presents the fiscal deficit as a percentage of GDP for Guatemala compared to all Central American countries and certain other countries in Latin America as of December 31, 2018.



The graphic reflects 2018 data or estimated data based on the most recent year available since 2017.
Sources: Guatemala: Ministry of Public Finance and the Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2019.

Public sector debt as a percentage of GDP was approximately 24.8% in 2018 compared to 23.8% of GDP in 2017, 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. Public sector debt as a percentage of GDP was approximately 24.4%, 24.3% and 24.0% for years 2014, 2015 and 2016, respectively.

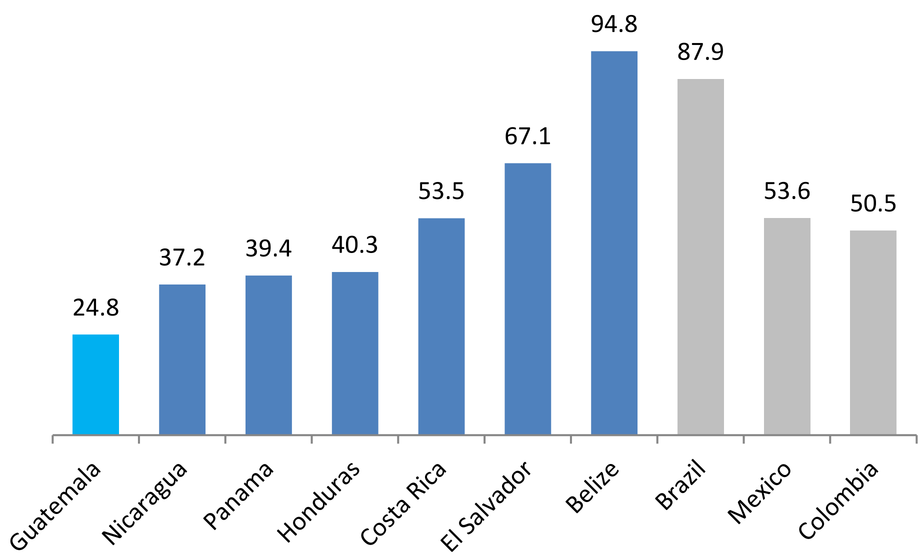
Fiscal policy in recent years has focused on meeting the basic social needs of the population, in an environment of lower tax revenue, which has led to the adoption of policies designed to achieve fiscal consolidation that began to be implemented in 2011. These policies are designed to preserve macroeconomic stability and fiscal sustainability over the medium term, and aim to pursue two key objectives: keeping public debt below 30% of GDP and reducing the fiscal deficit to 1.1% of GDP. Public debt represented 24.8% of GDP as of December 31, 2018. While fiscal deficit represented 1.1% of GDP in 2016, the dynamism of public spending on social and investment programs increased during year 2017, which resulted in a slight increase in the fiscal deficit for that year. Due to the government's fiscal position in recent years and a low level of indebtedness, coupled with the need to increase spending to reduce existing social gaps and improving and expanding infrastructure, the fiscal deficit increased again in 2018, amounting to 1.8% of GDP. This increase in fiscal deficit does not affect macroeconomic stability, but rather allows a greater fiscal boost to the economy through an expansion of public spending.

Public Sector Debt

Guatemala has a history of meeting its debt service obligations, including in respect of its issued bonds, since its inaugural bond issue in 1997. Since then, Guatemala issued additional series of bonds in 2001, 2003, 2004, 2012, 2013, 2016 and 2017. The Republic has not defaulted on any external or internal debt.

Guatemala has pursued a debt incurrence and fiscal policy that has resulted in a prevailing low ratio of debt to GDP. As of December 31, 2018, public sector debt was US$18,873.1 million (24.8% of GDP for 2018) compared to US$18,033.2 million as of December 31, 2017 (23.8% of GDP for 2017). Guatemala's indebtedness as a percentage of GDP is the lowest in Central America.

The graphic below presents public sector debt as a percentage of GDP for Guatemala and certain countries in Latin America.



Sources: Guatemala: Ministry of Public Finance and the Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2019.

Following a local financing strategy, domestic debt as a percentage of total debt increased from 51.8% in 2014 to 56.4% in 2018. See "Public Sector Debt". During the same period, the percentage of local currency-denominated debt to total debt increased from 45.8% in 2014 to 52.1% in 2018, an increase of 6.3%.

Guatemala's credit ratings from Standard & Poor's, Moody's and Fitch Ratings have remained stable in recent years, with Standard & Poor's rating of BB-; Moody's rating of Ba1; and Fitch's rating of BB.

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

Selected Economic Information
(in millions of US$ or *quetzales*, except as otherwise indicated)

	As of and for the year ended December 31,				
	2014	2015	2016	2017[1]	2018[1]
Domestic Economy:					
Nominal GDP in US$[2]	US$ 58,731.8	US$ 63,760.6	US$ 68,644.1	US$ 75,589.6	US$ 78,461.7
Nominal GDP in *quetzales*	Q 454,052.8	Q 488,128.2	Q 521,836.9	Q 555,648.8	Q 589,959.8
Real GDP	Q 231,118.2	Q 240,686.6	Q 248,129.8	Q 254,979.0	Q 262,998.2
Real GDP growth rate[3]	4.2%	4.1%	3.1%	2.8%	3.1%
Inflation rate[4]	3.0%	3.1%	4.2%	5.7%	2.3%
Exchange rate (Q per US$1.00):[5]					
Average daily exchange rate for the year	Q 7.73095	Q 7.65564	Q 7.60206	Q 7.35086	Q 7.51908
Year end	Q 7.59675	Q 7.63237	Q 7.52213	Q 7.34477	Q 7.73695
Balance of Payments:					
Total current account	US$ (1,229.7)	US$ (96.4)	US$ 1,023.4	US$ 1,188.7	US$ 638.3
Of which:					
Trade balance	US$ (6,064.1)	US$ (5,556.8)	US$ (5,185.9)	US$ (6,010.0)	US$ (7,286.7)
Services balance	US$ (57.7)	US$ (143.7)	US$ (122.5)	US$ (230.5)	US$ (488.3)
Rent (net)	US$ (1,552.9)	US$ (1,594.4)	US$ (1,626.9)	US$ (1,545.7)	US$ (1,497.5)
Current transfers	US$ 6,445.0	US$ 7,198.5	US$ 7,958.7	US$ 8,974.9	US$ 9,910.8
Of which:					
Remittances	US$ 5,699.1	US$ 6,461.0	US$ 7,354.1	US$ 8,338.4	US$ 9,367.5
Foreign aid	US$ 529.9	US$ 514.4	US$ 334.1	US$ 345.5	US$ 330.0
Total capital and financial account	US$ 1,796.9	US$ 1,042.1	US$ 1,059.3	US$ 1,655.8	US$ (64.4)
Of which:					
Private sector, net	US$ 1,829.4	US$ 598.1	US$ 557.2	US$ 1,507.5	US$ (5.2)
Change in reserve assets[6][7]	US$ 72.5	US$ 475.4	US$ 1,391.7	US$ 2,565.5	US$ 957.3
Bank of Guatemala net international reserves at end of period	US$ 7,333.4	US$ 7,751.2	US$ 9,160.4	US$ 11,769.5	US$ 12,755.6
Bank of Guatemala net international reserves at end of period in Month of Imports (MoI)	5.4	5.9	5.4	7.7	7.8
Public sector balance:[7]					
Government revenue	US$ 6,755.2	US$ 6,907.8	US$ 7,564.7	US$ 8,161.5	US$ 8,290.2
As a % of GDP	11.5%	10.8%	11.0%	10.8%	10.6%
Government expenditure	US$ 7,866.9	US$ 7,823.1	US$ 8,297.8	US$ 9,153.0	US$ 9,669.0
As a % of GDP	13.4%	12.3%	12.1%	12.1%	12.3%
Government fiscal balance	US$ (1,111.7)	US$ (915.3)	US$ (733.0)	US$ (991.5)	US$ (1,378.8)
As a % of GDP	(1.9)%	(1.4)%	(1.1)%	(1.3)%	(1.8)%
Overall non-financial public sector fiscal balance	US$ 881.0	US$ 829.3	US$ 618.7	US$ 831.6	US$ 1,255.2
As a % of GDP	(1.5)%	(1.2)%	(0.9)%	(1.1)%	(1.6)%
Public sector debt[8]					
Public sector external debt	US$ 7,039.3	US$ 7,489.9	US$ 8,015.5	US$ 8,183.2	US$ 8,224.6
As a % of GDP	11.8%	11.7%	11.5%	10.8%	10.8%
Public sector domestic debt	US$ 7,559.6	US$ 8,052.5	US$ 8,692.0	US$ 9,849.9	US$ 10,648.5
As a % of GDP	12.6%	12.6%	12.5%	13.0%	14.0%
Total public sector debt	US$ 14,598.9	US$ 15,542.5	US$ 16,707.5	US$ 18,033.2	US$ 18,873.1
As a % of GDP	24.4%	24.3%	24.0%	23.8%	24.8%

(1) Preliminary data.
(2) Translated from *quetzales* to U.S. dollars at the average daily exchange rate for each year. 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 sale 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.
Source: Bank of Guatemala, INE and the Ministry of Public Finance.

Recent Events Relating to Transparency and Corruption

In 2003, the Republic requested the Department of Political and Peacebuilding Affairs of the United Nations assistance to support the Republic in the investigation and prosecution of illegal and clandestine security forces groups have their origin in counterinsurgency groups that were formed during the Republic's internal armed conflict that took place in the second half of the 20th century. After three years of negotiation between the Republic and the United Nations, on December 12, 2006, the United Nations and the Government of Guatemala signed the agreement to establish the International Commission against Impunity in Guatemala (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, the National Civil Police (*Policía Nacional Civil*, or the "PNC") and other government institutions, in the investigation of crimes committed by the members of such clandestine groups and to help dismantle them. On March 24, 2009, Guatemala's Minister of Foreign Affairs requested that the United Nations 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 2016, 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, 2019.

Since 2015, the CICIG has been involved in the investigations of certain high profile public corruption cases, such as those of former President Otto Pérez Molina, former Vice President Roxana Baldetti and the "*La Línea*" case. On August 30, 2018, the Government announced its decision not to renew the term of the CICIG when it expires on September 3, 2019. In January 2019, the Government issued a decree that purported to unilaterally terminate the agreement that established the CICIG with immediate effect. The Constitutional Court provisionally suspended this decree in response to a constitutional challenge. As of the date of this Offering Circular, the CICIG agreement is set not to renew beyond September 3, 2019.

Notwithstanding the foregoing, CICIG's agreement contemplates as one of its functions the strengthening of the Public Prosecutor's Office, and the transferring of capacities from CICIG to the Public Prosecutor's Office. According to the Government, the Public Prosecutor's Office has strengthened with the support of CICIG and it is time to transfer the capacities of the CICIG to local institutions, especially the Public Prosecutor's Office, which has closely worked with CICIG in high profile cases in recent years. The transfer of capacities from CICIG to the Public Prosecutor's Office is expected to take place by September 3, 2019. The Government expects that efforts against corruption will continue under the new administration after the upcoming general elections, with enhanced capacities, including a recently announced new division at the Public Prosecutor's Office tasked with fighting impunity. International reaction to the decision not to renew the term of the CICIG has been mixed, with some positive reactions and also certain criticism.

See "Transparency and Corruption" for descriptions of some of the most recent cases relating to corruption, and with respect to actions of the Government to improve transparency.

Upcoming General Elections

General elections will be held in Guatemala on June 16, 2019, to elect the President and Vice-President of the Government, members of the Congress and Mayors and Council Members of Municipal Governments. If no presidential candidate wins a majority in the first round, a second round of the presidential elections will be held on August 11, 2019. As of the date of this offering circular, 24 political parties had registered their respective President and Vice-President candidates with the Electoral Supreme Court.

Mario Estrada was the presidential candidate of the *Unidad del Cambio Nacional* political party (the "UCN") and on April 25, 2019, the Electoral Supreme Court ruled that Mr. Estrada did not comply with the constitutional requirements of suitability and honesty to be a presidential candidate and ordered that the registration of his candidacy be revoked. The decision of the Electoral Supreme Court was based on Mr. Estrada's indictment and arrest in the United States by the U.S. Drug Enforcement Agency on charges of having links with drug cartels, requesting financial aid from the Sinaloa cartel for his presidential campaign and planning the assassination of two other presidential candidates.

In addition, as of the date of this offering circular, the Constitutional Court has ruled against the registration of the presidential candidates from the political parties *Valor* (candidate Zury Ríos Sosa), *Movimiento Semilla* (candidate Thelma Aldana Hernández) and *Fuerza* (candidate Mauricio Radford Hernández). Accordingly, such presidential candidates will not participate in the upcoming general elections, unless they obtain precautionary measures from the Inter-American Court of Human Rights. The presidential candidates from the political parties *Unidad Nacional de la Esperanza*, or the "UNE" (candidate Sandra Torres Casanova) and *Prosperidad Ciudadana* (candidate Edwin Escobar) are facing legal challenges that may affect their candidacies, and consequently, change the outlook for the electoral process.

According to polls conducted during April and May 2019, out of the 24 candidates participating in the general elections, the candidates that may have more chances of winning the presidential elections are: Sandra Torres Casanova (UNE), Edmond Mulet (*Humanista*), Alejandro Giamattei (*Vamos*), Robert Arzú (coalition of *Partido de Avanzada Nacional* and *Podemos*), Julio Héctor Estrada (*Creo*), Edwin Escobar (*Prosperidad Ciudadana*) and Manfredo Marroquín (*Encuentro por Guatemala*).

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.
The 2030 Notes	US$500,000,000 aggregate principal amount.
The 2050 Notes	US$700,000,000 aggregate principal amount.
Issue Price	For the 2030 Notes, 98.258% of the principal amount of the 2030 Notes, plus accrued interest, if any, from May 31, 2019. For the 2050 Notes, 98.316% of the principal amount of the 2050 Notes, plus accrued interest, if any, from May 31, 2019.
Issue Date	May 31, 2019.
Maturity Date	For the 2030 Notes, June 1, 2030. For the 2050 Notes, June 1, 2050.
Principal Payments	Principal on the 2030 Notes will be repaid in three installments, as follows:

Principal Payment Date	Principal Payment Amount
June 1, 2028	US$166,667,000
June 1, 2029	US$166,667,000
2030 Maturity Date	Remaining principal amount

On each principal payment date, the record holders of the 2030 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption as described under "Description of the Notes—Optional Redemption," or increased as a result of the issuance of additional Notes as described under "Description of the Notes—Further Issuances." See "Description of the Notes—General Terms of the Notes").

Principal on the 2050 Notes will be repaid in three installments, as follows:

Principal Payment Date	Principal Payment Amount
June 1, 2048	US$233,333,000
June 1, 2049	US$233,333,000
2050 Maturity Date	Remaining principal amount

On each principal payment date, the record holders of the 2050 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption

	as described under "Description of the Notes—Optional Redemption," or increased as a result of the issuance of additional Notes as described under "Description of the Notes—Further Issuances." See "Description of the Notes—General Terms of the Notes").
Interest Rate	For the 2030 Notes, 4.900% per annum. For the 2050 Notes, 6.125% per annum.
Interest Payment Dates	For the 2030 Notes, June 1 and December 1 of each year, commencing on December 1, 2019. For the 2050 Notes, June 1 and December 1 of each year, commencing on December 1, 2019.
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, unless required by law. 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	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.
Optional Redemption	The Republic may redeem the 2030 Notes, in whole at any time or in part from time to time, prior to March 1, 2030 (the date that is three months prior to the 2030 Notes Maturity Date, the "2030 Notes Par Call Date"), by paying the greater of the outstanding principal amount of the 2030 Notes and a "make-whole" amount calculated by the Republic, in each case, plus accrued and unpaid interest to, but excluding, the redemption

	date. On or after the 2030 Notes Par Call Date, the Republic may, at its option, redeem the 2030 Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. See "Description of the Notes—Optional Redemption."
	The Republic may redeem the 2050 Notes, in whole at any time or in part from time to time, prior to December 1, 2049 (the date that is six months prior to the 2050 Notes Maturity Date, the "2050 Notes Par Call Date"), by paying the greater of the outstanding principal amount of the 2050 Notes and a "make-whole" amount calculated by the Republic, in each case, plus accrued and unpaid interest to, but excluding, the redemption date. On or after the 2050 Notes Par Call Date, the Republic may, at its option, redeem the 2050 Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2050 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. See "Description of the Notes—Optional Redemption."
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 from the sale of the Notes (after deducting estimated expenses of the offering, including fees payable to the initial purchaser) for general budgetary purposes, including repayment of debt. See "Use of Proceeds."
Collective Action Clauses	The Notes will contain "collective action clauses." Under these provisions, which differ from the terms of certain 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 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, the issue price, the date from which interest accrues and the 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 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 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 Paying Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be approximately US$1,179,000,000 (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 for general budgetary purposes, including repayment of debt.

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 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 has been affected by political, social, security and other problems, and 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, corruption, 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. The agreement for the establishment of the CICIG was signed in 2006. The CICIG is an international and independent organization created to support, strengthen and assist institutions of Guatemala in the investigation and prosecution of illegal and clandestine security forces groups that have their origin in counterinsurgency groups that were formed during the Republic's internal armed conflict that took place in the second half of the 20th century. This agreement was ratified by the Congress in August 2007, after the Constitutional Court issued a favorable advisory opinion. Currently, the CICIG has a mandate in full force until September 3, 2019.

On August 30, 2018, the Government announced its decision not to renew the term of the CICIG when it expires on September 3, 2019. In January 2019, the Government issued a decree that purported to unilaterally terminate the agreement that established the CICIG with immediate effect. The Constitutional Court provisionally suspended this decree in response to a constitutional challenge. As of the date of this Offering Circular, the CICIG agreement is set not to renew beyond September 3, 2019.

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*, or "IGSS"), 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 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. On October 27, 2017, the Court of Higher Risk "B" (*Juzgado de Mayor Riesgo "B"*, a local court which has specific jurisdiction over high impact cases) remanded 28 individuals to trial, including Perez Molina and Baldetti, who were accused of leading the criminal group known as "*La Línea,*" in which businessmen and former officials of the SAT were involved. See "Transparency and Corruption—Recent Developments in Corruption Cases—the La Línea Case."

In addition, on February 24, 2017, the United States Embassy in Guatemala issued a statement detailing that Guatemala's former Vice President Roxana Baldetti and former Minister of the Interior, Mauricio López Bonilla, were charged separately on February 22, 2017 before the United States District Court for the District of Columbia for conspiring to distribute five or more kilograms of cocaine with the intent and knowledge that it would be illegally imported into the United States. See "Transparency and Corruption."

On March 18, 2019, an arrest warrant was issued for Thelma Esperanza Aldana Hernández, who was Attorney General of the Public Prosecutor's Office from May 2014 to May 2018. Ms. Aldana's arrest warrant was issued by Judge Victor Cruz relating to her hiring of lawyer Gustavo Bonilla, who allegedly failed to comply with his responsibilities as consultant of the Public Prosecutor's Office. She was charged with embezzlement, misappropriation in a continuous manner, fraud and tax fraud. See "Transparency and Corruption."

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.

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, one third of the homicides occur on that area. The eastern region, which borders Honduras and El Salvador, has for decades had the highest homicide rates in the country, even before Central America became a relevant part of cocaine trafficking routes 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. Another 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 13.4% of Guatemala's GDP in 2018. 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 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 3.0% in 2012, followed by a growth of 3.7% in 2013, 4.2% in 2014, 4.1% in 2015, 3.1% in 2016, 2.8% (preliminary) in 2017, and 3.1% (preliminary) in 2018. As a result, from 2012 to 2018, real GDP grew at an annual average rate of 3.5%. 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 2018, the nominal exchange rate of the *quetzal* depreciated, on average by approximately 5.3% against the U.S. dollar due mainly to the appreciation of the U.S. dollar in the international markets. On December 31, 2018, the exchange rate was Q7.73695 per U.S. dollar, and on May 21, 2019, the exchange rate was Q7.66192 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 inflation rate for 2017 was 5.7% and for 2018 was 2.3%. In the future, significant inflation may cause Guatemala to impose controls on credit and/or prices, or to take other contractionary 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. Likewise, an increase in interest rates may also negatively affect Guatemalan companies, potentially depressing their growth and reducing tax collection.

Guatemala will hold elections in June 2019, and future political support for current economic policies, including servicing of the Republic's outstanding public debt, and/or for anti-corruption and transparency policies cannot be assured.

General elections will be held in Guatemala on June 16, 2019, to elect the President, Vice President, members of Congress, mayors and city council members, with a second round of the presidential elections to be held on August 11, 2019, if no candidate wins a majority in the first round. As of the date of this offering circular, 24 political parties had registered their respective President and Vice-President candidates with the Electoral Supreme Court, four of which will not be participating in the elections after the Electoral Supreme Court revoked their registration. 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. See "Government and Political Parties—General Elections" and "Government and Political Parties—2019 Elections."

The new government may change existing 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. In addition, the new government may change its anti-corruption, transparency or other policies.

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 2018, the nominal exchange rate of the *quetzal* depreciated, on average by approximately 5.3% against the U.S. dollar due to as a result of the increase in imports and the slowdown in remittances in 2018. 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. The current president of the United States, Donald J. Trump, has made announcements with respect to his intention to implement policies that could potentially reduce the inflow of remittances to Guatemala, including deportation of undocumented immigrants living in the United States, including immigrants from Guatemala, and a tax on outgoing remittances. The implementation of these and/or other similar policies could reduce the flow of remittances to Guatemala. 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 attempt by United States President Donald J. Trump to withdraw from or materially modify DR-CAFTA and certain other international trade agreements could adversely affect Guatemala's economy.

United States President Donald J. Trump has made comments suggesting that he was not supportive of existing multilateral international trade agreements. At this time, it remains unclear what President Trump would or would not do with respect to such international trade agreements. If President Trump takes action to withdraw from or materially modify DR-CAFTA or certain other international trade agreements, Guatemala's economy could be adversely affected.

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.

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, the 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 for 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.

The Republic could redeem the Notes before maturity.

The Republic may redeem the Notes, in whole or in part, under certain circumstances described under “Description of the Notes—Optional Redemption.” An investor may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

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; and
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy.

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.

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 17.3 million in 2018. A new census is ongoing and its results are expected to be released in September 2019. 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 (66.9%). The estimated population growth rate has been reduced from 2.35% in 1995 to 2.19% in 2018.

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 2018. Approximately 49.8% of the population lives in five out of 22 departments: Guatemala (20.2%), Alta Verapaz (7.9%), Huehuetenango (7.9%), San Marcos (6.9%) and Quiché (6.9%). The three main municipalities in terms of population are Guatemala City (5.7%), Villa Nueva (3.5%) and Mixco (2.9%), which are part of the Department of Guatemala and represent in aggregate approximately 12.1% 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 Guatemalan National Revolutionary Unit (*Unidad Revolucionaria Nacional Guatemalteca*, or the "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 Guatemalan Christian Democracy party (*Democracia Cristiana Guatemalteca*) 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, at that point brokered by the United Nations, proceeded with new vigor. The Government and the URNG signed a number of agreements described under "—The Peace Agreements," 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* (the "FRG"), headed by General Ríos Montt, and the *Partido de Avanzada Nacional* (the "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 the 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 Agreements 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); and Jimmy Morales (January 14, 2016 to date).

Former President Otto Pérez became embroiled in a corruption scandal involving the vice president and the director of the SAT. 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 obtained 23.99% of the votes in the first round, and won by 67.4% of all votes validly cast to win the presidency in the second round. On January 14, 2016, Jimmy Morales took office for a four-year term.

For more information regarding upcoming general elections, please see "Government and Political Parties—General Elections" and "Government and Political Parties—2019 Elections."

As an economy, Guatemala has maintained macroeconomic stability characterized by sustained GDP growth since the start of the new democratic era in 1986; low inflation, which has been below double digits since the signing of the Peace Agreements in 1996; 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%), 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 government has continued to work on improving the economic, social and democratic conditions for the development of Guatemalans.

Priorities of President Morales' Administration

The main goals of President Morales administration have been the following:

Transparency. During 2018, Guatemala improved its ranking in the Open Budget Index, going from 46 to 61 points, which ranked the Republic in third place in Latin America.

Health. Improved logistics management improved timely delivery of essential medicines, showing an average monthly increase of 5.8% in 2018 compared to 2017. Regarding medical-surgical material, an average increase of 15.7% was registered for 2018 compared to 2017.

Education. In April 2018, the Government launched the National Alternative Education Program (PRONEA) with the objective of improving access to education for all people over the age of 13.

Furthermore, during the Morales administration 16,224 netbooks were delivered to students and 1,014 laptops (including productivity tools and virtual libraries) were given to teachers

Economic Development.

- Start-up companies: During 2018, 130 business exchange events were held in the departments of Guatemala, Quetzaltenango, Chiquimula, Alta Verapaz, San Marcos and Retalhuleu and Sacatepéquez.
- Promotion of tourism: By the end of 2018 there was an estimated 13% growth in non-resident visitors compared to the previous year, with a total of 2,394,269 visitors
- Infrastructure: During 2018, 36 road construction, improvement and replacement projects were completed, adding up to 444.80 kilometers of new asphalt (of the 1,800 kilometers of projects currently underway), plus 15 rehabilitation projects, adding up to 69 kilometers. In terms of maintenance of the paved road network, more than 4,500 kilometers were subject to patching and cleaning and monitoring, maintenance and repair was carried out on 65 bridges throughout the country.
- Fiscal sustainability: The actions implemented by SAT resulted in an increase of 3.6% in tax collection compared to 2017.

Security.

- Border control: During 2018, the Guatemalan Army carried out a total of 450 border operations with land forces, in coordination with Mexico, Honduras, El Salvador and Belize. It also carried out a total of 7,539 operations on the border and the adjacent line of those countries, respectively. Likewise, the Ministry of National Defense -MINDEF- supports the development of the nation, through its corps of engineers. Within this framework, in 2018, more than 1,353.05 kilometers of improvement of the tertiary road network were carried out; 11.34 kilometers of application of asphalt folder; and 41.38 kilometers of pothole work. This meant for the State of Guatemala an estimated saving of Q383,298,000.00.
- Violence prevention: In 2016, the homicide rate was 29.5 per 100,000 inhabitants and it was expected, according to the commitments assumed by the current administration, that by 2019 there would be a drop of 6 points. As of November 2018, with projections up to December 2018, the data indicated that the goal of the General Government Policy 2016-2020 had been met, reporting, according to records from the Ministry of the Interior (MINGOB), a rate of 22.48 per 100,000 inhabitants.
- Support for the justice sector: In order to protect citizens and prevent crime, during 2018 the Government has focused its efforts on strengthening institutions related to citizen security, mainly the PNC. Considering the above, for the month of August 2018 the staff of the PNC was composed of

39,649 elements distributed in three scales: basic, official and management. This meant an increase with respect to what was reported in 2016 and 2017, years in which the PNC staff was composed of 34,120 and 39,439 elements, respectively.

Third National Action Plan for Open Government 2016-2018. On November 30, 2018 the Third National Action Plan for Open Government 2016-2018 was officially ended. The plan was composed of 5 core areas and 22 commitments withe identified public institutions responsible of their fulfillment.

The Ministry of Public Finance was in charge of the Fiscal Transparency area, including seven commitments (commitments 16 to 22), and it was the responsible entity to complete the first four (commitments 16 to 19). The other three commitments were in charge of SAT, the Ministry of Public Health and Social Assistance and the Ministry of Education. The commitments under responsibility of the Ministry of Public Finance included 20 goals. 19 of these goals were achieved in their entirety, leaving the remaining one in a "substantial or advanced" status, which allowed a level of institutional compliance of 98.68%.

The Third National Plan of Action of Open Government 2016-2018 reached a general level of compliance of 90.22% due to some unfinished goals by the University of San Carlos De Guatemala (USAC).

Government and Political Parties

Guatemala restored its 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, 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 2018, these Departments were subdivided into 340 Municipalities, each governed by elected Mayor and Council Members in general elections.

Executive Branch

The executive branch, 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 direct universal national elections by secret ballot. The President can propose legislation to the Congress. The President can also veto legislation, and Congress can override a veto by a 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 oversight powers over the executive branch.

Legislative Branch

Congress is the legislative branch and is a unicameral body of 158 deputies elected through universal vote in national elections by secret ballot. 127 members are elected from geographical districts and 32 are elected by proportional representation based on the most recent population census. In 2016, the Political Parties and Electoral Law (Decree No. 1-85 of the Congress) was amended and the size of the Congress for the elections to be held in 2019 was increased from 158 deputies to 160, 128 of which to be elected from geographical districts and 32 of which to be 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, which is comprised of members of Congress and 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. Cabinet level officials in Guatemala require a previous hearing before Congress or the Supreme Court in order to be able to be prosecuted before a criminal court.

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 enter and enforce judgments. The Supreme Court is comprised of 13 justices, all appointed by the Congress from a list of 26 candidates submitted by a commission made up of representatives of the General Assembly of Lawyers Association, law school deans, the rector of the national university, the University of San Carlos (*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 and is the highest court with respect to constitutional matters. The Constitutional Court is comprised of five principal justices, each one with a substitute, who serve a single five-year term. Each principal justice 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 University of San Carlos, 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, as well as 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 Jimmy Morales Cabrera of Convergence of National Front (*Frente de Convergencia Nacional*, or "FCN Nación") and Sandra Julieta Torres Casanova of the National Unity of Hope (*Unidad Nacional de la Esperanza*, or the "UNE"), with 23.99% and 19.7% respectively. In the second round of voting held on October 25, 2015, Jimmy Morales Cabrera was elected President, obtaining 2,750,847 (67.4%) of 4,079,228 valid votes.

Following these elections, various congressmen moved from one party to another within Congress, mostly to the winning party, until April 2016, when these party changes were outlawed by the amendment to the Political Parties and Electoral Law. As of December 31, 2018, the main parties in Congress were FCN Nación with 35 members and UNE with 28 members, out of 158 total seats. As no political party has a majority of the congressional seats, there is a potential for gridlock in the Congress which, in turn, may create further political uncertainty.

The following table shows the composition of Congress by political party or affiliation as of December 31, 2018:

	Congressional Seats	%
Frente de Convergencia Nacional (FCN Nación)	35	22
Unidad Nacional de la Esperanza	28	18
Diputados Independientes	25	16
Bloque TODOS	16	10
Movimiento Reformador	12	8
Alianza Ciudadana	11	7
Unión del Cambio Nacional	6	4
Encuentro por Guatemala	6	4
Compromiso Renovación y Orden	5	3
Others	14	9
Total	158	100%

Source: Guatemalan Congress.

2019 Elections

General elections will be held in Guatemala on June 16, 2019, to elect the President, Vice President, members of Congress, mayors and city council members, with a second round of the presidential elections to be held on August 11, 2019, if no candidate wins a majority in the first round. As of the date of this offering circular, 24 political parties had registered their respective President and Vice-President candidates with the Electoral Supreme Court.

Several registrations for presidential candidates are subject to legal challenge, which challenges may become constitutional actions to be resolved by the Constitutional Court. Some of the candidacies under challenge include those of the following political parties: UNE, *Valor*, *Movimiento Semilla* and *Fuerza*. In May 2019, the Constitutional Court ruled against the registration of the presidential candidates from the political parties *Valor* (Zury Rios), *Movimiento Semilla* (Thelma Aldana) and *Fuerza* (Mauricio Radford) and, accordingly, such presidential candidates will not participate in upcoming general elections. Other candidates are still subject to legal challenges that may affect their candidacies, and consequently, change the outlook for the electoral process.

The Political Parties and Electoral Law was amended as a result of anti-corruption pressure created by the passage of Decree No. 26-2016, which was approved by Congress on April 19, 2016 and entered into force on June 1, 2016. The amendments included, among other things, the mandatory delivery of reports on financial contributions, restrictions on political propaganda and media, audit and financing. In September 2017, a second round of amendments modified the general procedural rules for the electoral process.

Legal Proceedings Relating to the 2019 Elections

Mario Estrada Case

Mario Estrada is a former congressional representative between 2000 and 2007. He participated in Guatemala's General Elections in 2007, 2011 and 2015 as a Presidential candidate. In the 2019 elections he was the presidential candidate of the *Unidad del Cambio Nacional* political party (the "UCN"). On April 25, 2019, the Electoral Supreme Court ruled that Mr. Estrada did not comply with the constitutional requirements of suitability and honesty to be a Presidential candidate and ordered that the registration of his candidacy be revoked. The decision of the Electoral Supreme Court was the result of Mr. Estrada's indictment and arrest in the United States by the U.S. Drug Enforcement Agency on charges of having links with drug cartels, requesting financial aid from the Sinaloa Cartel for his presidential campaign and planning the assassination of two other presidential candidates.

According to the statement released by the U.S. Attorney's Office for the Southern District of New York, Mr. Estrada tried to obtain political financing from drug cartels. Juan Pablo González Mayorga, a member of the board of UCN, was also indicted and arrested on the same allegations. Both Mr. Estrada and Mr. González Mayorga have been charged in 2019 with two felonies: conspiring to import cocaine into the United States and conspiring to use and transport machine guns and destructive devices and the possession of machine guns and destructive devices in the conspiring to import cocaine.

Thelma Aldana Case

Thelma Esperanza Aldana Hernández announced her candidacy for the presidency of Guatemala on March 10, 2019, running as the candidate of the political party *Movimiento Semilla*. Ms. Aldana was a judge of the Supreme Court of Justice of Guatemala (2009-2014), and elected President of the Supreme Court of Justice (2011-2012). She was elected by the Presidential Nomination Commission and appointed by President Otto Pérez Molina as Attorney General of the Public Prosecutor's Office from May 2014 to May 2018. Ms. Aldana successfully prosecuted and imprisoned former President Otto Pérez Molina and former Vice President Roxana Baldetti, among other officials. Her candidacy was rejected by the Electoral Supreme Court, since criminal charges were filed against her for hiring a consultant during her time as Public Prosecutor. Guatemala's electoral laws require, in order to have their candidacy registered, that candidates that have held public office to provide a document stating that there are no charges against them for crimes committed during their time in office. Although Ms. Aldana did present this document, since charges had been brought against her, the Electoral Supreme Court ruled that the document she presented was invalid since charges have been brought against her (see below).

On March 18, 2019, an arrest warrant was issued for Ms. Aldana by Judge Victor Cruz relating to her hiring of lawyer Gustavo Bonilla, who allegedly failed to comply with his responsibilities as consultant of the Public Prosecutor's Office. She was charged with embezzlement, misappropriation in a continuous manner, fraud and tax fraud. However, Ms. Aldana was not arrested and is not in custody, because on the same day that the warrant was issued she traveled to El Salvador.

The Supreme Court's electoral department in charge of the registration of candidates approved Ms. Aldana's registration on March 19, 2019; however, after three challenges by the political party *TODOS, Fundacion Contra el Terrorismo* and *Guatemala Inmortal* to her registration, it was revoked.

The *Movimiento Semilla* political party appealed the denial of registration on April 15, 2019 before the Supreme Court of Justice, and on April 24, 2019, the Supreme Court transferred the appeal to the Constitutional Court. The Constitutional Court denied the appeal and did not grant the provisional injunction sought by Ms. Aldana. As of the date of this offering circular, Ms. Aldana is not registered as a presidential candidate for the upcoming general elections. A final decision of the Supreme Court of Justice on Ms. Aldana's case is pending as of the date of this offering circular, but is not expected to change the outcome.

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 URNG, 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 goals of the accords were to end the armed conflict, disarm the parties, and address the root causes of the war. These accords included agreements in the following matters: (i) public policies on human rights (March 29, 1994), (ii) relocation of populations displaced by the armed conflict (June 17, 1994), (iii) the creation of committees for truth and reconciliation to document human rights violations (June 23, 1994), (iv) identity and rights of the indigenous population (March 31, 1995), (v) socioeconomic aspects and agrarian situation (May 6, 1996), (vi) strengthening of civil authority and the role of the army in a democratic society (September 19, 1996), (vii) permanent cease fire (December 4, 1996), (viii) constitutional reforms and electoral regime (December 7, 1996), (ix) incorporation of the URNG to legality, and (x) the implementation, fulfillment 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 a comprehensive agenda to overcome the causes of the conflict and establish the basis for development.

The Secretariat for Peace (*Secretaría de la Paz*), 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 No. 52-2005, has the objective of establishing rules and mechanisms for the fulfillment of the Peace Agreement. This law also established the National Council for the Fulfillment 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 with the mission to promote legal reforms, policies, programs, projects and actions that promote the compliance with the agreements.

The United Nations Verification Mission in Guatemala ("MINUGUA") accompanied the process of implementation of the agreements, verifying compliance with human rights and helping the country implement the 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 United Nations classified the peace process as successful.

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* or the "COPREDEH") to verify implementation of human rights agreements. The Human Rights Attorney's Office (*Procuraduría de Derechos Humanos*, or the "PDH"), 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.

The CICIG Agreement

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, the PNC 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 United Nations 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 2016, 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, 2019.

Since 2015, the CICIG has been involved in the investigations of certain high profile public corruption cases, such as those of former President Otto Pérez Molina and former Vice President Roxana Baldetti and the "*La Línea*" case. On August 30, 2018, the Government announced its decision not to renew the term of the CICIG when it expires on September 3, 2019. In January 2019, the Government issued a decree that purported to unilaterally terminate the agreement that established the CICIG with immediate effect. The Constitutional Court provisionally suspended this decree in response to a constitutional challenge. As of the date of this Offering Circular, the CICIG agreement is set not to renew beyond September 3, 2019.

Notwithstanding the foregoing, CICIG's agreement contemplates as one of its functions the strengthening of the Public Prosecutor's Office, and the transferring of capacities from CICIG to the Public Prosecutor's Office. According to the Government, the Public Prosecutor's Office strengthened with the support of CICIG and it is time to transfer the capacities of the CICIG to local institutions, especially the Public Prosecutor's Office, which has closely worked with CICIG in high profile cases in recent years. The transfer of capacities from CICIG to the Public Prosecutor's Office is expected to take place by September 3, 2019. The Government expects that efforts against corruption will continue under the new administration after the upcoming general elections, with enhanced capacities, including a recently announced new division at the Public Prosecutor's Office tasked with fighting impunity. International reaction to the decision not to renew the term of the CICIG has been mixed, with some positive reactions and also certain criticism.

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"), 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 diverse 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 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 to citizens universal access to social services, 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 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, 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 in May 1996, 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 increased 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 the "MARN") was created by Decree Nos. 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 No. 68-96), the Climate Change Policy (Governmental Agreement 329-2009), the Law of Environmental Education (Decree No. 38-2010), the Law of Climate Change (Decree No. 07-2013), among other regulations, contribute to strengthening the regulatory roll of the MARN.

Due to increased deforestation in recent decades, 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, through the National Institute of Forest Management (*Instituto Nacional de Administración de Bosques*, or the "INAB"), the Government is promoting the protection and recovery of forest areas through the Forestry Incentive Program (*Programa de Incentivos Forestales*, or the "PINFOR") and the Incentives Program for Small Landowners with Forest or Agroforestry Vocations (*Programa de Incentivos para Pequeños Poseedores de Tierras de Vocación Forestal o Agroforestal*, or the "PINPEP"), encouraging a total of 20,108 natural forest management projects for protection and production purposes. Together, these projects represent 26,751 hectares of new forests under sustainable management. During 2016, with a state investment of Q225.5 million, the PINFOR and PINPEP projects were implemented in 22 departments throughout the country, providing direct and indirect socio-economic benefits for more than 246,768 people (45% of whom are women). These programs directly generated 2.7 million working hours in rural areas from their inception.

During 2018, the PROBOSQUE program invested Q134.1 million in 4,695 new and maintenance projects, generating 1.6 million work days (*jornales*). In the same year, the PINPEP program invested Q263.8 million in 29,922 projects, generating 3.2 million work days (*jornales*).

Transparency

According to Transparency International, Guatemala ranked 144th out of 180 countries in 2018, with a corruption perception index score of 27 points. The corruption perception 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 approved Law Initiative 4461 on July 25, 2013, which is designed to strengthen the institutional transparency and quality of public expenditures (Decree No. 13-2013), and includes reforms to the Organic Budget Law (Decree No. 101-97), Law of the General Comptroller of Accounts (Decree No. 31-2002), and the Organic Law of the SAT (Decree No. 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 PNC, 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 described under "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 weapons, explosives and ammunition control.
- Increase police force and assign their presence in higher risk areas through interaction programs with local powers, including local authorities and non-governmental organizations.
- Development of programs to prevent crime with emphasizes in combatting violence against women.
- Strengthen coordination between State security forces and the Judicial System.
- Modernize national security policy, taking into consideration context and priorities.
- Return to the guidelines in the Peace Agreements with respect to the role of the army in peace time.
- Refine and reform the prison system towards a focus on rehabilitation.

The Police Academy, inaugurated in 1998, has contributed to increase the professionalism of officers and increased the number of police officers from approximately 30,655 police officers in 2014 to 36,208 in 2018, representing an average annual increase of 3.6%. According to statistics of the Ministry of Governance, there has been a significant reduction in crime rates, especially in homicide and property crimes. Between 2014 and 2018, the homicide rate decreased 29.1% from 31.6 per 100,000 people to an estimated 22.4 per 100,000 people by the end of 2018. However, Guatemala still ranks third in homicide rate in Central America after Honduras and El Salvador. For property crimes, the rate has been reduced from 118 per 100,000 inhabitants in 2012 to an estimated 64 per 100,000 inhabitants in 2018, a decrease of 45.5%.

Tourism

Guatemala is the heart of the Mayan World, a millenary culture. The magic and mystery of the Mayan temples can still be appreciated in ancient cities such as Tikal, Yaxhá, Aguateca, Mirador, Quiriguá and Qúma'rkaj. According to the latest census, approximately 39.3% of the 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 diversity 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,					
	2013	2014	2015	2016	2017	2018
Tourist arrivals	1,515,654	1,738,898	1,865,139	1,906,195	2,113,270	2,405,902

Source: INGUAT.

The main international airport is the Aurora Airport (*Aeropuerto La Aurora*) in Guatemala City. This airport 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 City 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 (the "WTO"), the United Nations 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 IMF, the Inter-American Development Bank (the "IADB"), the World Bank, 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 peacekeeping operations. Guatemala has held many positions within the organization, including 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 No. 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 in the process of negotiating a number of commercial treaties, including two free trade agreements. Guatemala is also party to three regional trade integration agreements involving the Central America region and two Agreements of Reciprocal Promotion and Investment Protection.

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. 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. 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 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 (the "Special Agreement"). This Special Agreement was an important step to resolve the dispute because in addition to accepting the jurisdiction of the International Court of Justice 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 International Court of Justice to settle the territorial dispute, including consulting their populations in plebiscites.

- *September 9*, *2010*. The Special Agreement was approved unanimously by Congress, by Decree No. 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 International Court of Justice 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 a referendum to be held on October 2013 because of the decision to impose Guatemalan territorial, insular and maritime claims before the International Court of Justice as part of a strategy to resolve 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 was approved by Congress through Decree No. 47-2016, which was published on November 15, 2016 and entered into effect on November 16, 2016.
- *April 2018.* The Government held a referendum on the territorial dispute between Guatemala and Belize, asking whether the dispute should be submitted to the International Court of Justice. An overwhelming majority (95.9%) voted to submit the dispute to the International Court of Justice. The results of the referendum are binding on the Republic.
- *May 2019.* A referendum on the territorial dispute with Guatemala was held on May 8, 2019 in Belize asking whether Belize should submit the territorial dispute to the International Court of Justice. The referendum resulted in a "yes" vote and, accordingly, given the binding nature of the referendum, the territorial dispute will be submitted to the International Court of Justice.

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.

Guatemala has been a party to four investor – state arbitrations. Such arbitrations are: (i) TECO Guatemala Holdings LLC v. Republic of Guatemala (ARB/10/23) for US$222 million – pending as of this date; and (ii) new claim submitted by Daniel W. Kappes and Kappes, Cassidy and Associates on December 11, 2018, against the Republic of Guatemala (ARB/18/43) – pending as of this date since members to the arbitral tribunal are still being appointed.

Even though they have not filed any claims, APM Terminals has indicated in communications with the Republic that it intends to file arbitration proceedings against the Republic of Guatemala, regarding a port terminal.

Teco Guatemala Holdings ("Teco") filed a suit against Guatemala for alleged violations of the DR-CAFTA by the National Commission of Electric Energy (*Comisión Nacional de Energía Eléctrica*) regarding electric tariffs that Empresa Electrica de Guatemala ("EEGSA"), a subsidiary of Teco, was entitled to charge during the five-year period between 2008 and 2013. The Arbitral Tribunal awarded US$21,100,552 in damages and US$7,520,695.39 in legal fees in favor of Teco, but denied awarding damages sought by Teco in an amount of US$222,484,783 for the diminution in value of the shares of EEGSA as a consequence of Guatemala's actions. Guatemala filed an appeal requesting annulment of the award in whole and Teco filed an appeal seeking partial annulment of the award with respect to the denial of the diminution in value damages. The award was annulled in whole by the Arbitral Tribunal on April 5, 2016 and a new claim was filed by Teco on October 3, 2016. A new Arbitral Tribunal was appointed on February 8, 2017, and a motion was presented to it by Teco on December 13, 2018 regarding the admissibility of certain new evidence.

Northern Triangle 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. This plan is backed by the financial commitments of the respective governments and by grants from the United States, the IADB and the World Bank to create job opportunities and improve the wellbeing of the populations of these countries. In addition, this plan strengthens the commitment to integration and development of the Northern Triangle and to attract tourists and promote it as a destination.

The strategic aims of this plan include:

- stimulating the productive sectors to create economic opportunities;
- improving public safety and enhancing access to the legal systems; and
- strengthening institutions to increase trust in government.

This plan is being implemented by the countries of the Northern Triangle, the United States, the IADB and the World Bank. Guatemala is currently implementing the plan in 51 municipalities, of which 41 have been identified as having critical needs for socio-economic development.

Northern Triangle Customs Union

On April 9, 2018, the fourth round of negotiations was held among Guatemala, Honduras and El Salvador to form a customs union. In the previous round of negotiations, held in February 2018 in Honduras, the model of integrated border ports was approved, which will be implemented at the borders of La Hachadura, Anguiatú, Las Chinamas and San Cristóbal in Guatemala, and at the borders of El Poy and El Amatillo in Honduras. On August 20, 2018, the formal admittance of El Salvador to the customs union was celebrated and the Declaration of Corinto II, which embodies the customs union between the three countries, was signed.

THE GUATEMALAN ECONOMY

The Guatemalan economy is the largest economy in Central America, with preliminary nominal GDP of US$78,461.7 million for the year ended December 31, 2018. The economy has expanded at positive rates in the last ten years, with real GDP growing at a rate of 4.2% in 2014, 4.1% in 2015, 3.1% in 2016, 2.8% (preliminary) in 2017, and 3.1% (preliminary) in 2018.

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 7.6% of estimated GDP in 2018.

Recent Economic Developments

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

- continued growth;
- stable rates of inflation consistent with the Bank of Guatemala's target;
- 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.

Important economic goals achieved since 2014 include the following:

- strengthening and modernizing of the financial sector, including through improved supervision and the enactment of several new laws, including a new Organic Law of 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 (the "FATF");
- maintaining stable rates of inflation consistent with the Bank of Guatemala's target;
- increasing fiscal transparency;
- addressing ongoing problems associated with poverty through the creation of employment opportunities, the provision of social services and the improvement of the infrastructure in the poorest rural areas;
- increasing investment in infrastructure, particularly in the communications sector; and
- 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. This industry is important for the country as a generator of foreign exchange and quality formal employment, generating more than 45,000 direct jobs, and more than 115,000 indirect jobs. In addition, this industry has the potential to triple its size in the short term, if the country implements an intensive training strategy in the English language and provides a competitive environment for companies, as other countries in the region have done. Preliminary estimates by the Government indicate that this industry will have grown by 15% in 2018 as compared to the previous year.

Gross Domestic Product and Structure of the Economy

The Guatemalan economy has grown 3.1% in 2018 on a preliminary basis, primarily as a result of the following:

- higher spending in private and public consumption;
- increase demand due to growth in private consumption;
- investment growth driven by construction and machinery and equipment investment;
- low inflation; and

- fiscal discipline and stable monetary policy.

Most of the economic activities grew at positive rates, which were higher than the rates of growth achieved in 2017. Approximately 85.0% of GDP growth in 2018 was attributable to growth in the following activities: wholesale and retail trade; manufacturing; private services; transportation, storage and telecommunications; and, agriculture, livestock, fishing and forestry.

The following table sets forth GDP by components and by expenditure, both in levels and as a percentage of total GDP for the years indicated:

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

	For the year ended December 31,									
	2014		2015		2016		2017[(1)]		2018[(1)]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Private expenditure:										
Private consumption	50,419.2	85.8	54,190.6	85.0	58,517.7	85.2	65,232.8	86.3	68,887.7	87.8
Private investment	7,118.1	12.1	7,629.5	12.0	7,794.7	11.4	8,484.0	11.2	8,507.6	10.8
Change in inventory	(87.8)	(0.1)	213.0	0.3	260.9	0.4	(184.6)	(0.2)	63.3	0.1
Total private expenditure	57,449.5	97.8	62,033.1	97.3	66,573.3	97.0	73,532.1	97.3	77,458.6	98.7
Public expenditure:										
Public consumption	6,371.5	10.8	6,612.0	10.4	6,716.9	9.8	7,333.9	9.7	7,600.5	9.7
Public investment	1,019.5	1.7	844.7	1.3	790.9	1.2	820.1	1.1	906.9	1.2
Total public expenditure	7,391.1	12.6	7,456.7	11.7	7,507.9	10.9	8,154.0	10.8	8,507.4	10.8
Gross national expenditures	64,840.6	110.4	69,489.7	109.0	74,081.2	107.9	81,686.1	108.1	85,965.9	109.6
Exports of goods and services	13,601.4	23.2	13,492.0	21.2	13,414.5	19.5	14,207.8	18.8	14,217.7	18.1
Imports of goods and services	(19,710.1)	(33.6)	(19,221.2)	(30.1)	(18,851.6)	(27.5)	(20,304.3)	(26.9)	(21,722.0)	(27.7)
Gross domestic product	58,731.8	100.0	63,760.6	100.0	68,644.1	100.0	75,589.6	100.0	78,461.7	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.

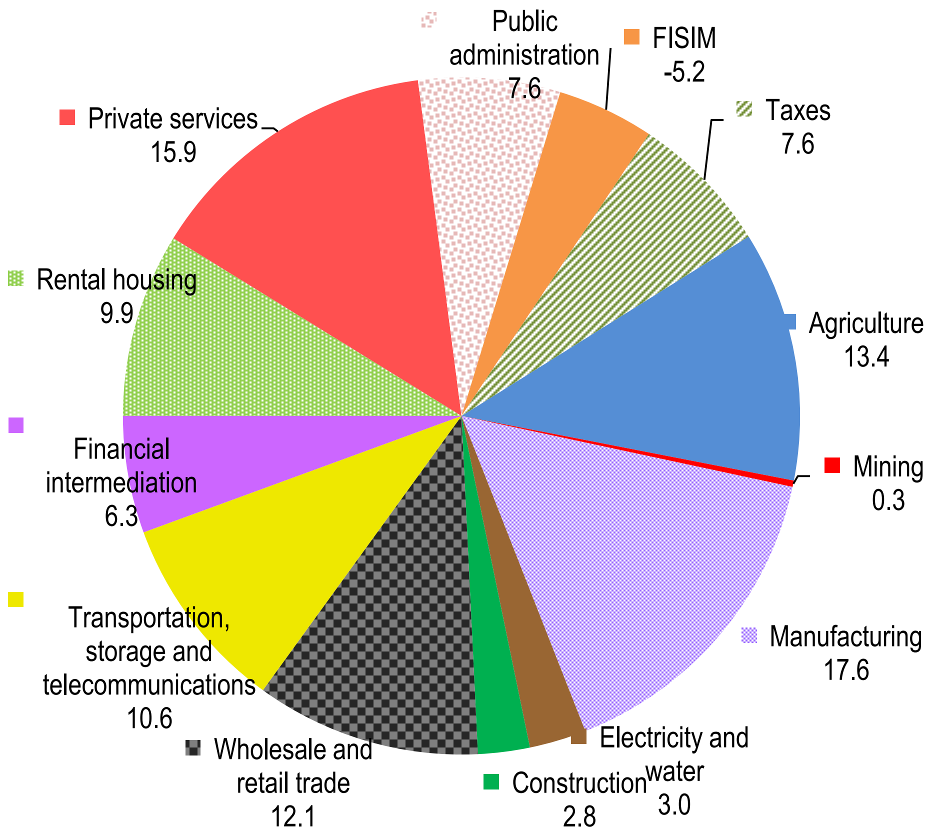
Investment and Savings
(as % of GDP)

	As of or for the year ended December 31,				
	2014	2015	2016	2017[(1)]	2018[(1)]
Gross domestic investments	13.7	13.6	12.9	12.1	12.1
Domestic savings:					
Public savings	1.7	2.4	2.7	2.3	1.8
Private savings	9.9	11.1	11.7	11.4	11.1
Total domestic savings	11.6	13.5	14.4	13.6	12.9
External savings	2.1	0.2	(1.5)	(1.6)	(0.8)
Total savings	**13.7**	**13.6**	**12.9**	**12.1**	**12.1**

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

Main Economic Activities

During 2018, the main economic activities in Guatemala were: 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 graphic presents the contribution of each sector of the Guatemalan economy to GDP in 2018 (based upon preliminary data).



FISIM = Financial Intermediation Services Indirectly Measured

Since 2001, the Guatemalan economy has gradually diversified 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 10.6% in 2018); financial intermediation, insurance and ancillary activities (from 2.6% in 2001 to 6.3% in 2018); private services (from 15.5% in 2001 to 15.9% in 2018); public administration (from 7.4% in 2001 to 7.6% in 2018); and electricity and water (from 2.6% in 2001 to 3.0% in 2018).

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,				
	2014	**2015**	**2016**	**2017(1)**	**2018(1)**
Primary sectors:					
Agriculture, livestock, fishing and forestry	13.6	13.5	13.5	13.5	13.4
Mining and quarries	0.8	0.9	0.8	0.6	0.3
Total primary sector	14.8	14.8	14.5	14.1	13.4
Secondary sectors:					
Manufacturing	17.7	17.6	17.7	17.6	17.6
Electricity and water	2.8	2.8	2.9	3.0	3.0
Construction	2.8	2.8	2.8	2.8	2.8
Total secondary sector	23.0	22.9	23.0	22.9	23.0
Services:					
Wholesale and retail trade	11.6	11.7	11.8	11.9	12.1
Transportation, storage and telecommunications	10.4	10.3	10.3	10.4	10.6
Financial intermediation, insurance and ancillary activities	5.4	5.9	6.2	6.2	6.3
Rental housing	9.9	9.8	9.8	9.9	9.9
Private services(2)	15.8	15.7	15.7	15.8	15.9
Public administration and defense	7.9	7.8	7.7	7.6	7.6
Total services	59.2	59.6	59.8	60.1	60.6
(-) Financial Intermediation Services Indirectly Measured (FISIM)	(4.7)	(5.0)	(5.1)	(5.2)	(5.2)
(+) Taxes less subsidies on products	7.3	7.4	7.5	7.6	7.6
Total GDP	100.0	100.0	100.0	100.0	100.0

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

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

	For the year ended December 31,				
	2014	**2015**	**2016**	**2017(1)**	**2018(1)**
Primary sectors:					
Agriculture, livestock, fishing and forestry	3.2	3.2	3.1	2.9	2.5
Mining and quarries	46.7	8.5	(10.3)	(22.1)	(38.2)
Total primary sector	9.6	4.1	1.2	(0.3)	(1.7)
Secondary sectors:					
Manufacturing	3.2	3.5	3.6	2.1	3.4
Electricity and water	5.0	4.5	5.3	5.4	6.4
Construction	4.4	3.4	1.8	2.7	3.7
Total secondary sector	3.5	3.5	3.4	2.5	3.7
Services:					
Wholesale and retail trade	3.8	5.8	3.8	3.6	4.4
Transportation, storage and telecommunications	3.0	3.3	2.8	4.3	4.7
Financial intermediation, insurance and ancillary activities	9.2	14.5	8.1	3.1	4.4
Rental housing	3.1	3.1	3.1	3.0	3.1
Private services(2)	3.3	3.7	3.1	3.4	3.4
Public administration and defense	2.8	2.7	2.0	2.2	2.5
Total services	3.6	4.7	3.5	3.4	3.9
(-) Financial Intermediation Services Indirectly Measure (FISIM)	8.7	10.1	5.4	3.2	3.8
(+) Taxes less subsidies on products	4.5	5.6	4.2	3.8	3.2
Total GDP	4.2	4.1	3.1	2.8	3.1

(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 26.0% of its territory (108,889 km2) is suitable for crops such as coffee, bananas, African palm, cardamom, and sugarcane, and non-traditional 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 2014, primary production has represented on average 14.3% of GDP, and based on total foreign exchange earnings of exports, primary agriculture products accounted for 23.5% on average (sugar, coffee, bananas and cardamom) which, combined with other agricultural products (fruits, flowers, vegetables, sesame, honey, etc.), represented approximately 32.3% of total exports. The agricultural, livestock, fishing and forestry sector represented 13.4% of preliminary GDP in 2018.

Between 2014 and 2018, this sector grew at an average rate of 3.0%.

In 2014, this sector grew at a rate of 3.2% compared to 2013, mainly due to an increase in production of traditional crops, particularly bananas, sugarcane and fruits, influenced by the increase in crop production areas. In 2015, growth was 3.2% compared to the previous year, primarily as a result of an increase in production of traditional crops, specifically bananas and cardamom, as well as increases in production volume of non-traditional crops, such as basic grains, vegetables and fruits, as compared to 2014.

In 2015, this sector grew at a rate of 3.2% 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. The foregoing 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.

In 2016, this sector grew at a rate of 3.1% as a result of the production of the 2015/16 coffee crop, and as a result of a favorable outlook for the 2016/17 coffee crop, due to crop renovation of the plantations after the damage caused by the rust fungus, that affected approximately 40.0% of crops between 2013 and 2016. Growth in this sector was further driven by increased external demand for fruits, mainly melons and plantains. Domestic demand also increased for sugar cane and other nuts, specifically African palm, used for the production of oils and fats.

In 2017, although the crops of coffee and banana reported favorable growth rates of 5.7% and 8.9%, respectively, the data showed a slowdown in the growth of this sector to 2.9% as compared to 2016, due to a reduction in sugarcane crops and cardamom, which were affected by weather.

In 2018, preliminary information reflected an increase of 2.5% in this sector, as a result of the growth in production of vegetables, fruits and poultry breeding, primarily as a result of greater internal and external demand and favorable weather conditions. In addition, an increase in coffee and cardamom production was reflected as a result of greater external demand.

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,				
	2014	**2015**	**2016**	**2017(1)**	**2018(1)**
Coffee	(8.5)	(0.9)	4.7	5.7	4.0
Bananas	3.5	9.7	(0.2)	8.9	1.4
Cardamom	1.8	(10.3)	6.9	(1.3)	3.9
Sugarcane	3.1	1.7	1.4	(1.9)	(0.3)
Cereals	1.2	2.0	2.4	2.6	2.3
Vegetables	2.7	3.3	2.4	2.6	2.8
Fruits	4.7	8.3	6.3	3.6	0.2
Livestock, forestry and fishing	5.4	3.4	1.5	3.0	3.0

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

Coffee

Guatemala is one of the leading producers in the world of Arabica bean coffee. Almost all of Guatemala's coffee exports are of Arabica bean coffee. In addition, 79% is strictly "hard," which means that it is a quality product harvested in plantations located at the highest elevations in the country. Coffee production volume has been stable over the last five years, which on average, between 2014 and 2018, was reported to have produced 5.3 million *quintals* per year (which are approximately 244.2 thousand tons). However, the contribution of coffee to GDP mainly depends on the international prices during each period.

Coffee is one of the most important commodities in the economy of Guatemala. In addition, its contribution to GDP has been affected by the average export price per quintal of coffee during the period, which was, on average, US$162.3 per quintal.

In 2014, coffee production contracted by 8.5%, driven mainly by presence of rust fungus in plantations, as well as lower international prices. In 2015, coffee production registered a decrease of 0.9%, principally associated with the crop renovation of coffee plantations and other agricultural practices designed to combat rust fungus in certain plantations. In 2016 and preliminarily in 2017, coffee production registered rates of growth of 4.7% and 5.7%, respectively, due to a renovation of coffee plantations carried out in previous years, which lead to an increase in production and yield. In 2018, preliminary data showed a rate of growth of 4.0%, as a result of a greater external demand.

The following table shows coffee production, value of coffee exports and the average price per quintal for the agricultural years referenced. 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 December 31,				
	2014	2015	2016	2017(1)	2018(1)
Production(2)	5,018.9	4,974.8	5,211.0	5,509.1	5,734.9
Export volume(2)	4,045.4	3,951.8	4,007.0	4,484.5	4,536.6
Value of exports (in million US$)	668.2	663.0	649.1	748.0	679.9
Price per quintal (in US$)(3)	165.2	167.8	162.0	166.8	149.9

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

Bananas

Since 2014, banana production has experienced some volatility with a decrease of 0.2% in 2015 and an increase of 9.7% in 2016. In 2017 and 2018, banana production increased by 8.9% and 1.4%, respectively. Banana production depends, mostly, on weather conditions, which in 2014, 2015 and 2017 were favorable, allowing for better yields in the plantations and expansions of the crop areas. In contrast, during 2016 and 2018, yields decreased as a consequence of the deterioration of weather conditions on some of the main crop areas which lead to lower production levels.

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 2014, cardamom production grew 1.8% compared to the previous year. In 2015, cardamom production registered a decrease of 10.3%, mostly because of the effects of lower international prices and less favorable weather conditions. In 2016, cardamom production increased by 6.9% due to a better yield in the 2015/16 crop, while for 2017, there was a decrease of 1.3% due to weather conditions. In 2018, it is estimated that cardamom production increased 3.9% as a result of higher international prices, which lead producers to improve the production yield.

Sugarcane

After the negative effects caused by adverse weather conditions that prevailed in 2010, since 2011, production of sugarcane has generally been characterized by recovery and stabilization, as well as an expansion of sugarcane plantations and favorable weather conditions resulting in growth in production of 6.7% in 2013. In 2014 and 2015, sugarcane production increased by 3.1% and 1.7%, respectively, due to the standardization of the crop after the high growth shown in previous years. For 2016, production increased 1.4% due to the introduction of better varieties, which improved sugarcane productivity; while for 2017, this sector registered a decrease of 1.9% mainly due to a drought affecting production. In 2018, preliminary data reflects a decrease of 0.3% as compared to the previous year, as a result of a reduction in crop areas as a consequence of lower international prices for raw sugar.

Cereals

In 2014 and 2015, cereal production grew 1.2% and 2.0%, respectively. The former reflected a slowdown in the expected production, primarily from the negative effects caused by the drought that affected part of the country, referred to as "dry corridor," which affects mainly small farmers. In 2016 and 2017, cereal production grew 2.4% and 2.6%, respectively, due to sowing advances and improved agricultural practices to cope with drought. In 2018, in spite of the adverse effects of the prolonged heat wave that affected some of the plantations during the third quarter of the year (particularly in the dry corridor), preliminary data for the production of cereals reflected growth of 2.3%.

Vegetables

For 2014, 2015, 2016 and 2017, vegetable production registered stable growth rates of 2.7%, 3.3%, 2.4% and 2.6%, respectively, as a result of both external and domestic demand, as well as favorable weather conditions in those years. These conditions were consistent in 2018, when preliminary data reflected growth of 2.8% in vegetables production

Fruits

For 2014, 2015 and 2016, production of fruits registered growth rates of 4.7%, 8.3% and 6.3%, respectively, mostly as a result of increased external demand for cantaloupe and plantains. For 2017, production increased by 3.6%, as a consequence of the enlargement of the crop areas, mostly those oriented to plantain production. In 2018, preliminary data reflected a decrease of 0.2% as a result of, principally, pests that affected melon and watermelon crops. The pests affected 10% of fruit production in the country and were caused by the whitefly.

Secondary Sectors

Manufacturing

The three main activities of the manufacturing sector in 2018 were food, beverages, and tobacco, which represented 44.1% of total manufacturing output; textiles, clothing, leather, and footwear which accounted for 20.5% of manufacturing output; and other manufactured products, accounting for the remaining 34.1% of the total.

In 2014, the sector 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 experienced growth, although, lower than the growth rate registered in 2013.

In 2015, manufacturing activity grew 3.5%, driven by textiles, publishing and printing, glass products, ceramics, cement and other non-metal products.

In 2016, manufacturing grew 3.6% due to increased demand for food products, such as those related to sugar processing, and the manufacturing of vegetable and animal oils and fats, as well as from the increased demand in other manufacturing, including metal products, machinery and equipment.

In 2017, this sector grew 2.1% after almost all manufacturing activities experienced a slowdown in performance, including food and beverage activities, which were the most significant due to the diminished sugar production, as well as vegetable and animal oils and fats productions attributable to lower exports and domestic demand.

In 2018, preliminary data reflected growth of 3.4%, in this sector, as a result, mainly, of an increase in the production of textiles, clothing, leather and footwear, and also of increased demand for food products. The former is a result of an increase in external and internal demand for textiles and clothing, in particular for the activities of spinning, weaving and finishing of textile products and manufacture of garments destined for export.

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

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

	As of or for the year ended December 31,				
	2014	2015	2016	2017(1)	2018(1)
Food, beverages and tobacco	4.6	3.2	4.4	1.6	2.5
Textiles, clothing, leather and footwear	1.9	4.7	2.7	0.4	8.5
Other manufactured goods	2.7	4.2	3.1	2.6	2.5

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

Electricity and Water

From 2014 to 2017, the electricity and water sector showed an average rate of growth of 5.0%. This growth rate is based on higher efficiency in power generation, increasing demand for electricity, and electricity exports, according to statistics published by the Wholesale Market Administrator.

For 2018, preliminary data reflected growth of 6.4%, one of the strongest growth rates experienced by this sector in the last 17 years. This growth was a result of the improvement in electricity prices, stimulating exports and reducing imports, which led to increases in local production, leading to historically higher production levels.

Construction

In 2014, construction activity grew by 4.4%, mainly driven by the implementation of infrastructure projects undertaken by the Government related to highway expansion and by the private sector related to residential and non-residential construction. In 2015, construction growth experienced a slowdown to 3.4%, which continued through 2016, when growth slowed to 1.8%. The decline was attributed to the smaller number of infrastructure projects undertaken by the Government. For 2017, this sector grew at a rate of 2.7%, driven mostly by residential and non-residential building construction by the private sector. In 2018, preliminary data reflected growth of 3.7%, as result of the construction of highways undertaken by the Government, as well as the construction of residential and non-residential building by the private sector.

Services

Services represented 59.2%, 59.6%, 59.8%, 60.1% and 60.% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively. Private services represented 15.8%, 15.7%, 15.7%, 15.8% and 15.9% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively; followed by wholesale and retail trade with 11.6%, 11.7%, 11.8%, 11.9% and 12.1% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively; transport, storage and communications with 10.4%, 10.3%, 10.3%, 10.4% and 10.6% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively; rental housing with 9.9%, 9.8%, 9.8%, 9.9% and 9.9% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively; public administration and defense with 7.9%, 7.8% ,7.7%, 7.6% and 7.6% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively; and financial intermediation, insurance, and ancillary activities with 5.4%, 5.9%, 6.2%, 6.2% and 6.3% of GDP in years 2014, 2015, 2016, 2017 and 2018, respectively.

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

In 2015 and 2016, the services sector grew 4.7% and 3.5%, respectively. In both of these years, growth was driven, primarily, by growth of financial intermediation, insurance and ancillary activities; private services; and wholesale and retail trade.

For 2017, preliminary data reflects a slight slowdown in the growth of this sector to 3.4% with respect to the previous year. Some of the areas that contributed to growth were private services; wholesale and retail trade; and transportation, storage and telecommunications.

For 2018, preliminary data reflected growth of 3.9%, as a result of improved growth expectations in real estate, business and rental activities, demand for which was favorably affected, mostly, by the expected increase in the public administration spending, trade activities and telecommunications.

Wholesale and Retail Trade

Wholesale and retail trade grew at 3.8% in 2014, 5.8% in 2015, 3.8% in 2016, 3.6% in 2017 and 4.4% in 2018, , in each case driven by increased demand for goods, both locally produced and imported, which generated greater volumes of commercialized products.

Transportation, Storage and Telecommunications

According to the Telecommunications Superintendency of Guatemala (*Superintendencia de Telecomunicaciones de Guatemala*), demand in telecommunications has been driven by an increase in new telephone lines (mobile), which increased from 4.5 million lines in 2005 to approximately 20.5 million lines in 2018.

From 2014 to 2018, the transportation, storage and telecommunications sector represented 10.4% of GDP. This sector is highly influenced by telecommunications services, which accounted for an average of 77.7% of the activity within the sector during such period. From 2014 to 2018, the transportation, storage and telecommunications sector grew, on average, at a rate of 3.6%, influenced by the increase in domestic demand and foreign trade, which underpinned transportation and storage activities and the telecommunications sector.

Private Services

Private services grew at an average rate of 3.4% during the period from 2014 to 2018, driven by demand from manufacturing, trade, public administration and defense, among other business services. In addition, growth in these years was driven by an increase in maintenance and repair of vehicles, hotels and restaurant activity, as well as greater final demand for households and individual services.

In 2014, 2015 and 2016, private services grew 3.3%, 3.7% and 3.1%, respectively. In each year, growth was driven primarily by the activities in maintenance and repair, hotels and restaurants, and intermediate services such as real estate rental, advertising, legal, and accounting services. From preliminary data for 2017 and 2018, real estate, business and rental activities grew 3.4% each year.

Financial Intermediation, Insurance and Ancillary Activities

In 2014, this sector registered a growth rate of 9.2%, (compared to a rate of 11.4% in 2013) due primarily to lower bank loan originations to the private sector and the net commissions received by financial entities than in 2013. For 2015, the financial intermediation, insurance and ancillary activities sector grew 14.5%, due primarily to an increase in banking services activities, increased in insurance business and higher volumes of credit card operations. In 2016, this sector grew 8.1%, due to increased activity in banking services and insurance. For 2017, this sector grew 3.1%, principally as a result of the increase of credit to the private sector. For 2018, preliminary data for this sector reflected growth of 4.4%, associated mainly with credit growth to the private sector, and the performance in the ancillary activities of financial intermediation, particularly credit card operations.

Public Administration and Defense

The economic growth of public administration and defense was 2.8%, 2.7%, 2.0%, 2.2% and 2.5% for years 2014, 2015, 2016, 2017 and 2018, respectively, principally as a result of the increases of payments of salaries to public employees each year.

Rental Housing

From 2014 to 2018, rental housing activity experienced an average increase of 3.1%, reflecting a steady growth in the supply of housing and the number of housing units completed for leasing.

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
2018	73.7	10.8	6.5	7,278	0.65
Difference 2018-1980	16.5	4.8	4.1	1,114	0.205
% change	28.8%	80.0%	170.8%	18.1%	46.1%

Source: Human Development Report, 2018 Statistical update.

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 2018, life expectancy at birth increased by 16.5 years from 57.2 to 73.7 years (28.8%). Expected schooling years for children increased by 4.8 years (80.0%) and schooling years for people age 25 increased by 4.1 years (170.8%). GNI per capita increased from US$6,164 to US$7,278 (18.1%).

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)

	For the 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 the Center for Distributive, Labor and Social Studies (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 National Committee for Literacy (*Comité Nacional de Alfabetización*) the illiteracy rate (% of population aged 15 and older) decreased from 29.3% in 2002 to 12.3% in 2016. According to the Ministry of Education (*Ministerio de Educación*), 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 (%)

School level	2014 School enrollment, (% net)	2014 Students promoted (%)	2015 School enrollment, (% net)	2015 Students promoted (%)
Elementary School	82.3	87.5	80.4	87.4
Middle School	44.9	71.6	45.9	71.5
High School	24.4	83.1	24.0	82.1

School level	2016 School enrollment, (% net)	2016 Students promoted (%)	2017 School enrollment, (% net)	2017 Students promoted (%)	2018(1) School enrollment, (% net)	2018(1) Students promoted (%)
Elementary School	78.2	87.9	77.8	88.3	77.8	88.6
Middle School	44.6	72.6	43.5	73.6	43.2	75.8
High School	24.4	83.2	24.8	83.6	24.9	84.3

(1) Preliminary data.
Source: Ministry of Education

By 2018, primary school enrollment was 77.8%. The proportion of elementary students promoted increased from 87.5% in 2014 to 88.6% in 2018. The school enrollment indicator for middle school education worsened for the same period, with net school enrollment decreasing from 44.9% in 2014 to 43.2% in middle school by 2018, but increased in high school from 24.4% in 2014 to 24.9% by 2018. The proportion of students promoted increased from 71.6% in 2014 to 75.8% in middle school by 2018, and from 83.1% in 2014 to 84.3% in high school by 2018.

Most primary education is provided in public schools. However, secondary education has significant private sector participation. There are 19,376 elementary schools, 8,351 middle school and 4,661 high schools. In 2018, approximately 15.1% of elementary schools, 47.3% of middle school and 81.0% of high schools were private. Public school participation decreases in higher levels of education because the Constitution states that public education must be 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 Republic (Art. 84). Access to higher education has also improved in recent years.

Although there have been significant improvements in health and education, important challenges still remain. As of December 3, 2016, there were a total of 12,948 reported cases of chronic malnutrition in children under five years old, 1,144 fewer than in 2015, when the National System for Secure Food and Nutrition (*Sistema de Información Nacional de Seguridad Alimentaria y Nutricional*) accounted for 14,362 cases, which is equivalent to a reduction of 9.8% in acute malnutrition at the national level.

In order to reduce chronic malnutrition, comprehensive interventions were implemented through the Ministry of Public Health and Social Welfare (*Ministerio de Salud Pública y Asistencia Social*, or the "MSPAS"), benefiting approximately 1,394,833 girls and boys under five years of age with vaccination services, growth monitoring, micronutrient supplementation and deworming services, among others. As of the end of October 2018, 103,851 additional children under one year of age had been vaccinated, as compared to the same date in 2017. Similarly, as of the end of October 2018, 83,913 children between one and five years of age had been vaccinated, as compared to the same date in 2017.

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 (*Ministerio de Desarollo Social*, or the "MIDES") has continued 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 have been:

- 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; and
- 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 most vulnerable municipalities of the country (166 out of 340).

In 2016, the Zero Hunger Pact was renamed the Annual Operational Plan for Food and Nutritional Security (POASAN). In 2018, Q4,230.20 million (US$546.75 million) was invested in POASAN.

The MSPAS, as part of the "Window of a Thousand Days" (*Ventana de los Mil Días*), took the following different actions in 2016:

- Technical assistance through home visits in 130 municipalities, in which 27,539 families attended and were trained to improve their quality of life.
- Implementation of a friendly space strategy for adolescents in 274 health districts, aiming to provide adolescents with comprehensive attention in health education.
- Implementation of the National Committee of Healthy Schools (*Comisión Nacional de Escuelas Saludables*), which have distributed 3.1 million doses of deworming products.
- Training for 25 local food and nutritional public safety commissions, which prioritize the monitoring of growth and vigilance in child development, the administration of vaccines, micronutrients and deworming products and providing comprehensive and integrated attention towards the promotion of health, detection and timely care of diseases.
- Monitoring acute respiratory infections, as well as water-borne, food and skin diseases.
- Promotion and support of breast-feeding.
- Improvement in complementary nutrition beginning at six months of age.
- Improvement in hygiene practices, including hand-washing.
- Provision of vitamin A supplements, and therapeutic zinc supplements for the management of diarrhea.
- Provision of micronutrients in powder form to supplement basic foodstuffs.
- Provision of anti-parasite and vaccinations for children.
- Provision of iron and folic acid supplements to prevent birth defects.
- Prevention of iodine deficiencies, through the provision of iodized salt.

As part of the implementation of the "Window of a Thousand Days" actions, the MSPAS has included care for pregnant women in the offer of health services, paying special attention to timely prenatal care, institutional delivery care by qualified personnel and micronutrient supplementation, which benefited 1,332,007 women of childbearing age in 2018, including 256,889 pregnant women.

The Ministry of Agriculture, Livestock and Nutrition (*Ministerio de Agricultura*, *Ganadería y Alimentación*, or the "MAGA") 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. The MAGA also provides food assistance to the poorest municipalities in order to prevent famines. The INAB has programs to incentivize families and communities to protect forest areas and promote forest recovery programs, in the 118 poorest municipalities, most of them also targeted by the Zero Hunger Pact. The MAGA promotes community production of food within poor families with diet deficiencies. This Ministry also established other programs, including the development of community-based interventions providing residents with supplies, materials and methods to establish collective farms and backyard agriculture. With an investment of

Q16.98 million, these programs helped a total of 48,971 individuals and 45,520 families and school gardens receive training and seeds for eight varieties of vegetable and fruit plants.

For 2018, the MIDES has also provided access to nutritious foods through the Social Basket (*Bolsa Social*) program to approximately 25,775 families.

Monetary Conditional Transfers

In 2018, the MIDES provided Health and Education Conditional Cash Transfers (*Transferencias Condicionadas en Salud y Educación*) to poor families via a Social Bonus (*Bono Social*), under which approximately 153,515 families were served. During 2018, the MIDES also provided 6,068 scholarships for middle school education, 632 scholarships for higher education and 7,680 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 eight Ministries; six secretariats and four 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 46.7% in 2014 to 50.3% in 2018.

According to the final report of the World Health Organization's Millennium Development Goals, undernourishment decreased from 13.1% in 2008 to 12.6% in 2014-2015. Chronic undernourishment of children under five also decreased significantly since 2008, from 49.8% to 46.5% in 2014-2015.

Business Environment

The World Bank's Doing Business report measures how easy it is for a local entrepreneur to open a small or a medium-size business when complying with relevant regulations. It includes quantitative indicators on business regulations and the protection of property rights that can be compared among 190 countries over time. In the last report published on October 31, 2018, Guatemala ranked fourth in Doing Business (98th position in the overall ranking) in Central America (Costa Rica 67th, Panama 79th, El Salvador 85th Honduras 121st, Belize 125th, and Nicaragua 132nd). In the report published on October 31, 2017, Guatemala had ranked 97th position in the overall ranking.

The Global Competitiveness Report published by the World Economic Forum in 2018 ranked Guatemala 96th among 140 countries (five positions lower than the ranking in 2017-2018). This report analyzes 12 aspects of the economy. According to the 2018 Report, Guatemala improved in its infrastructure, information and communications technologies adoption, financial system and market size.

Employment, Informality and Wages

Labor force participation has increased due to population growth. The following table presents statistics of the labor market. According to the INE, in 2018 employment increased to 6.8 million from 6.1 million people and the unemployment rate has increased from 2.9% in 2014 to 3.0% in 2018.

Labor Market Statistics

	As of December 31,				
	2014(2)	2015(1)	2016(1)	2017(1)	2018(1)
Employed (POA)	6,131,995	6,121,591	6,401,569	6,533,522	6,827,687
Labor force (PEA)	6,316,005	6,273,526	6,605,276	6,748,887	7,021,690
Social Security affiliates	1,237,262	1,267,429	1,468,798	1,343,044	1,431,035
Unemployment rate (%)	2.9	2.4	3.1	3.2	3.0
Labor force participation (%)	60.2	60.4	61.5	61.0	60.2
Social security coverage of PEA (%)	19.6	20.2	22.2	19.9	20.4

(1) Based on the National Survey of Employment and Income (*Encuesta Nacional de Empleo e Ingresos*, or "ENEI") from 2015 to 2018.
(2) Based on ENEI 2-2014
Source: INE/ENEI.

Social security coverage is approximately 22.2%. According to the Ministry of Work and Social Welfare, in 2018 the minimum monthly salary is Q2,508.16 (US$324.18) for the *maquila* industry (which has a lower minimum wage than other activities) and the monthly minimum bonus is Q250.00 (US$32.31). The minimum wage varies by sector. In 2017, the minimum daily wage was Q79.48 (US$10.82), which increased by 3.75% in 2018; and for other private activities (agriculture and non-agriculture) the minimum daily wage in 2017 was Q86.90 (US$11.83), which increased by 3.75% in 2018.

The Ministry of Labor and Social Welfare (*Ministerio de Trabajo y Previsión Social*) 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,				
	2014	2015	2016	2017	2018
Total employment	1,237,262	1,267,429	1,300,001	1,313,017	1,325,537
Agriculture, livestock, fishing and forestry (%)	11.9	11.7	11.6	11.4	10.2
Mining and quarries (%)	0.5	0.4	0.4	0.3	0.2
Manufacturing (%)	12.3	12.3	12.5	12.2	12.1
Construction (%)	1.2	1.1	1.0	0.9	0.8
Electricity and water (%)	0.9	0.9	0.8	0.8	0.8
Wholesale and retail trade (%)	19.5	19.8	20.1	20.5	21.5
Transportation, storage and telecommunications (%)	3.4	3.3	3.6	3.3	3.5
Services (%)	50.3	50.4	50.0	50.6	50.8
Total	100.0	100.0	100.0	100.0	100.0

Source: IGSS

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: the Aurora Airport, and the Mayan World International Airport (*Aeropuerto Internacional del Mundo Maya*). The Aurora Airport 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 2016, Guatemala has 10,949.1 miles (17,620.9 kilometers) of roads, 40.6% are asphalted, 1.9% paved, 29.3% terraced and the rest of them are rural roads. During 2018, 36 road sections for construction, improvement and replacement were completed and inaugurated, adding up to 444.80 kilometers of new asphalt (of the 1,800 kilometers of projects currently underway), plus 15 rehabilitation projects, adding up to 69 kilometers. In terms of maintenance of the paved road network, more than 4,500 kilometers were subject to patching and cleaning and monitoring, maintenance and repair was carried out on 65 bridges throughout the country.

Electricity Sector. In 2018, total electricity consumption was 13,348.12 GWh, of which 12,522.39 GWh was produced locally (data estimated), and the rest was imported from the Regional Electricity Market. Since 2000 Guatemala has been a net exporter of electricity to the region, except from 2010 to 2012, when it was a net importer. 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*). According to the most recent data available, electricity coverage estimates grew from 84.9% of the population in 2012 to 92.1% in 2016 according to data published by the Ministry of Energy and Mines, the highest rate of electrification in the country's history.

New Projects. Currently, there are several large scale infrastructure projects, which are being proposed to be executed through the framework of the Public Private Partnerships program ("PPP"), pursuant to Decree Number 16-2010 of the Congress of the Republic of Guatemala and the Law of Partnerships for the Development of Economic Infrastructure. Among these projects, the project that is in the most advanced stage is the construction of the Escuintla - Puerto Quetzal Highway, which is currently in the bidding process through the Ministry of Communications Infrastructure and Housing – CIV. The amount of this project is estimated to be approximately US$80.0 million. In addition, pursuant to the PPP, there are a number of other projects in earlier phases of development, such as: (i) the State Administrative Center ("CAE"), which is a comprehensive project that seeks to provide services with high quality standards to users and make the work of the public administration more efficient and is in the preselection of bidders phase; (ii) the Construction of the Metroriel, which consists of building a passenger rail transport system connecting the northern (*Centra Norte*) and southern (*Centra Sur*) areas of the metropolitan areas with the city center; (iii) the Modernization of La Aurora International Airport, the Construction Via Express Nororiente and the Puerto Seco Intermodal Tecún Umán II which are all in the previous studies phase. In addition, there is a proposed project for an Underground Mass Public Transport System in Guatemala City, for which re-feasibility studies are being tendered. The amount of the projects range from US$ 40.0 million for the Dry port intermodal Tecún Umán II project to US$770.0 million for the rail transport project.

In addition to the foregoing projects under the PPP, there are currently several Government owned projects underway such as the Carretera CA-9 Norte, from Sanarate to El Rancho, with an expenditure to date of approximately Q544.6 million or US$70.4 million, financed with a loan from Taiwan. In addition, there are several other projects with respect to other sections of the Carretera CA-9 and the Republic is currently in negotiations with Taiwan with respect to financing for these sections).

Another significant highway construction project is the construction of the Road Libramiento Cabecera Departamental de Chimaltenango, a new road section with a length of 15,323 km that from center of Chimaltenango to the center of El Tejar and ease urban congestion in these communities. It is expected that this project will be completed in 2019, and it has incurred costs of approximately Q620.4 million (US$80.2 million as of this date).

It is estimated that Government expenditures with respect to non-PPP projects totals approximately Q16,888.4 million or US$2,182.8 million to date for 2019, of which Q1,261.7 million comes from external sources (loans) and Q3,3360.9 million or US$434.4 million from domestically issued treasury bonds and the rest from different internal sources, such as tax revenues.

TRANSPARENCY AND CORRUPTION

The CICIG

The agreement for the establishment of the CICIG was signed in 2006 after a long negotiation process among the State of Guatemala, a coalition of six human rights defense groups in representation of 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 in 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 illegal and clandestine security forces groups that have their origin in counterinsurgency groups that were formed during the Republic's internal armed conflict that took place in the second half of the 20th century.

During its existence, CICIG has had three Commissioners. Iván Velásquez Gómez, who assumed his role in October 2013, is the current Commissioner. The CICIG works together with the following institutions in the fight against impunity:

- *Public Prosecutor's Office.* As the main institution for criminal investigations in the country, the CICIG collaborates and supports the Public Prosecutor's Office in some of the investigations and criminal processes conducted in Guatemala. This collaboration and support is mainly conducted through the Special Office of the Public Prosecutor Against Impunity (*Fiscalia Especial Contral la Impunidad*, or the "FECI").
- *The Ministry of Interior.* As the head of all security entities, it coordinates, executes, enforces and supports investigative efforts, injunctions and/or court orders resulting from corruption cases. Since the establishment of the CICIG in Guatemala until September 2018, the CICIG collaborated with the Ministry of Interior in the fight against organized crime structures in Guatemala.
- *Supreme Court of Justice.* As a result of the collaboration, the First Court of Higher Risk "C" was created, which allows high-impact criminal proceedings to progress with greater efficiency and speed, distributing the workload among High Risk Courts "A,", "B" and "C".
- *Civil Society.* An open institutional policy towards the civil society has permitted analyzing the circumstantial situations of the domestic scene, in order to recognize the problems from different points of view and establish cooperative relations in the diverse fields of work of the Commission.
- *Academic Sector and Think Tanks.* This has helped in issues related to the system of justice, electoral financing policy, the country's customs system and the legal reforms necessary to consolidate a Constitutional State. The vision of this sector represents an important source of contribution to the design and execution of the institutional policy of this Commission.
- *Business Sector.* The relationship between the Coordinating Committee of the Agricultural, Commercial, Industrial and Financial Associations and the CICIG has also been characterized by multiple bilateral encounters with leaders of different business associations, in order to analyze the national situation and the problems caused by smuggling contraband goods, identifying the criminal structures responsible for these acts, and their possible link with agents of the State.
- *Relationship with donors and international agencies.* The Commission has convened 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 have strengthened the work of the CICIG, as well as allied activities or third parties interested in supporting the institutionalization of the country. The financial contributions of donor countries have been vital, as has the appointment of experts to contribute to the compliance of specific functions within the Commission. The CICIG is funded exclusively through voluntary contributions from the international community to a fund administered by the United Nations Development Program (UNDP). Since its establishment, 17 donors have contributed to financing the functions of the CICIG, including Switzerland; Norway; Finland; Spain; Denmark; The Netherlands; the United States (2007-2017); Germany; Italy; European Commission; Canada; Sweden; Ireland; United Kingdom; Mexico; United Nations Development Program and FOSI (*Fondo de Solidaridad e Inversión Social*). The international community also contributes to the CICIG through the temporary

deployment of staff specialized in security and criminal investigation. To date, the governments of Argentina, Chile, Colombia, Costa Rica, France, Italy, Spain, Sweden, Switzerland, Peru and Uruguay have made such contributions of staff.

Since 2015, the CICIG has been involved in the investigations of certain high profile public corruption cases, such as those of former President Otto Pérez Molina and former Vice President Roxana Baldetti and the "*La Línea*" case. On August 30, 2018, the Government announced its decision not to renew the term of the CICIG when it expires on September 3, 2019. In January 2019, the Government issued a decree that purported to unilaterally terminate the agreement that established the CICIG with immediate effect. The Constitutional Court provisionally suspended this decree in response to a constitutional challenge. As of the date of this Offering Circular, the CICIG agreement is set not to renew beyond September 3, 2019.

Notwithstanding the foregoing, CICIG's agreement contemplates as one of its functions the strengthening of the Public Prosecutor's Office, and the transferring of capacities from CICIG to the Public Prosecutor's Office. According to the Government, the Public Prosecutor's Office has strengthened with the support of CICIG and it is time to transfer the capacities of the CICIG to local institutions, especially the Public Prosecutor's Office, which has closely worked with CICIG in high profile cases in recent years. The transfer of capacities from CICIG to the Public Prosecutor's Office is expected to take place by September 3, 2019. The Government expects that efforts against corruption will continue under the new administration after the upcoming general elections, with enhanced capacities, including a recently announced new division at the Public Prosecutor's Office tasked with fighting impunity. International reaction to the decision not to renew the term of the CICIG has been mixed, with some positive reactions and also certain criticism.

Citizens Movement

On April 16, 2015, the CICIG and the Public Prosecutor's Office filed before the Supreme Court of Justice the case of customs fraud known as "*La Linea*" (the line), a criminal enterprise that involved high ranking government officials. According to the investigation, the members of this criminal organization allegedly controlled the SAT, generating millions of dollars in benefits for the people involved in the scheme. The first phase of the investigation resulted in a series of arrests that included former president Otto Pérez Molina, officials of the SAT, and then Vice President Roxana Baldetti. For more than four months in 2015, there were public demonstrations against corruption throughout Guatemala City and in several provincial capitals.

Recent Developments in Corruption Cases

Investigation of President Morales and his Family

In August 2017, the Public Prosecutor's Office and CICIG made public an ongoing investigation into illegal campaign financing of President Morales' political party. A request was then presented to Guatemala's Congress for a pre-trial procedure to be initiated. Under Guatemalan Law, the President and other high-rank officials have a right to this procedure prior to stripping away their immunity right, filing a formal accusation and commencing a formal investigation led by the Public Prosecutor's Office with Judicial support. President Morales maintains immunity against criminal investigation while in office. Such immunity may be removed by a legal procedure prior to start any formal criminal accusation and a formal investigation that would allow the Public Prosecutor's Office to request Judicial Assistance in order to gather additional evidence.

Congress voted against removing immunity and allowing a formal accusation and corresponding investigation to continue against the President. As of the date of this offering circular, president Morales is not under criminal investigation.

Upon leaving office, President Morales, as former President will no longer have immunity from criminal investigation or prosecution, including for any acts committed while in office. Nevertheless, he has the right to automatically join the Central American Parliament which, as an acting member, may grant him a similar immunity.

President Morales' brother, Samuel Morales Cabrera, and son, José Manuel Morales, are currently on trial on corruption charges stemming from alleged conduct that took place before President Morales took office. The case started as result of investigations that determined the existence of payroll fraud authorized by the former General Registrar of Property, Anabella de Leon. The investigation led to fraud allegations against Samuel Morales and José Manuel Morales, specifically for invoicing the amount of Q150,000.00 to the Public Registry of Property for catering services that were allegedly never provided.

“La Línea” Case

The evidence collected during the investigation by the CICIG and the Public Prosecutor’s Office confirmed a link between the heads of organized crime 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 former 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, the Public Prosecutor’s Office, together with the CICIG, filed a request for impeachment against 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 of Higher Risk “B,” overseeing high-impact proceedings, 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 how 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.

On October 27, 2017, the Court of Higher Risk “B”, presided by Judge Miguel Angel Galvez, remanded 28 individuals over for trial, including former President Otto Pérez and former Vice President Roxana Baldetti, who were accused of leading the criminal group known as “*La Línea*”, in which businessmen and former officials of the SAT were involved. In May 2018, the Public Prosecutor’s Office, through the FECI, obtained from the Court of Higher Risk “B” a resolution to remand former SAT customs officers Byron Linares and Nazario Arana for trial on charges of illegal association, receiving bribes and tax fraud in the “*La Línea*” case.

The investigation in connection with this case is still ongoing and additional charges may be filed against other individuals. As of the date of this offering circular, the trials of the foregoing individuals are pending.

Co-option of the Government Case

In the context of the “*La Línea*” case, the CICIG and the Public Prosecutor’s Office determined that they were not facing individual acts of corruption, but a criminal network that had co-opted the government and was lead mainly by former President Otto Pérez and former Vice President Roxana Baldetti, using financial schemes that appeared to be legal and were used to commit fraud.

In July 2016, 53 persons were being investigated for fraud as members of this criminal network, including President Otto Pérez, former Vice President Roxana Baldetti, Juan Carlos Monzón Rojas, the private secretary of Roxana Baldetti, former Minister of the Interior Héctor Mauricio López Bonilla, former Minister of National Defense Manuel Augusto López Ambrosio and Boris Alberto Linares Juárez, an executive of local construction company Sigma, along with other government officials and businessmen. The proceeding is still ongoing before the Court of Higher Risk “B,” overseeing high-impact proceedings. As of the date of this offering circular, the trials of the foregoing individuals are pending.

TCQ Case

The CICIG and the Public Prosecutor’s Office commenced an investigation in 2015 against, among others, President Otto Pérez Molina, then Vice President Roxana Baldetti and her private secretary Juan Carlos Monzón Rojas, for the crimes of illicit association, influence peddling, money laundering and fraud in connection with the award of a contract to Terminal de Contenedores Quetzal, S.A. (TCQ), in exchange of bribes, for the construction and operation of a new terminal in Puerto Quetzal for an estimated total investment of at least US$255.0 million. This proceeding is still ongoing.

When the Municipality of Puerto San Jose required Terminal de Contenedores Quetzal, S.A. (TCQ) to pay duties of Q24.0 million for the construction licenses of the new terminal, Terminal de Contenedores Quetzal, S.A. (TCQ) challenged such payment in court. Douglas Charchal, the magistrate of the Supreme Court hearing the case, allegedly met with Juan Carlos Monzón Rojas and agreed to resolve the case in favor of Terminal de Contenedores Quetzal, S.A. (TCQ). In April 2015, the CICIG and the Public Prosecutor’s Office filed a petition against Judge Douglas Charchal, for the crimes of illicit association and influence peddling.

On September 2, 2016, the Court of Higher Risk "B" remanded for trial and preventive prison Judge Douglas Charchal for the crimes of illegal association and influence peddling. On March 19, 2018, the Public Prosecutor's Office, through the FECI, obtained from the Court of Higher Risk "B" the remanding of six individuals for trial, each of whom were linked to the award of a contract to Terminal de Contenedores Quetzal, S.A. (TCQ). This case is still ongoing.

Money Laundering and Policies (The Clearing of Congress)

The CICIG, as part of its mandate, issued a report on "Campaign Finance in Guatemala" as a tool to detect illegal mechanisms used by some political parties to finance their campaigns. On July 15, 2015, the Public Prosecutor's Office filed before the Supreme Court a petition to strip immunity from two members of Congress, Jaime Antonio Martínez Lohaiza and Jesús Manuel Barquín Durán. The investigation began in the second half of 2014 alleging the existence of a scheme based in the Department of Jutiapa since 2009 to engage in money laundering activities with the collaboration of local and national state authorities. The Public Prosecutor's Office's investigations are ongoing. The statute of limitations for illegal acts committed by public officials is twice as long as the statute of limitations for private citizens. Within this same case, on September 16, 2016, Edgar Barquín Durán Baltazar, candidate for Vice President of the political party known as LIDER, was sentenced to three years for the crime of influence peddling.

On February 11, 2019, the Court of Higher Risk "A" issued judgments granting between two and 38 years of prison against 13 individuals, including, among others, Francisco Edgar Morales Guerra (also known as "Chico Dólar"), a businessman, and Jaime Martinez, a former congressman, who were found guilty of being part of a criminal structure for money laundering.

The Case of the Public Prosecutor's Office against José Isabel Maldonado Castillo

During the investigation of the above money laundering case, the Public Prosecutor's Office and the CICIG uncovered the possible participation of former prosecutor José Isabel Maldonado Castillo, who in 2011 while still in the prosecutor's office dismissed the complaint filed by the Administration for Special Verification (*Intendencia de Verificación Especial*, or the "IVE") against Francisco Edgar Morales Guerra (Chico Dólar), head of the money laundering conspiracy, for transfers of money without justification for an amount of Q937 million. On February 11, 2019, Maldonado Castillo was convicted and sentenced to three years and nine months in prison.

Redes Case

This case involves allegations of influence peddling by public officials, a judge and private individuals. The investigation began in 2014 when businessman César Augusto Medina Farfán illicitly brokered business transactions seeking advantages and impunity from public officials such as the Private Secretary of the President of the Republic, Gustavo Martínez, and Carlos Muñoz, former superintendent of the SAT, in connection amending a policy so that the company Z-GAS Centroamericana, S.A. could install a gas deposit in Guatemala, thereby giving economic benefits to Gustavo Martínez through the company Jaguar Energy. Mr. Gustavo Martínez, also the son-in-law of President Otto Pérez, was sentenced to house arrest on January 9, 2016.

Nine people were involved in this case, including former Judge José Luis Patán Piché, who was charged with helping dismiss the proceeding against Muñoz in exchange for two job posts for his relatives, and Muñoz, who was charged with authorizing the exchange of currency for the payment of a policy certificate in favor of Z-GAS Centroamericana, S.A.

On May 25, 2016, the Fifth Court of First Instance for Narcotic Activity and Crimes against the Environment of Guatemala (*Juzgado Quinto de Primera Instancia Penal, Narcoactividad y Delitos contra el Ambiente de Guatemala*), linked Muñoz to crimes of illicit association, influence peddling, and passive and active bribery. Former Judge Patán Piché, was charged with the crime of passive bribery. On August 24, 2016, the Public Prosecutor's Office filed a complaint and requested a public trial to be opened, which is currently pending the outcome of an intermediate hearing. As of the date of this offering circular, no new hearings have been scheduled and Mr. Piché's trial is pending.

Health Providers Case

In October 2015, following the arrest of 11 individuals, the FECI and the CICIG broke up a criminal organization composed of officers and employees of the IGSS, as well as private individuals whose aim was to favor certain medicine suppliers in exchange for kick-backs.

On September 26, 2018, the Eleventh Court of Criminal Judgments convicted members of the board of the IGSS of corruption crimes within the social security system and sentenced them to between three and six years in prison. The Court did not convict some of the accused on the count of illegal association, and granted substitute measures until the judgment is unappealable.

The Clearing of the Congress of the Republic (Ghost Positions)

On November 4, 2015, the Eleventh Court of First Criminal Instance determined to send the former congressman and former president of Congress, Pedro Muadi Menéndez, to preventive/provisional prison for his alleged participation in the fraud of job positions in Congress ("ghost positions" network) that was operating within that body. The judge indicted the former congressman for the crimes of illicit association, misappropriation of skimmed funds and laundering money and other assets.

The investigation determined that during the period from 2013-2015, one of the collaborators, now in preventive/provisional prison, Claudia María Bolaños Morales (who previously worked as sole administrator of the company Productos, Servicios y Equipos, S.A., owned by congressman Muadi Menéndez), had her signature registered in 28 accounts under the name of Legislative Workers (*Trabajadores del Legislativo*), who earned salaries from Q7,000 up to Q20,000, with positions of Executive Secretaries, Administrative Assistants, Operative Technicians and Parliamentary Guards; however, this staff never actually worked for the legislative branch.

Salaries were deposited by payroll payments into those accounts, and then withdrawn by Bolaños Morales by checks that were later deposited to accounts of Muadi Menéndez; the account which most benefitted was that of his company, in which Q2,927,139.45 were deposited.

Other siphoned funds were deposited into other accounts of Congressman Muadi Menéndez and of several of his trusted workers, including Ximena Toriello Martínez del Rosal, private secretary of the presidency of the Congress 2013, who was also indicted. Through accounting documentation it was established that during the period from January 2013 to June 2015, approximately Q4,739,739.52 were missing from the budget of Congress and awarded to these ghost positions.

In August 2016, the Criminal Court was requested to institute a travel ban for five congressmen, two former legislators (who resigned due to the requirement of a preliminary trial) and one mayor, in order to prohibit them from leaving the national territory without judicial authorization.

Precautionary measures apply to former president of Congress, Arístides Baldomero Crespo Villegas, former congressmen Christian Jacques Boussinot Nuila, Manuel Marcelino García Chutá, César Fajardo Morales (who resigned from his bench later on) and Carlos Enrique López Girón, and their former colleagues Selvin Boanerges García Velásquez and Julio César López Villatoro, and to the chief of the Municipal Corporation of Chiantla, Huehuetenango, Carlos Armando Alvarado Figueroa.

As successor in the presidency to Crespo Villegas, Luis Armando Rabbé Tejada, who fled the country on August 16, 2016 heading first to Mexico and then to Nicaragua, is charged by the investigative bodies with having committed abuse of authority, misappropriation of funds and illegal appointments. The remaining legislators and former congressmen are charged for the first two crimes under the terms of Management Directives for 2014-2015 and 2015-2016.

The Public Prosecutor's Office released a statement informing the requested temporary imprisonment is a precautionary provision while investigations in which the above-mentioned individuals are allegedly involved are ongoing. The Public Prosecutor's Office is waiting for the judicial authority to issue the appropriate orders before the General Migration Directorship for its compliance.

The Public Prosecutor's Office has requested the indictment of Congressmen Cesar Emilio Fajardo Morales and Manuel Marcelino García Chuta, and against former Congressmen Selvin Boanerges García Valásquez and Amílcar Alexander Castillo Roca, with having committed abuse of authority and misappropriation of funds.

On August 31, 2017, the Eleventh Judge of Criminal First Instance, Jose Eduardo Cojulum, remanded former congressman and President of the Congress Pedro Muadi to trial, along with 30 other individuals, all of whom are accused of forming part of a criminal structure to create fake government jobs.

Case of Influence Peddling by Former Congressman Gudy Rivera Estrada

Former congressman and President of Congress Gudy Rivera Estrada was arrested in March 2016 on charges of influence peddling and active bribery and on October 28, 2016, was sentenced to 13 years and four months of prison for such crimes.

On October 28, 2016, the Fifth Court of Criminal Judgment convicted former congressman Gudy Rivera, and the attorney Vernon Gonzalez of trying to bribe the former judge Claudia Escobar, so that she would rule in favor of former Vice President Roxana Baldetti. Mr. Rivera was sentenced to 13 years and 4 months in prison, and Mr. Gonzalez was sentenced to five years in prison.

Case of Judge Jisela Reinoso

During the month of September 2015, at the Eleventh Court of First Criminal Instance, Judge Jisela Yadel Reinoso Trujillo was indicted and ordered to preventive/provisional prison for the crimes of money laundering, illicit enrichment, non-compliance of the duty of presenting a patrimonial affidavit, and interference in a criminal action.

The judge has been charged with the above-mentioned crimes for the alleged unjustifiable increase in her wealth, since she has assets that exceed her acquisitive power and are inconsistent with the income she earns as a public servant and as a teacher. Furthermore, the partial payment on a house between May 2013 and July 2014 exceeds her payment potential according to the level of income she earns, as is demonstrated in the records that reflect her banking transactions. The statements of account of Judge Reinoso Trujillo preliminarily reflect an unjustifiable increase in her wealth, with unknown origin and records. This includes money deposited in her bank accounts, both in cash and in checks deposited by third parties. Furthermore, some assets of the judge were partially paid with money that never entered into her bank accounts. In the records of the Comptroller General's Office there is only one estate affidavit dated 2004, in spite of having acquired real properties and significantly increasing her wealth during the past years.

On October 4, 2016, Judge Reinoso Trujillo was sentenced to 11 years of prison, six years for the crime of illicit enrichment and five years for laundering money and other assets. She was sentenced to six years of incommutable prison time for the crime of money laundering and a fine of Q389,434.97, while for the crime of illicit enrichment, she was sentenced to five years of commutable prison time and a fine of Q50 thousand. The total fine is Q439,434.97, plus procedural costs.

Odebrecht Corruption Case

The United States Department of Justice is investigating Brazilian construction company Odebrecht for unrecorded payments made between 2001 and 2016, many of which took the form of bribes, to government officials in order to obtain and retain business in 12 countries, including Angola, Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama, Peru and Venezuela.

Between 2013 and 2015, Odebrecht made approximately US$18 million in corrupt payments to government officials in Guatemala to secure public works contracts, and Odebrecht realized benefits of more than US$34 million as a result of these corrupt payments. According to press reports, the FECI and the CICIG are currently investigating Odebrecht's corrupt activities in Guatemala.

On October 25, 2018, the Public Prosecutor's Office obtained the first conviction in the Odebrecht case, against Juan Jegerlehner, a Guatemalan businessman and the brother in law of former Communications Minister Alejandro Sinibaldi. Mr. Sinibaldi is currently a fugitive. The verdict resulted from an abbreviated criminal proceeding before a Court of Higher Risk, where Mr. Jegerlehner accepted his criminal responsibility based on the facts presented by the prosecution. He was convicted of money laundering and sentenced to three years in prison and a fine of US$100,000.00.

Conspiracy Charges in the United States

On February 24, 2017, the United States Embassy in Guatemala issued a statement detailing that Guatemala's former Vice President Roxana Baldetti and former Minister of the Interior, Mauricio López Bonilla, were charged separately on February 22, 2017 before the United States District Court for the District of Columbia for conspiring to distribute five or more kilograms of cocaine with the intent and knowledge that it would be illegally imported into the United States.

On June 7, 2017, the Public Prosecutor's Office received a formal request for the extradition of former Vice President Roxana Baldetti submitted by the U.S. District Court for the District of Columbia, where she is accused of crimes of criminal association and conspiracy to traffic drugs. On June 15, 2017, the Public Prosecutor's Office filed, before the Secretary of the Supreme Court, a request for the extradition of former Vice President Roxana Baldetti. On June 26, 2017, the Public Prosecutor's Office filed, before the Secretary of the Supreme Court, a request for the extradition of former Minister of Interior Mauricio López Bonilla. On August 30, 2017, Mr. López Bonilla's extradition was authorized, although it is suspended until he is convicted in Guatemala.

Looting of the Public Registry of Property Case

On September 1, 2016, the Public Prosecutor's Office and the CICIG filed an investigation before a court on corruption charges against the General Registrar of Property, Anabella de Leon and 17 other individuals (including, among others, former officers of the Public Registry). As the investigation developed, the list increased to 25 individuals involved, including José Manuel Morales Marroquín, son of current President of the Republic Jimmy Morales, and Mr. Samuel Everardo Morales, brother of the President.

The investigation determined that ghost positions were authorized by the General Registrar of Property, Anabella de Leon, resulting in payments made by Public Registry of Property that amounted Q3 million. The investigation also found payments for a total amount of Q150,000 made by the Public Registry of Property for catering services.

The Sixth Judge of First Criminal Instance, Silvia de Leon, remanded 25 individuals for trial on the charges referred to above on May 29, 2017. Judge de Leon also ruled that the case should be tried before a criminal judge, rather than an administrative court, and against the motion to separate CICIG and the General Comptroller's Office from the process.

On April 3, 2019, the Second Court of Criminal Judgment convicted Gilberto Solórzano Morales, Génesis Daniela Alvarado Xoná y Yoni José Valenzuela Mejía of the crime of misappropriation. Mr. Solórzano and Ms. Alvarado were sentenced to nine years and three months in prison, and Ms. Valenzuela was sentenced to 10 years in prison, in each case, plus a fine of Q15,000. This proceeding against other individuals that have not been yet convicted is still ongoing.

Influence Trafficking Case

Guatemala's Value Added Tax ("VAT") Law requires that exporters that are not able to recover their tax credits because they no longer have a local counterparty, to make a request to the Government for the return of such credits. A considerable backlog for returns of VAT credits exists. Several large companies have been accused of colluding with officials from the SAT with the assistance of intermediaries, including members of Congress, to expedite such payments including the payment of a percentage to the officials and intermediaries involved. Several high level officials from the SAT are subject to criminal proceedings for these cases.

Transurbano Case

Former president Álvaro Colom and part of his cabinet are subject to a criminal proceeding regarding criminal fraud against the Republic when, in 2009, they allegedly authorized a subsidy payment of approximately US$35 million in favor of the Urban Bus Owners Association (*Asociación de Empresarios de Autobuses Urbano*) for the implementation of a pre-payment system in the new urban buses system for Guatemala City. The case was brought by the FECI, who was supported by investigations by the CICIG. The criminal proceedings are ongoing and, as of the date of this offering circular, the accused are awaiting the judge's determination of whether they will face trial or be acquitted of the criminal charges. A second phase of this case has resulted in the detention of other members of the Urban Bus Owners Association, and other phases have been announced regarding illegal use of governmental subsidies for the operation of the bus system.

Illicit Financing of Political Parties Cases

The Political Parties and Electoral Law (Decree 1-85 of the Congress) (i) requires political parties to: (a) disclose the identity of the party's contributors; and (b) register all contributions in the books of the party; (ii) in the case of any contribution in an amount exceeding Q30,000.00, requires the submission by the contributor of an affidavit of source of funds; (iii) prohibits the contribution by one person or corporation cannot in excess of 10% of the maximum amount that the party is allowed to spend in the general elections; and (iv) requires all contributions in money to be deposited in the party's bank accounts. The breach by the UNE, FCN Nación and LIDER political parties of their obligations regarding the financing of their activities during the general election process of 2015 caused the initiation of criminal claims by the General Prosecutor's Office in April 2018, through the FECI, supported by investigations by the CICIG, against the General Secretaries of such political parties and some contributors to the political parties during the general election process of 2015. The criminal proceedings are ongoing and, as of the date of this offering circular, some of the accused are awaiting the judge's determination of whether they will face trial or have their charges dismissed.

Inappropriate Payments for Telecommunications Infrastructure Case

On May 6, 2019, the General Prosecutor's Office, through the FECI and the CICIG, published a press release related to the initiation of pre-trial processes against the current Minister of Economy for conduct that allegedly occurred when he was in the private sector at a telecommunications company and seven current members of Congress for inappropriate payments made from a telecommunications company to the Congressmen in exchange for passing legislation that would benefit the company, which was passed into law in August 2014. Before this can move forward, the Supreme Court must determine if there is sufficient evidence of a crime.

If the Supreme Court determines that the evidence is sufficient to start a criminal proceeding, the following situations may occur: (i) in the case of the Minister, the President has the authority to remove him at any time and appoint a new Minister; which would become necessary if the current Minister was not able to attend to his duties due to the criminal case and, (ii) in the case of the members of Congress, they may continue in their position as long as they do not have a warrant out for their arrest. If a member of Congress does have a warrant out for their arrest, such member would be removed from their seat and replaced with the candidate that received the second most votes for such seat in the past general elections, who would then complete the term.

Other Proceedings

Extrajudicial Executions Case

In November 2018, on hearing the first testimonies of ex-police officers Suhariam Velásco, Axel Martinez, Victor Ruiz and Francisco Guarcas, the Public Prosecutor's Office obtained an indictment of those persons for the crime of extrajudicial executions. The testimonies were the result of an investigation that revealed new information relating to the extrajudicial executions and torture committed by a criminal enterprise that operated out of the Ministry of the Interior during the period from 2004 to 2007. This case derives from events in 2005, when 19 prisoners escaped from the "El Infiernito" prison. The Ministry of the Interior conducted a search aiming to recapture the fugitives. When they were located, the criminal enterprise, formed by members of the Ministry of the Interior and the PNC, tortured and/or executed the detained fugitives. The Deputy Minister of the Interior Kamilo José Rivera Gálvez remains a fugitive in this case. Rivera is accused of committing extrajudicial executions when he was a member of the PNC Anti-kidnapping Command in 2005.

El Tambor Mine

On December 11, 2018 the Republic was sued by Daniel W. Kappes and his company, Kappes, Cassidy & Associates, before the International Centre for Settlement of Investment Disputes of the World Bank Group. The subject of the claim is the mining of gold and silver. As of the date of this offering circular, the process is still pending, as only two arbitrators have been appointed. The claim amounts to US$300 million.

San Rafael Mine

On September 3, 2018, the Constitutional Court suspended two projects in the San Rafael Mine, the world's second largest silver reserves, and ruled that (i) the General Directorate of Mining of the Ministry of Energy and Mines is instructed to issue a resolution in respect of the process of requesting the extension of the Juan Bosco exploration license is suspended, and in the event that the mine submits a new application, compliance with the presentation of the Environmental Impact Study is required, and, prior to issuing a new license, the Ministry of Energy and Mines must comply with the consultation of the Xinka People settled in the area of influence of the exploration project and (ii) after exhausting the deadlines for safeguarding the nation's cultural heritage, the Minister of Energy and Mines must carry out with the Xinka indigenous people the consultation process established in Convention 169 of the International Labor Organization on Indigenous and Tribal Peoples in Independent Countries.

Developments in Transparency by the Ministry of Public Finance

The Fiscal Transparency Agenda was institutionalized in the Ministry of Public Finance through the creation of the Vice Ministry of Fiscal Transparency and State Acquisitions and the Directorate of Fiscal Transparency. The Ministry of Public Finance, with the coordination and monitoring of the Directorate of Fiscal Transparency, and through its corresponding agencies, carries out a series of actions that contribute directly to the achievement of the presidential goals related to fiscal transparency, accountability, citizen participation and free access to public information. Among such actions are the preparation of the Fiscal Transparency Strategy of the Ministry of Public Finance, which was approved by Ministry Agreement 82-2019, which provides for the application of international good practices and mechanisms in matters of fiscal transparency. In addition, work is being done to comply with the guidelines and standards established by several international initiatives or mechanisms, including, among others:

- Formulation and execution of National Plans of Open Government Action, under the principles and methodology of the Open Government Partnership;
- IMF's Fiscal Transparency Code;
- Evaluation of the Open Budget Index of the International Budget Partnership;
- Tax transparency guidelines of the Global Initiative for Fiscal Transparency;
- the Infrastructure Transparency Initiative;
- Public Expenditure and Financial Accountability;
- Extractive Industries Transparency Initiative;
- Stolen Asset Recovery Initiative;
- Standard of the Global Forum on Transparency and the Exchange of Information for Tax Purposes of the Organization for Economic Co-operation and Development;
- Open Contracting Data Standard of the Open Contracting Partnership;
- Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption; and
- United Nations Convention against Corruption.

In addition, the Directorate of Fiscal Transparency carries out the coordination, elaboration and application of regulations, mechanisms and guidelines on fiscal transparency that promote the availability of budgetary and financial information and the easy access to it by the public and in open formats; and the coordination of the exchange of information with other entities for the promotion of fiscal transparency, the coordination of technical roundtables on issues of fiscal transparency with civil society and other functions within the scope of the responsibilities of the Ministry of Public Finance.

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;
- rent balance; and
- private transfers.

From 2014 to 2018, the current account fluctuated between a deficit of 2.1% and a surplus of 1.6% of GDP, representing an average surplus of 0.3% of GDP during the period. From 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 0.2% 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). In 2016, a surplus in the current account of 1.5% of GDP was recorded as a result of a reduction in imports and exports combined with growing remittances. In 2017, a surplus in the current account of 1.6% of GDP was reported, mainly due to remittances (14.4%). In 2018, a surplus in the current account of 0.8% of GDP was reported, which was due to growth in remittances (13.4%), partially offset by an increase in imports (7.3%).

The persistent shortfall in the net service balance from 2014 to 2018 was caused mainly by the performance of the transportation, storage and telecommunications sectors 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 2014 and 2018, the balances of the capital and financial accounts were driven mainly 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$)

	For the year ended December 31,				
	2014	2015	2016[1]	2017[1]	2018[1]
Current account:					
Trade balance:					
Exports (FOB):					
Traditional	2,785.5	2,598.6	2,477.2	2,836.3	2,683.1
Non-traditional	8,206.2	8,225.2	8,103.9	8,264.0	8,395.8
Total exports	10,991.7	10,823.8	10,581.1	11,100.3	11,078.9
Imports (FOB)	(17,055.8)	(16,380.6)	(15,767.0)	(17,110.3)	(18,365.6)
Trade balance	(6,064.1)	(5,556.8)	(5,185.9)	(6,010.0)	(7,286.7)
Services balance[2]	(57.7)	(143.7)	(122.5)	(230.5)	(488.3)
Rent (net)	(1,552.9)	(1,594.4)	(1,626.9)	(1,545.7)	(1,497.5)
Current transfers:					
Remittances	5,699.1	6,461.0	7,354.1	8,338.4	9,367.5
Foreign aid	529.9	514.4	334.1	345.5	330.0
Other	216.0	223.1	270.5	291.0	213.3
Total current transfers, net	6,445.0	7,198.5	7,958.7	8,974.9	9,910.8
Total current account	(1,229.7)	(96.4)	1,023.4	1,188.7	638.3
Capital and financial account:					
Capital account	—	—	—	—	—
Financial account:					
Bank of Guatemala	(38.2)	(20.1)	(21.3)	(2.3)	4.1
Public sector	5.7	464.1	532.4	157.8	55.1
Bonds, net	—	—	700.0	500.0	—
Loans	5.7	464.1	(167.6)	(342.2)	55.1
Disbursements	317.6	813.8	175.3	105.7	396.3
Amortization	(311.9)	(349.7)	(351.9)	(455.1)	(341.2)
Private sector, net:					
Foreign direct investment, net	1,282.3	1,104.1	1,067.6	1,000.9	820.6
Portfolio investment, net	794.4	(48.9)	(22.8)	342.3	(6.2)
Other investment, net	(247.3)	(457.1)	(487.6)	164.3	(809.2)
Total financial account	1,796.9	1,042.1	1,059.3	1,655.8	(64.4)
Total capital and financial account	1,796.9	1,042.1	1,059.3	1,655.8	(64.4)
Errors and omissions	(494.7)	(470.3)	(691.0)	(279.0)	(254.6)
Change in reserve assets	72.5	475.4	1,391.7	2,565.5	957.3
Current account balance (as % of GDP)	(2.1)%	(0.2)%	1.5%	1.6%	0.8%

(1) Preliminary data.
(2) Includes net financial income/expense, tourism and other income and expenses.
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$ and as % of total exports)

	For the year ended December 31,									
	2014		2015		2016		2017(2)		2018(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Traditional:										
Coffee	668.2	6.2	663.0	6.2	649.1	6.2	748.0	6.8	679.9	6.2
Sugar	951.7	8.8	850.8	8.0	816.7	7.8	825.0	7.5	632.9	5.8
Bananas	651.8	6.0	715.1	6.7	702.6	6.8	781.6	7.1	803.8	7.3
Oil	277.0	2.6	126.9	1.2	84.5	0.8	118.6	1.1	124.9	1.1
Cardamom	239.8	2.2	243.0	2.3	229.0	2.2	366.6	3.4	433.4	4.0
Total traditional	2,788.5	25.8	2,598.8	24.4	2,481.9	23.8	2,839.8	25.9	2,674.9	24.4
Non-traditional:										
Exports outside of Central America										
Chemical products	319.4	3.0	368.1	3.4	344.8	3.3	313.3	2.9	330.0	3.0
Vegetables	206.7	1.9	217.0	2.0	213.8	2.1	232.4	2.1	275.5	2.5
Fruits and preparations	533.4	4.9	519.1	4.9	599.2	5.7	620.4	5.6	632.2	5.8
Natural rubber	171.5	1.6	127.1	1.2	112.7	1.1	159.1	1.4	133.2	1.2
Flowers and plants	76.5	0.7	85.4	0.8	97.6	0.9	105.6	1.0	115.5	1.1
Sesame seeds	51.6	0.5	43.2	0.4	24.1	0.2	32.9	0.3	32.7	0.3
Processed foods	502.7	4.7	490.3	4.6	594.4	5.7	701.7	6.4	714.9	6.5
Shrimp, fish and lobster	76.0	0.7	50.6	0.5	55.5	0.5	74.6	0.7	78.2	0.7
Other(3)	3,004.8	27.8	3,064.5	28.7	2,816.9	27.0	2,736.1	24.9	2,630.5	24.0
Total non-traditional exports to countries other than those located in Central America	4,942.6	45.8	4,965.3	46.5	4,859.0	46.5	4,976.1	45.3	4,942.7	45.1
Exports to Central America(4)	3,072.4	28.4	3,110.7	29.1	3,108.4	29.7	3,166.5	28.8	3,351.9	30.5
Total non-traditional	8,015.0	74.2	8,076.0	75.6	7,967.4	76.2	8,142.6	74.1	8,294.6	75.6
Total exports	10,803.5	100.0	10,674.8	100.0	10,449.3	100.0	10,982.4	100.0	10,969.5	100.0

(1) Total exports in the Balance of Payments differ from the total exports in this table since these amounts do not include goods acquired in ports.
(2) Preliminary data.
(3) Includes honey, tobacco, clothing, textiles, wood and glass.
(4) Excludes amounts corresponding to traditional products.
Source: Bank of Guatemala.

Volume and Price of Leading Exports(1)

	For the year ended December 31,				
	2014	2015	2016	2017(2)	2018(2)
Coffee export volume (thousands of *quintals*)	4,045.4	3,951.8	4,007.0	4,484.5	4,536.6
Coffee export price (US$/*quintal*)	165.19	167.78	162.00	166.80	149.88
Sugar export volume (thousands of *quintals*)	46,662.0	47,133.0	45,803.6	41,962.0	36,600.8
Sugar export price (US$/*quintal*)	20.39	18.05	17.83	19.66	17.29
Banana export volume (thousands of *quintals*)	43,222.3	47,410.9	47,498.7	51,992.7	52,357.0
Banana export price (US$/*quintal*)	15.08	15.08	14.79	15.03	15.35
Oil export volume (thousands of barrels per year)	3,220.1	3,169.6	2,970.5	2,874.2	2,260.0
Oil price (US$/barrel)	86.01	40.03	28.44	41.25	55.28
Cardamom export volume (thousands of *quintals*)	856.6	737.0	786.3	785.2	808.3
Cardamom export price (US$/*quintal*)	279.96	329.78	291.24	466.88	536.21

(1) Price is the yearly average considering the various qualities of each 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,									
	2014		2015		2016		2017(3)		2018(3)	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	3,812.7	35.3	3,677.2	34.5	3,453.4	33.0	3,707.1	33.8	3,845.4	35.1
Mexico	433.7	4.0	429.8	4.0	458.5	4.4	510.4	4.6	507.6	4.6
Canada	235.1	2.2	232.2	2.2	359.7	3.5	228.6	2.1	164.1	1.5
Total North America	4,481.5	41.5	4,339.2	40.7	4,271.6	40.9	4,446.1	40.5	4,517.1	41.2
Central America:										
Costa Rica	418.3	3.9	417.6	3.9	425.7	4.1	423.3	3.9	429.4	3.9
El Salvador	1,264.0	11.7	1,239.8	11.6	1,204.4	11.5	1,216.5	11.1	1,335.1	12.2
Honduras	885.5	8.2	903.4	8.5	913.9	8.7	967.9	8.8	1,050.4	9.6
Nicaragua	513.7	4.7	554.8	5.2	569.1	5.5	562.2	5.1	540.5	4.9
Total Central America	3,081.5	28.5	3,115.6	29.2	3,113.1	29.8	3,169.9	28.9	3,355.4	30.6
South America:										
Argentina	3.1	—	7.5	0.1	4.7	0.1	3.1	—	3.9	—
Brazil	19.1	0.2	20.0	0.2	36.0	0.4	37.4	0.4	44.3	0.4
Colombia	52.9	0.5	62.2	0.6	54.0	0.5	62.2	0.6	35.9	0.3
Ecuador	28.1	0.3	38.0	0.3	22.4	0.2	43.7	0.4	53.4	0.5
Venezuela	71.1	0.6	73.8	0.7	35.3	0.3	14.1	0.1	42.5	0.4
Other South America	153.5	1.4	165.7	1.5	154.4	1.5	197.0	1.7	188.5	1.7
Total South America	327.8	3.0	367.2	3.4	306.8	3.0	357.5	3.3	368.5	3.3
Europe:										
France	22.9	0.2	21.3	0.2	20.5	0.2	28.3	0.3	33.2	0.3
Germany	118.2	1.1	85.1	0.8	147.8	1.4	142.0	1.3	110.8	1.0
Italy	75.3	0.7	109.6	1.0	119.9	1.1	154.3	1.4	147.7	1.3
Netherlands	270.1	2.5	285.3	2.7	307.6	3.0	354.8	3.2	356.6	3.3
Spain	98.7	1.0	59.2	0.5	73.7	0.7	86.4	0.8	151.2	1.4
United Kingdom	59.1	0.5	86.8	0.8	105.8	1.0	97.2	0.9	77.8	0.7
Other EU	175.7	1.7	189.2	1.8	166.1	1.6	138.7	1.2	127.3	1.2
Total EU	820.0	7.7	836.5	7.8	941.4	9.0	1,001.7	9.1	1,004.6	9.2
Other Europe	81.6	0.7	92.8	0.9	67.6	0.7	75.8	0.7	68.7	0.6
Total Europe	901.6	8.4	929.3	8.7	1,009.0	9.7	1,077.5	9.8	1,073.3	9.8
Asia:										
Japan	162.5	1.5	185.5	1.7	168.6	1.6	150.7	1.4	114.6	1.1
Saudi Arabia	74.9	0.7	72.5	0.7	73.2	0.7	110.6	1.0	124.9	1.1
South Korea	293.0	2.7	111.6	1.1	122.9	1.2	98.7	0.9	69.3	0.6
Taiwan	61.0	0.6	44.8	0.4	74.0	0.7	76.5	0.7	55.1	0.5
Other Asia	455.7	4.2	562.7	5.3	379.6	3.6	485.8	4.4	357.7	3.3
Total Asia	1,047.1	9.7	977.1	9.2	818.3	7.8	922.3	8.4	721.6	6.6
Africa:										
South Africa	6.7	0.1	3.4	—	5.5	—	24.3	0.2	5.1	—
Other Africa	230.7	2.1	223.6	2.1	229.0	2.2	232.0	2.1	148.1	1.4
Total Africa	237.4	2.2	227.0	2.1	234.5	2.2	256.3	2.3	153.2	1.4
Oceania:										
Australia	9.0	0.1	20.2	0.2	9.0	0.1	11.7	0.1	13.1	0.1
New Zealand	2.8	—	15.0	0.1	2.6	—	13.9	0.1	39.6	0.4
Total Oceania	11.8	0.1	35.2	0.3	11.6	0.1	25.6	0.2	52.7	0.5
Other(4):	714.8	6.6	684.2	6.4	684.4	6.5	727.2	6.6	727.7	6.6
Total	10,803.5	100.0	10,674.8	100.0	10,449.3	100.0	10,982.4	100.0	10,969.5	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) The discrepancy between main aggregates and the sum of its components is due to rounding.
(3) Preliminary data.
(4) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

Exports in 2018 were mainly destined for North America (41.2%), Central America (30.6%), Europe (9.8%) and Asia (6.6%). The EU-Central America Association Agreement (ADA) has increased our aggregate export volumes to Europe, also its relative importance as a destination for the country's export products has improved.

The table below presents imports classified by type of product. In 2018, the main imports were raw materials and intermediate goods (32.5%), followed by consumer goods (31.7%), capital goods (16.8%) and mineral fuels and lubricants (16.4%).

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

	For the year ended December 31,									
	2014		2015		2016		2017		2018[(3)]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Raw materials and intermediate goods:										
Agriculture	639.0	3.5	603.8	3.4	486.5	2.9	526.2	2.9	596.6	3.0
Manufacturing	5,248.5	28.7	5,202.1	29.5	4,933.1	29.0	5,303.3	28.8	5,822.7	29.5
Total raw materials and intermediate goods	5,887.5	32.2	5,805.9	32.9	5,419.6	31.9	5,829.5	31.7	6,419.3	32.5
Consumer goods:										
Durable	2,181.2	11.9	2,485.7	14.1	2,577.1	15.2	2,646.5	14.4	2,728.1	13.8
Non-durable	3,026.8	16.6	3,139.9	17.8	3,201.9	18.8	3,273.2	17.8	3,533.3	17.9
Total consumer goods	5,208.0	28.5	5,625.6	31.9	5,779.0	34.0	5,919.6	32.2	6,261.4	31.7
Capital goods:										
Manufacturing, telecommunications and construction	2,651.8	14.5	2,663.5	15.1	2,478.8	14.6	2,617.7	14.2	2,636.8	13.4
Transportation	470.4	2.6	512.9	2.9	512.8	3.0	705.4	3.8	581.8	3.0
Agriculture	80.5	0.4	98.1	0.6	87.0	0.5	87.6	0.5	85.1	0.4
Total capital goods	3,202.7	17.5	3,274.5	18.6	3,078.6	18.1	3,410.7	18.5	3,303.7	16.8
Mineral fuels and lubricants	3,534.4	19.3	2,483.1	14.1	2,290.2	13.5	2,793.7	15.2	3,237.9	16.4
Construction materials	448.7	2.5	450.3	2.5	434.9	2.5	432.7	2.4	477.2	2.4
Other	0.5	—	1.6	—	0.5	—	3.9	—	34.7	0.2
Total imports	18,281.8	100.0	17,641.0	100.0	17,002.8	100.0	18,390.2	100.0	19,734.2	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) The discrepancy between main aggregates and the sum of its components is due to rounding.
(3) Preliminary data.
Source: Bank of Guatemala.

The table below presents the geographic origin of imports. In 2018, North America was the most important source of imports (49.2%), followed by Asia (20.1%), and Central America (11.6%).

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

	For the year ended December 31,									
	2014		2015		2016		2017		2018[3]	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	7,345.1	40.2	6,513.1	36.9	6,521.2	38.4	7,317.6	39.8	7,466.1	37.9
Mexico	1,951.6	10.7	2,040.1	11.6	1,942.9	11.4	1,964.5	10.7	2,133.5	10.8
Canada	77.7	0.4	94.9	0.5	90.7	0.5	86.5	0.4	102.4	0.5
Total North America	9,374.4	51.3	8,648.1	49.0	8,554.8	50.3	9,368.6	50.9	9,702.0	49.2
Central America:										
Costa Rica	537.3	2.9	599.6	3.4	595.5	3.5	610.4	3.3	658.1	3.3
El Salvador	830.6	4.6	903.7	5.1	902.8	5.3	972.2	5.3	1,025.1	5.2
Honduras	424.1	2.3	366.6	2.1	331.6	2.0	384.1	2.1	448.4	2.3
Nicaragua	125.1	0.7	131.4	0.7	120.7	0.7	128.2	0.7	159.6	0.8
Total Central America	1,917.1	10.5	2,001.3	11.3	1,950.6	11.5	2,094.9	11.4	2,291.2	11.6
South America:										
Argentina	57.4	0.3	73.2	0.4	80.0	0.5	151.1	0.8	126.4	0.6
Brazil	202.4	1.1	227.0	1.3	215.1	1.3	287.6	1.6	267.4	1.4
Colombia	376.9	2.1	376.4	2.1	377.0	2.2	400.5	2.2	527.6	2.7
Ecuador	68.0	0.4	69.1	0.4	50.6	0.3	59.5	0.3	68.8	0.3
Venezuela	39.7	0.2	24.0	0.2	18.0	0.1	18.6	0.1	38.2	0.2
Other	407.7	2.2	319.5	1.8	281.6	1.6	283.9	1.5	334.9	1.7
Total South America	1,152.1	6.3	1,089.2	6.2	1,022.3	6.0	1,201.2	6.5	1,363.3	6.9
Europe:										
France	79.3	0.4	89.7	0.5	75.9	0.4	86.9	0.5	87.1	0.5
Germany	276.9	1.5	288.8	1.6	280.7	1.7	298.5	1.6	275.8	1.4
Italy	143.0	0.8	119.0	0.7	132.6	0.8	154.9	0.9	152.5	0.8
Netherlands	108.4	0.6	131.7	0.7	94.1	0.5	96.3	0.5	113.8	0.6
Spain	305.0	1.7	262.9	1.5	264.6	1.6	276.1	1.5	322.5	1.6
United Kingdom	47.0	0.3	44.9	0.3	39.0	0.2	39.9	0.2	45.7	0.2
Other	336.4	1.8	388.0	2.2	339.4	2.0	406.7	2.2	514.9	2.6
Total Europe	1,296.0	7.1	1,325.0	7.5	1,226.3	7.2	1,359.3	7.4	1,512.3	7.7
Other Europe	86.7	0.4	96.0	0.5	73.6	0.4	105.0	0.6	159.9	0.8
Total Europe	1,382.7	7.5	1,421.0	8.0	1,299.9	7.6	1,464.3	8.0	1,672.2	8.5
Asia:										
Indonesia	36.1	0.2	40.1	0.2	41.6	0.2	45.0	0.2	48.9	0.2
Japan	255.8	1.4	279.6	1.6	307.1	1.8	269.7	1.5	264.8	1.3
South Korea	440.1	2.4	433.8	2.5	321.3	1.9	291.2	1.6	291.2	1.5
Taiwan	121.5	0.7	146.0	0.8	119.8	0.7	120.3	0.6	136.7	0.7
Other Asia	2,688.5	14.7	2,801.7	15.9	2,700.9	15.9	2,850.2	15.5	3,219.9	16.4
Total Asia	3,542.0	19.4	3,701.2	21.0	3,490.7	20.5	3,576.4	19.4	3,961.5	20.1
Africa:										
South Africa	6.8	0.1	3.5	—	4.2	—	6.2	—	4.8	—
Other Africa	6.3	—	5.5	0.1	6.9	0.1	7.8	0.1	27.4	0.1
Total Africa	13.1	0.1	9.0	0.1	11.1	0.1	14.0	0.1	32.2	0.1
Oceania:										
Australia	7.5	0.1	11.4	0.1	5.2	0.1	3.7	—	4.8	—
New Zealand	21.8	0.1	23.7	0.1	20.5	0.1	27.1	0.2	29.9	0.2
Total Oceania	29.3	0.2	35.1	0.2	25.7	0.2	30.8	0.2	34.7	0.2
Other[4]:	871.1	4.7	736.1	4.2	647.7	3.8	640.0	3.5	677.1	3.4
Total	18,281.8	100.0	17,641.0	100.0	17,002.8	100.0	18,390.2	100.0	19,734.2	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) The discrepancy between main aggregates and the sum of its components is due to rounding.
(3) Preliminary data.
(4) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

Traditional Exports

Coffee

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 *quintals.*

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$167.78 per *quintal*, slightly above the previous year price.

In 2016, exports of coffee were valued at US$649.1 million compared to US$663.0 million in 2015. The 2.1% decrease in 2016 was the result of increased global production, mainly in Brazil and Vietnam, due to better weather conditions. The export price decreased 3.4% per *quintal* (US$162.00, compared to US$167.78 in 2015).

In 2017, exports of coffee were valued at US$748.0 million, 15.2% higher than the US$649.1 million recorded in 2016. The volume exported reached 4.5 million *quintals,* representing an increase of 0.5 million *quintals* compared to 4.0 million *quintals* in 2016. Moreover, the international price per *quintal* in 2017 was US$166.79, equivalent to a 3.0% increase compared to 2016 (US$162.00). The increase of international prices in 2017 was the result of adverse weather conditions, mainly in Brazil, Colombia, Vietnam and Indonesia.

In 2018, exports of coffee were valued at US$679.9 (9.1%), lower than the US$748.0 million recorded in 2017. The volume exported in 2018 was 4.5 million *quintals,* registering minimal variation with respect to the previous year. Furthermore, the international price per *quintal* in 2018 was US$149.88, 10.1% lower than the previous year (US$166.79). The decrease in international prices in 2018 was a result of an increase in world production for the 2018/2019 coffee harvest season, notably due to favorable weather conditions in Brazil.

Sugar

In 2014, the international price of sugar fell as a result of higher levels of stock in most of the main exporting 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$850.8 million, 10.6% or US$100.9 million lower than in 2014 (US$951.7 million), as a result, mainly, of lower international prices. 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 11.5% decrease compared to 2014 (US$20.39).

In 2016, exports of sugar were valued at US$816.7 million, a US$34.1 million or 4.0% decrease compared to 2015. This decrease in 2016 was attributable primarily to increased production in Brazil due to good climate conditions and less demand from India and China. The export price was US$17.83, slightly lower than the previous year.

Exports of sugar in 2017 were valued US$825.0 million, an increase of US$8.3 million or 1.0% compared to US$816.7 million in 2016. In terms of volume, exports of sugar were 42.0 million *quintals*, 3.8 million *quintals* lower than the exported volume in 2016. Furthermore, the average export price per *quintal* in 2017 was US$19.66, 10.3% higher than in 2016. The international price of sugar showed an increase because most of the Brazilian production was destined to refining ethanol, as a result of an increase in the international prices of oil and gasoline.

In 2018, exports of sugar were valued at US$632.9 million, 23.3%, or US$192.1 million, lower than in 2017 (US$825.0 million). The volume exported in 2018 was 36.6 million *quintals*, 5.4 million *quintals, or* 12.9%, less than the exported volume in 2017 (42.0 million *quintals*). For 2018, the average export price per *quintal* was US$17.29, a 12.1% decrease with respect to the average export price recorded in the previous year (US$19.66). The decrease in average export price was a result of increased sugar production in Brazil, combined with a decrease in ethanol production.

Bananas

Banana exports in 2014 were valued at US$651.8 million, 9.6% higher than the US$594.7 million recorded in 2013. The increase in 2014 was attributable primarily to a 3.8% increase in the exported volume from 41.6 million *quintals* in 2013 to 43.2 million *quintals* in 2014, to a lesser extent, due to an increase in the price per *quintal* from US$14.31 in 2013 to US$15.08 in 2014.

Banana exports in 2015 were valued at US$715.1 million, an increase of US$63.3 million or 9.7% compared to US$651.8 million in 2014. The volume exported in 2015 reached 47.4 million *quintals*, representing an increase of 4.2 million *quintals* compared to 43.2 million *quintals* in 2014. The average export 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.

In 2016, banana exports were valued at US$702.6 million, a 1.7% decrease compared to 2015. The decrease in 2016 was attributable primarily to higher production in countries such as the Philippines, Costa Rica and Colombia. The export price was US$14.79 per *quintal*, 1.9% lower than in 2015.

Banana exports in 2017 were valued at US$781.6 million, an increase of 11.2% (US$79.0 million) compared to US$702.6 million in 2016, due to an increase in the demand from the United States. The volume exported in 2017 reached 52.0 million *quintals*, representing an increase of 4.5 million *quintals* compared to 47.5 million *quintals* in 2016. The average export price in 2017 was US$15.03 per *quintal*, 1.6% higher than in 2016.

In 2018, banana exports were valued at US$803.8 million, an increase of 2.8% compared to exports in 2017 (US$781.6 million), as a result of increased sales to the United States. The volume exported in 2018 reached 52.4 million *quintals*, an increase of 0.4 million *quintals* compared to the 52.0 million *quintals* exported in 2017. The average export price was US$15.35 per *quintal*, 2.1% higher than in 2017.

Cardamom

The export price of cardamom recovered in 2014 to US$279.96 per *quintal* from US$251.84 in 2013, primarily because 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.

Cardamom exports in 2015 were US$243.0 million, an increase of US$3.2 million or 1.3% compared to US$239.8 million in 2014. In volume terms, exports of cardamom were 0.7 million *quintals*, 0.2 million *quintals* lower than the exported volume in 2014. Furthermore, the export price per *quintal* in 2015 was US$329.78 per *quintal*, US$49.82 more than the price per *quintal* recorded in 2014 (US$279.96).

In 2016, cardamom exports were valued at US$229.0 million compared to US$243.0 million in 2015, representing a decrease of US$14.0 million. This reduction was mainly due to lower international prices and higher production yields in India. The export price was US$291.24 per *quintal*, 11.7% lower than in 2015.

In 2017, cardamom exports were valued at US$366.6 million compared to US$229.0 million in 2016, representing an increase of US$137.6 million. In terms of volume, cardamom exports totaled 0.8 million *quintals*, similar to the volume exported in 2016. The export price in 2017 was US$466.88 per *quintal*, 60.3% higher than the price in 2016 (US$291.24 per *quintal*). The increase in the export price was due to the decrease in the world supply, mainly due to the reduction in Guatemalan production in 2017.

Cardamom exports in 2018 were valued at US$433.5 million, representing a US$66.9 million increase compared to the exported value in 2017 (US$366.6 million). In terms of volume, cardamom exports totaled 0.8 million *quintals*, equivalent to the volume exported in 2017. The export price in 2018 was US$536.21 per *quintal*, US$69.33 higher than the price per *quintal* recorded in 2017 (US$466.88). The increase in the export price was due to a decrease in the world supply, mainly due to adverse weather conditions in the cardamom producing regions in India.

Oil

In 2014, oil exports 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 in a decrease in the export price per barrel of oil from US$92.93 in 2013 to US$86.01in 2014.

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 export price per barrel of oil decreased from US$86.01 in 2014 US$40.03 in 2015. In terms of volume, exports in 2015 were almost the same as exports in 2014 at 3.2 million barrels.

In 2016, oil exports were valued at US$84.5 million, a US$42.4 million, or 33.4%, decrease compared to US$126.9 million in 2015. Export volumes decreased 0.2 million barrels from 3.2 million barrels in 2015. The export price per barrel of oil in 2016 was US$28.44, compared to US$40.03 per barrel in 2015, due to lower international prices attributed to over-production and low global demand.

In 2017, oil exports were valued at US$118.6 million, a US$34.1 million, or 40.4%, increase compared to US$84.5 million in 2016. Export volumes decreased to 2.9 million barrels, a 0.1 million decrease in barrels from 3.0 million barrels in 2016. The export price per barrel of oil in 2017 was US$41.25, compared to US$28.44 per barrel in 2016, mainly due to production cuts by the Organization of Petroleum Exporting Countries (OPEC) and the decrease in extraction in oil fields located in the United States.

In 2018, oil exports were valued at US$124.9 million, a US$6.3 million, or 5.3%, increase compared to US$118.6 million in 2017. Export volumes decreased 0.6 million barrels to 2.3 million from 2.9 million barrels in 2017. The export price per barrel of oil in 2018 was US$55.28, compared to US$41.25 per barrel in 2017, due to production cuts by the Organization of Petroleum Exporting Countries (OPEC), a decrease in oil inventories in the United States and geopolitical tensions between Iran and the United States.

Non-traditional Exports

In In 2014, non-traditional exports were valued at US$8,015.0 million, an increase of US$734.2 million, or 10.1%, from 2013, primarily due to an increase in non-traditional exports in 2014 with the exception of natural rubber as well as flowers and plants.

In 2015, non-traditional exports were valued at US$8,076.0 million in 2015, US$61.0 million higher than the exported value in 2014. The increase in 2015 was mainly due to an increase in exports to Central America.

In 2016, non-traditional exports were valued at US$7,967.4 million, a decrease of US$108.6 million, or 1.3%, compared to 2015, due mainly to lower sales of chemical products and sesame seeds.

In 2017, non-traditional exports were valued at US$8,142.6 million, an increase of US$175.2 million, or 2.2%, compared to 2016, primarily due to an increase in exports of processed food and natural rubber.

In 2018, non-traditional exports were valued at US$8,294.6 million, an increase of US$152.0 million, or 1.9%, compared to 2017, primarily due to an increase in exports of vegetables and chemical products.

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 the total number of tourists visiting Guatemala for the years indicated.

Currency Income from Tourism and Travel
(in millions of US$ and % change from previous year)

	For the year ended December 31,				
	2014	**2015**	**2016**	**2017**	**2018[(1)]**
Income from tourism	1,039.6	991.4	958.5	969.2	985.6
% change from prior year	1.9	(4.6)	(3.3)	1.1	1.7

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

Number of Foreign Visitors to Guatemala

Country or Region	For the year ended December 31, 2014	2015	2016	2017[1]	2018[1]
Unites States of America-Canada	378,566	393,778	394,913	419,273	475,169
Mexico	119,077	128,907	96,678	101,705	104,179
Belize	62,818	60,188	17,314	33,621	58,365
El Salvador	668,884	731,121	848,065	925,116	1,060,958
Honduras	102,822	110,928	85,952	91,535	133,346
Rest of Central America	86,363	100,500	100,124	134,324	135,463
South America	69,071	78,910	81,035	86,238	87,507
Europe	129,382	130,435	125,385	138,999	145,519
Rest of World[3]	51,314	53,177	53,014	53,396	55,004
Cruisers	70,601	77,195	103,712	129,063	150,392
Total	1,738,898	1,865,139	1,906,195	2,113,270	2,405,902

(1) Preliminary data.
(2) Includes Caribbean, Asia, Middle East, Oceania and other countries.
Source: INGUAT.

For the period from 2014-2018, 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.

For 2014 and 2018, income from tourism increased, as global tourism began to recover from the effects of the international economic crisis. For 2014, tourism increased due to the promotion of the attractiveness of Guatemala as a tourism destination and improved air connectivity, and between 2015 and 2018, the positive trend continued, mainly due to increased promotion of the country as a tourist destination.

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

	For the year ended December 31,									
	2014		2015		2016[1]		2017[1]		2018[1]	
	US$	%	US$	%	US$	%	US$	%	US$	%
By Country:										
Total	**1,388.7**	**100.0**	**1,220.8**	**100.0**	**1,184.6**	**100.0**	**1,169.5**	**100.0**	**1,031.5**	**100.0**
Central America and Dominican Republic	**97.2**	**7.0**	**60.2**	**5.0**	**86.1**	**7.3**	**175.1**	**15.0**	**103.8**	**10.1**
Panama	18.1	1.3	18.5	1.5	49.3	4.2	27.5	2.3	43.6	4.2
Honduras	6.6	0.5	10.5	0.9	(4.2)	(0.3)	4.2	0.4	32.1	3.1
El Salvador	52.8	3.8	20.6	1.7	15.6	1.3	20.5	1.8	24.1	2.4
Costa Rica	19.2	1.4	2.3	0.2	22.2	1.9	120.6	10.3	3.0	0.3
Dominican Republic	0.3	—	8.2	0.7	2.9	0.2	2.1	0.2	0.8	0.1
Nicaragua	0.2	—	0.1	—	0.3	—	0.2	—	0.2	—
Rest of World	**1,291.5**	**93.0**	**1,160.6**	**95.0**	**1,098.5**	**92.7**	**994.4**	**85.0**	**927.7**	**89.9**
United States	440.6	31.7	385.1	31.5	348.9	29.5	174.8	14.9	246.0	23.8
Mexico	105.2	7.6	60.3	4.9	186.3	15.7	172.5	14.8	182.3	17.7
Colombia	141.9	10.2	163.9	13.4	123.7	10.4	282.0	24.1	133.0	12.9
Luxembourg	38.7	2.8	46.6	3.8	52.3	4.4	56.8	4.9	77.7	7.5
Spain	42.6	3.1	62.0	5.1	68.1	5.7	28.2	2.4	52.2	5.1
Peru	14.8	1.1	(4.1)	(0.3)	(10.5)	(0.9)	(3.5)	(0.3)	34.4	3.3
South Korea	33.6	2.4	32.6	2.6	47.0	4.0	35.4	3.0	33.3	3.2
Switzerland	24.5	1.8	15.3	1.3	43.2	3.6	18.8	1.6	23.6	2.3
Germany	21.6	1.6	26.6	2.2	6.9	0.6	19.4	1.7	14.4	1.4
Israel	38.3	2.8	17.2	1.4	32.3	2.7	41.2	3.5	4.9	0.5
China	0.2	—	(0.6)	—	1.7	0.1	(0.8)	(0.1)	0.8	0.1
Portugal	—	—	—	—	—	—	—	—	—	—
Taiwan	0.4	—	(0.2)	—	—	—	—	—	(0.2)	—
Russia	85.5	6.2	79.4	6.5	27.7	2.4	20.6	1.8	(5.4)	(0.5)
United Kingdom	71.8	5.1	35.7	2.9	26.9	2.3	27.0	2.3	(8.0)	(0.8)
Canada	108.6	7.8	61.7	5.1	7.7	0.7	72.2	6.2	(17.3)	(1.7)
Others	123.2	8.8	179.1	14.6	136.3	11.5	49.8	4.2	156.0	15.1
By Economic Activity:										
Total	**1,388.7**	**100.0**	**1,220.8**	**100.0**	**1,184.6**	**100.0**	**1,169.5**	**100.0**	**1,031.5**	**100.0**
Trade	278.7	20.0	174.4	14.3	295.6	25.0	304.9	26.1	325.2	31.5
Banks	157.8	11.4	149.2	12.2	94.6	8.0	254.5	21.8	168.2	16.3
Manufacturing	178.6	12.9	204.8	16.8	261.4	22.0	217.7	18.6	174.7	16.9
Telecommunications	129.9	9.4	112.4	9.2	156.1	13.2	134.1	9.7	123.6	12.0
Energy	384.3	27.7	323.2	26.5	192.7	16.3	113.9	11.5	95.5	9.3
Agriculture, petroleum, mining and quarrying	201.2	14.5	155.7	12.8	27.5	2.3	64.0	5.4	(2.1)	(0.2)
Other activities	58.2	4.1	101.1	8.2	156.7	13.2	80.4	6.9	146.4	14.2

(1) Preliminary data.
Source: Bank of Guatemala

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 macroeconomic stability and improved infrastructure, as well as incentives and promotion of laws favorable to capital investment, foreign direct investment inflows to Guatemala have shown growth in most years (with the exception of 2009 in the aftermath of the international economic crisis) with an average growth of 2.7% in the period from 2012 to 2018. However, between 2015 and 2018, despite registering positives amounts of foreign direct investment, there was a slowdown as a result of the uncertainty generated by the problems of political instability and some legal decisions that affected the operation of some mining companies (certain mining projects, such as Tahoe's Escobal mine and Juan Bosco mine, were suspended). In 2018, foreign direct investments decreased 11.8% (preliminary). In 2015, 2016 and 2017 the reductions were 12.1%, 3.0% and 1.3%, respectively.

In 2018, foreign direct investment flows came primarily from the United States (23.8%), Mexico (17.7%), Colombia (12.9%), Luxembourg (7.5%) and Spain (5.1%), which collectively accounted for 67.0% of total foreign direct investment. In 2018, the key sectors for foreign direct investment flows were: trade (31.5%), banks (16.3%), manufacturing (16.9%), telecommunications (12.0%) and energy (9.3%).

Remittances

The average annual growth rate of workers' remittances in the period from 2014 to 2018 was 12.7%. In 2018, the net flow of workers' remittances amounted to US$9,287.8 million, 13.4% higher than in 2017. According to the "Survey on Guatemalan International Migration and Remittances 2016" published by the International Organization for Migration, 2.3 million Guatemalan migrants were estimated to be residing abroad in 2016. Approximately 100% of all workers' remittances in 2018 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.

In 2013 and 2014, the *quetzal* appreciated by 0.8% and 3.1%, respectively, against the U.S. dollar; while in 2015, the *quetzal* depreciated 0.5% against the U.S. dollar. In 2016 and 2017, the *quetzal* appreciated by 1.4% and 2.4%, respectively, against the U.S. dollar. In 2018, the *quetzal* depreciated 5.3% against the U.S. dollar as a result of the increase in imports and the slowdown in remittances in 2018.

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 intervention. In particular, the Monetary Board modified the participation 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 periods indicated in the table below.

Exchange Rates
(Q per US$1.00)

	Period End	Average for Period
Year ended December 31,		
2013	7.84137	7.85657
2014	7.59675	7.73095
2015	7.63237	7.65564
2016	7.52213	7.60206
2017	7.34477	7.35086
2018	7.73695	7.51908

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, 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. 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 Organic Law of the Bank of Guatemala (Decree No. 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

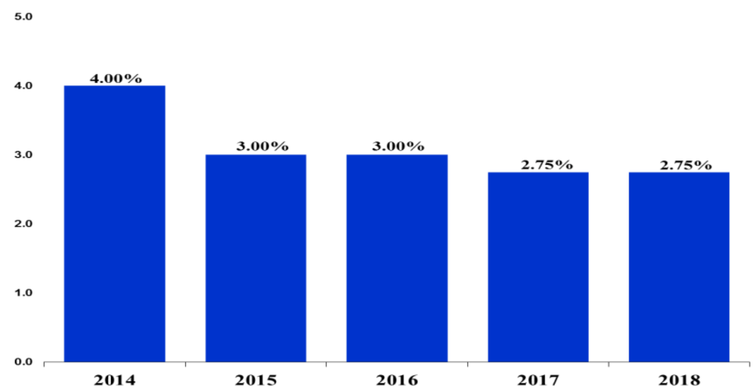
In an inflation targeting regime, the Bank of Guatemala announces the monetary policy stance in relation to the inflation outlook of the economy by determining the short-term interest rate that has an impact on the liquidity conditions of the financial markets. This interest rate is usually called "monetary 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: 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, 2018, these operations registered volume of Q34,698.0 million (approximately US$4,484.7 million), or 5.9% 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 No. 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 IVE, 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 IVE 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. In addition, the Commission

Against Money Laundering and Terrorism Financing and the Proliferation of Weapons (*Comisión Contra el Lavado de Dinero y el Financiamiento del Terrorismo y de la Proliferación de Armas*, known as COPRECLAFT), a presidential commission, was established in 2010 to coordinate governmental actions to assess, identify and mitigate national risks of money laundering and terrorism financing.

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, and the country is currently considered by the FATF to be a cooperative country in the fight against money laundering and terrorism financing. Furthermore, Guatemala's legal regime complies with international treaties against corruption and transnational organized crime.

The Organic Law of the Bank of Guatemala, 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 No. 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 No. 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 No. 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 No. 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, financial risks and strengthening of the banking safety net, 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, 2018, Guatemala had 17 commercial banks, including one branch of a foreign bank and one Government-owned bank (i.e., more than 50% state-owned). Three large commercial banks have the largest market share based on assets and deposits. As of December 31, 2018, these banks held 65.1% of total assets and 64.2% of deposits of the Guatemalan banking system. As of December 31, 2018, the assets of Guatemalan commercial banks totaled Q328,936.4 million (US$42,515.0 million). Total liabilities of Guatemala's commercial banks amounted to Q297,606.5 million (US$38,465.6 million), of which Q242,372.9 million (US$31,326.7 million) were deposits. The state-owned bank has 1.0% of market share based on assets in the Guatemalan banking system.

Offshore Entities

As of December 31, 2018, there were four offshore entities authorized to operate in Guatemala. Total assets of the offshore entities were Q25,788.2 million (US$3,333.1 million) as of that date, which represented 7.1% of the total assets of the Guatemalan financial system (including only banks, financial firms and offshore entities).

Total deposits in offshore entities were Q22,940.2 million (US$2,965.0 million) as of December 31, 2018, which represented 8.6% of the deposits of the financial system at that date. Total liabilities of offshore entities were Q23,256.7 million (US$3,005.9 million) as of December 31, 2018. There has been a reduction in the number of offshore entities, from 10 institutions in 2007 to four institutions as of December 31, 2018, mainly due to financial mergers and acquisitions, and others by voluntary closure.

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. As of December 31, 2018 there were 13 financial firms in Guatemala, of which 12 are private and one is Government-owned.

National Mortgage Bank

The Guatemala National Mortgage Bank *(El Crédito Hipotecario Nacional de Guatemala)* 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, 2018, this bank had total assets of Q3,818.7 million (US$493.6

million) and liabilities of Q3,687.7 million (US$476.6 million). As of December 31, 2018, Guatemala National Mortgage Bank's loans represented 0.7% of the loans granted by commercial banks and its deposits represented 1.2% 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, 2018		
	2014	**2015**	**2016**	**2017**	**2018**	**Loans**	**Deposits**	**Assets**
Commercial banks	17	17	17	17	16	92.1%	90.2%	89.1%
Finance firms	14	14	13	13	13	0.8%	—%	2.8%
Offshore entities	7	6	6	6	4	6.5%	8.6%	7.1%
Guatemala National Mortgage Bank[(1)]	1	1	1	1	1	0.6%	1.1%	1.0%
Total	39	38	37	37	34	100.0%	100.0%	100.0%

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

Total assets in the Guatemalan financial system increased from 53.0% of GDP in 2008 to 61.7% of GDP in 2018. 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);
- Promerica Financial Corporation acquired 99.9% of the shares of Banco Citibank de Guatemala, S.A. (October 2016).

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

- Banco Industrial, S.A., has opened branches in El Salvador, Honduras and Panama;
- 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 foreign entities can obtain banking licenses.

Financial groups (*grupos financieros*) were permitted by the Law of Banks and Financial Groups (December Decree No. 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 common control agreement in place. The Superintendency of Banks is responsible for the surveillance and inspection of such financial groups.

As of December 31, 2018 there were 11 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 Promerica, led by Banco Promerica de Guatemala, S.A.;
- Grupo Financiero Bac-Credomatic, led by Banco de América Central, S.A.;
- Grupo Financiero G&T Continental, 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;
- Grupo Financiero Vivibanco, led by Vivibanco, S.A.: and
- Grupo Financiero Ficohsa Guatemala, led by Banco Ficohsa Guatemala, 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,	Financial System Growth rate (%)	Commercial Banks Growth rate (%)
2014	8.1	9.0
2015	9.7	10.0
2016	6.5	7.1
2017	6.7	7.9
2018	7.3	7.5

Source: Superintendency of Banks.

Commercial banks are the principal source of private sector financing and accounted for 92.1% of all loans of the financial system as of December 31, 2018. Major borrowers include companies engaged in wholesale and retail trade (14.5%), manufacturing (12.3%), private and financial services (12.0%), electricity and water (8.0%), construction (7.2%), and agriculture, livestock, fishing and forestry (5.3%). Consumer credit represents 32.7% of total loans. The following tables set forth the allocation of loans by economic sector.

Loans of the Financial System by Economic Sector
(in millions of *quetzales*)

	For the year ended December 31,				
Private sector:	2014	2015	2016	2017	2018
Agriculture, livestock, fishing and forestry	9,338.8	9,858.7	11,096.8	10,878.0	10,548.0
Mining and quarries	181.9	143.4	190.9	188.3	193.5
Manufacturing	18,939.4	21,249.5	21,196.5	21,677.6	24,389.1
Electricity and water	10,123.8	15,029.1	16,505.6	15,431.5	15,923.5
Construction	11,675.4	12,625.8	13,201.8	13,987.1	14,341.0
Wholesale and retail trade	26,641.9	27,555.3	26,535.8	26,456.6	28,654.1
Transportation, storage and telecommunications	2,062.0	2,134.3	2,084.8	2,096.9	2,134.2
Private and financial services	17,578.6	19,292.1	19,614.4	21,367.6	23,769.7
Community, social and personal services	4,587.6	6,060.2	7,013.5	6,984.4	6,732.4
Consumer credit and mortgages	45,382.7	52,343.0	58,373.2	61,372.0	64,881.9
Private transfers	4,339.8	4,788.9	5,545.9	5,469.7	5,109.6
Others	1,999.5	1,887.7	1,795.4	1,610.3	1,460.0
Total private sector loans	152,851.5	172,968.1	183,154.6	187,520.0	198,137.0
Total public sector loans	10,153.4	8,942.7	8,652.8	10,330.6	19,188.7
Total loans	163,004.9	181,910.8	191,807.4	197,850.6	217,325.7

Source: Superintendency of Banks.

Loans of the Financial System by Economic Sector
(in millions of US$)[(1)]

	For the year ended December 31,				
	2014	**2015**	**2016**	**2017**	**2018**
Private sector:					
Agriculture, livestock, fishing and forestry	1,191.0	1,297.8	1,475.2	1,481.1	1,363.3
Mining and quarries	23.2	18.9	25.4	25.6	25.0
Manufacturing	2,415.3	2,797.2	2,817.9	2,951.4	3,152.3
Electricity and water	1,291.1	1,978.4	2,194.3	2,101.0	2,058.1
Construction	1,489.0	1,662.0	1,755.1	1,904.4	1,853.6
Wholesale and retail trade	3,397.6	3,627.2	3,527.7	3,602.1	3,703.5
Transportation, storage and telecommunications	263.0	281.0	277.2	285.5	275.8
Private and financial services	2,241.8	2,539.5	2,607.6	2,909.2	3,072.2
Community, social and personal services	585.1	797.7	932.4	950.9	870.2
Consumer credit and mortgages	5,787.6	6,890.2	7,760.2	8,355.9	8,386.0
Private transfers	553.4	630.4	737.3	744.7	660.4
Others	255.0	248.5	238.7	219.2	188.7
Total private sector loans	19,493.0	22,768.7	24,348.8	25,531.1	25,609.2
Total public sector loans	1,294.9	1,177.2	1,150.3	1,406.5	2,480.1
Total loans	20,787.8	23,945.9	25,499.1	26,937.6	28,089.3

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31, 2018.
Source: Superintendency of Banks.

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

	For the year ended December 31,				
	2014	**2015**	**2016**	**2017**	**2018**
Private sector:					
Agriculture, livestock, fishing and forestry	5.7	5.4	5.8	5.5	4.9
Mining and quarries	0.1	0.1	0.1	0.1	0.1
Manufacturing	11.6	11.7	11.1	11.0	11.2
Electricity and water	6.2	8.3	8.6	7.8	7.3
Construction	7.2	6.9	6.9	7.1	6.6
Wholesale and retail trade	16.3	15.1	13.8	13.4	13.2
Transportation, storage and telecommunications	1.3	1.2	1.1	1.1	1.0
Private and financial services	10.8	10.6	10.2	10.8	10.9
Community, social and personal services	2.8	3.3	3.7	3.5	3.1
Consumer credit and mortgages	27.8	28.8	30.4	31.0	29.9
Private transfers	2.7	2.6	2.9	2.8	2.4
Others	1.2	1.0	0.9	0.8	0.7
Total private sector loans	93.8	95.1	95.5	94.8	91.2
Total public sector loans	6.2	4.9	4.5	5.2	8.8
Total loans	100.0	100.0	100.0	100.0	100.0

Source: Superintendency of Banks.

Interest rates float freely without governmental restraints. The weighted average bank lending rate was 16.79% as of December 31, 2014, 16.00% as of December 31, 2015, 15.61% as of December 31, 2016, 15.68% as of December 31, 2017 and 15.67% as of December 31, 2018.

The following tables set forth information in *quetzales* regarding interest rates for loans and deposits and interest rates paid by commercial banks for the years indicated.

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

	For the year ended December 31,				
	2014	2015	2016	2017	2018
Loans	14.03	13.41	13.35	13.31	13.05
Weighted average interest rate for total credit transactions	16.79	16.00	15.61	15.68	15.67
Real	13.84	12.93	11.38	10.00	13.36

Source: Superintendency of Banks.

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

	For the year ended December 31,				
	2014	2015	2016	2017	2018
Savings deposits	1.88	1.79	1.85	1.89	1.94
Fixed-rate term deposits	7.20	7.09	7.05	6.87	6.62
Weighted average interest rate for total debit transactions	4.59	4.67	4.70	4.71	4.53
Real	1.64	1.60	0.47	-0.97	2.22

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, 2018, the annual change rate of M2 was 3.8%. 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.

By December 31, 2018, the banking system's credit to the private sector rose 1.5% driven mainly by an increase in large business and consumer loans.

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) and *quetzales*)

	As of December 31,				
	2014	2015	2016	2017	2018 (2)
Currency in circulation	3,176.8	3,556.8	3,908.1	4,573.9	4,914.4
Commercial bank deposits at the Bank of Guatemala	2,984.1	3,216.1	3,943.0	4,458.5	4,283.4
Monetary base	6,160.8	6,772.9	7,851.1	9,032.4	9,197.8
Gross international reserves	7,333.4	7,751.2	9,160.4	11,769.5	12,755.6
Net international reserves	7,333.4	7,751.2	9,160.4	11,769.5	12,755.6

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31 of the year indicated.
(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$ and *quetzales*)[1]

	As of December 31,					
	2014		2015		2016	
	US$	Q	US$	Q	US$	Q
Monetary aggregates:						
Currency in circulation..........	3,176.8	24,133.1	3,556.8	27,146.9	3,908.1	29,397.1
M1..	8,889.4	67,530.5	9,832.9	75,048.2	10,571.2	79,517.6
M2..	24,164.0	183,567.8	26,323.0	200,906.9	28,466.9	214,131.7
M3..	25,300.0	192,198.1	27,546.8	210,247.7	29,682.4	223,274.6
Credit by sector[2]:						
Public sector[3]......................	1,336.5		1,171.7		1,150.3	
Private sector[4].....................	20,068.5		22,540.3		24,221.7	
Other[5]	108.1		109.9		120.2	
Total credit aggregates	21,513.1		23,821.9		25,492.2	
Deposits[2][6]:						
Local currency......................	16,556.8		18,137.9		19,656.1	
Other	4,430.4		4,628.2		4,902.8	
Total deposits......................	20,987.2		22,766.2		24,558.9	

	As of December 31,			
	2017		2018[7]	
	US$	US$	US$	Q
Monetary aggregates:				
Currency in circulation..........	4,573.9	33,594.3	4,914.4	38,022.8
M1..	11,767.2	86,427.6	12,092.0	93,555.0
M2..	31,593.9	232,050.2	32,801.9	253,786.9
M3..	33,033.9	242,626.1	33,984.1	262,933.5
Credit by sector[2]:				
Public sector[3]......................	1,406.5		2,480.1	
Private sector[4].....................	25,738.5		26,137.0	
Other[5]	123.0		119.6	
Total credit aggregates	27,268.0		28,736.7	
Deposits[2][6]:				
Local currency......................	21,696.1		21,993.1	
Other	5,323.9		5,894.4	
Total deposits......................	27,020.0		27,887.5	

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31 of the year indicated.
(2) The discrepancy between main aggregates and the sum of its components is due to rounding.
(3) Includes the Government, non-financial public companies, pension funds, decentralized entities and local governments.
(4) Includes non-financial and financial institutions, households and non-profit institutions.
(5) Includes finance firms.
(6) Commercial bank deposits.
(7) Preliminary data.
Source: Bank of Guatemala.

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)

	As of December 31,								
	2014			2015			2016		
	US$	Q	%	US$	Q	%	US$	Q	%
Monetary issue	3,839.1	29,164.4	11.0	4,364.1	33,308.1	13.7	4,715.9	35,473.8	8.1
Monetary base	6,160.8	46,802.4	12.2	6,772.9	51,693.5	9.9	7,851.1	59,057.1	15.9
M1	8,889.4	67,530.5	10.6	9,832.9	75,048.2	10.6	10,571.2	79,517.6	7.5
Quasi money...........	13,131.0	99,752.8	12.8	14,370.2	109,678.5	9.4	15,555.9	117,013.2	8.3
M2	24,164.0	183,567.8	12.2	26,323.0	200,906.9	8.9	28,466.9	214,131.7	8.1

	As of December 31,					
	2017			2018(3)		
	US$	Q	%	US$	Q	%
Monetary issue	5,422.1	39,823.9	15.0	5,713.2	44,202.4	5.4
Monetary base	9,032.4	66,340.9	15.0	9,197.8	71,162.9	1.8
M1	11,767.2	86,427.6	11.3	12,092.0	93,555.0	2.8
Quasi money..........	17,271.5	126,855.1	11.0	18,148.9	140,417.0	5.1
M2	31,593.9	232,050.2	11.0	32,801.9	253,786.9	3.8

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31 of the year indicated.
(2) Percentage changes are based on amounts in U.S. dollars.
(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, 2018.

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

	Microcredit and Consumer Loans		Minor Commercial and Mortgage Loans	
Category	Loan-loss reserve	Criteria (days past due)	Loan-loss reserve	Criteria (days past due)
A.....................................	—	0 to 30 days	—	0 to 30 days
B.....................................	5.0	31 to 60 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. Resolution JM-93-2005, articles 31 and 32.

Credit senior commercial debtors are assessed by payment capacity. The regulation for credit risk administration (Resolution JM-93-2005, article 30), establishes the criteria for each risk category based on the payment capacity and the default of each debtor.

The following table sets forth information regarding loans of the financial system by risk category as of December 31, 2018.

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

Category	As of September 30, 2018				
	Banks	Finance firms	Offshore bank	Total	Percentage
A	21,625.1	171.0	1,464.3	23,260.5	89.2%
B	886.7	16.5	88.4	991.6	3.8%
C	842.7	5.4	59.5	907.5	3.5%
D	379.2	2.2	14.7	396.0	1.5%
E	487.0	10.0	37.1	534.5	2.1%
Total	24,220.7	205.4	1,664.0	26,090.2	100.0%

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31, 2018.
Source: Superintendency of Banks.

As of December 2018, non-performing loans represented 2.2% of total loans. The following table sets forth information regarding non-performing loans as percentage of total loans as of the dates indicated.

The Guatemalan Financial System—Non-Performing Loans (As % of total loans)

As of December 31,	Non-performing Loans as % of Total Loans
2014	1.3
2015	1.3
2016	2.0
2017	2.3
2018	2.2

Source: Superintendency of Banks.

Banking System Performance

The assets of the banking system were Q328,936.4 million (US$42,515.0 million) as of December 31, 2018, having increased by Q23,038.8 million (US$2,977.8 million) year over year. The loan portfolio of Q178,752.0 million (US$23,103.7 million) was 54.3% of total assets, an increase of Q11,415.9 million (US$1,475.5 million), or 6.8%, as compared to December 31, 2017. This growth is consistent with the performance of economic activity. The real GDP growth was 3.1% in 2018, according to data published by the Bank of Guatemala.

The investment portfolio of banks consists mainly of securities issued by the Government and the Bank of Guatemala. As of December 31, 2018, investments reached Q87,761.6 million (US$11,343.2 million), a Q8,944.3 million (US$612.1 million), or 11.3%, increase as compared to December 31, 2017.

Non-performing loans were 2.2% of total loans as of December 31, 2018, lower than the 2.3% as of December 31, 2017.

Coverage of the non-performing loan portfolio improved markedly due to increasing levels of reserves in compliance with the provisioning program as defined in Resolution JM-167-2008, which modified Resolution JM-93-2005, relating to reserve requirements for non-performing loans. As of December 31, 2018, the coverage rate for non-performing loans was 123.4%.

The structure of the liabilities of the Guatemalan banking sector shows a strong base of domestic deposits. As of December 31, 2018, deposits stood at Q242,372.9 million (US$31,326.7 million), having increased by Q19,243.6 million (US$2,487.2 million) representing an 8.6% increase as compared to December 31, 2017. Term deposits were 42%, demand deposits 36% and savings (passbook) deposits were 22% as of that date. Loans outstanding, which are mainly external credit lines granted by foreign correspondent banks, were Q41,698.3 million (US$5,389.5 million) as of December 31, 2018, an increase of Q1,372.6 million (US$177.4 million), or 3.4%, as compared to December 31, 2017.

In recent years, the capitalization of the Guatemalan banking system has been strengthened by the rise of stockholders' equity in the banking system to Q31,329.9 million (US$4,049.4 million) as of December 31, 2018, an increase of Q2,728.0 million (US$352.6 million), or 9.5%, as compared to December 31, 2017. This was the result of a Q2,183.6 million (US$282.2 million) increase in capital reserves.

The Banks and Financial Groups Law requires a 10% minimum capital requirement for banks. The strengthening of banks, as measured by the capital adequacy ratio, which has remained above 13% in recent years, was 14.8% as of December 31, 2018.

Bank liquidity, as measured by the cash reserve ratio, has remained stable in recent years, and was 46.5% as of December 31, 2018.

As of December 31, 2018, profits of the banking system were Q4,325.5 million (US$559.1 million), an increase of Q111.1 million (US$14.4 million), or 2.6%, as compared to December 31, 2017, as a result of an increase in products from the prior year.

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 submit reports issued by external auditors regarding their credit portfolios and liabilities. According to the Organic Law of the Bank of Guatemala, the Bank of Guatemala may extend emergency advances to banks facing liquidity problems.

As a result of the monetary and financial reform (2002), 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.

The regulatory framework establishes that all banks must have implemented 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 international standards of anti-money laundering and prevention of terrorism financing. 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 reserve requirement for banks (also known as the "*encaje*") consists mainly 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.

Regarding prudential regulations on capital adequacy, the Regulation to Determine the Minimum Amount of Required Capital for Risks Exposure (2004) classified assets and contingencies according to its risk level in order to estimate the individual amount of capital required for each bank. The Credit Risk Management Regulation (2005) regulated the credit process, the minimum information of financial appliers or debtors, guarantees, valuation and classification of credit assets, and specific and general provisions, the latter assured that the banking system had 123.4% coverage of the overdue portfolio. 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 financial 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 an obligation to develop and implement comprehensive processes that include, among others, operational risk management. The Corporate Governance Regulation (2016) regulates the minimum requirements that must be observed by banks, financial companies, offshore entities authorized by the Monetary Board to operate in Guatemala, companies specialized in financial services that are part of a financial group and holding companies of financial groups, in relation to the adoption of best corporate governance practices, as an essential basis for comprehensive risk management processes, as well as an effective internal control system. In addition, the Market Risk Management Regulation (2016) was issued in order to identify, measure, monitor, control, prevent and mitigate contingencies of an institution incurring losses as a result of adverse movements in market prices.

Regarding banking financial inclusion, the two main regulations currently in place are Banking Agents (*Agentes Bancarios*) (2010) and Mobile Financial Services (2011). The aim of each of these regulations is to bring basic banking services to the rural areas of the country and excluded segments of the population.

The Market Exit regime rules are stated in the Assets and Liabilities Exclusion Board Regulation (2002), which provides 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). Such rules have been improved and implemented to strengthen the Deposit Insurance Funds by regulation issued in 2013, as well as the new framework or resolution process updated by the regulation issued in December 2016. More recently, in 2017, the Superintendent of Banks issued a circular based on international standards in order to enhance the framework for insolvency processes, requiring all banks to develop and submit contingency recovery plans.

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, the 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.

In addition, draft Bill No. 5157, currently being discussed in Congress, proposes to introduce legislation providing a range of extraordinary measures to preserve financial stability. Some of such measures include the following: funding for a bank's capitalization, extraordinary funding and increase of the Deposit Protection Fund coverage, implementing the concept of "Open Bank," which consists of keeping a particular financial institution temporarily open and operating~~,~~ mainly to protect depositors and their deposits. In addition, the Superintendency of Banks has been supporting other important draft bills on subjects such as the securities market, savings and credit cooperatives, leasing, insurance contracts and credit bureaus, among others.

Amendments to Banking and Financial Groups Law (2012)

On September 26, 2012, the Congress issued Decree No. 26-2012, which introduced important amendments to the Banks and Financial Groups Law and the Organic Law of the Bank of Guatemala. These reforms, which took effect as of April 1, 2013, 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.

With regards to authorized offshore banking, institutions are required to 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 regards 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 and 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 adjusted 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 within the reforms.

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, the 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 required to pay fees to contribute to the FOPA. These fees are 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.

Recent Reforms to Banks and Financial Groups Law (2016 and 2018)

On May 26, 2016, Congress issued Decree No. 28-2016 which contains amendments to the Banks and Financial Groups Law. These amendments, among other things, prohibit creditors or collection agents from oppressing, annoying or abusing a person in an insistent and repetitive way in the management of debt collection, specifically limiting to twice a day attempts at collection by any means, prohibiting the communication, for the purpose of recovery, with a person other than the debtor and posting notices in places near the residence or work of the debtor in order to cause embarrassment.

Moreover, Decree No. 37-2016 issued on August 23, 2016 by the Congress contains amendments to the Banks and Financial Groups Law to include the SAT as one of the entities that may access banking information through a specific procedure defined in the Guatemalan tax code, if required by a court with jurisdiction.

The amendments also modify Article 113 of the Banks and Financial Groups Law, which sets forth the requirements for the operation in Guatemala of offshore entities, establishing that they must present in detail information relating to their assets, liabilities and operations. Finally, Decree No. 28-2016 states that these entities are required to respond to requests for information on depositors and investors from the SAT, in accordance with the provisions of Article 63 of the Banks and Financial Groups Law and the Guatemalan tax code. However, in 2018, the amendments to Articles 63 and 113 were provisionally suspended by the Constitutional Court concurrently with the suspension by the court of reforms to the tax code.

In the first quarter of 2018, Corporate Governance and Banks Stock Purchase regulations were amended in order to enhance bank fitness and proper requirements of the members of the board of directors and stockholders, particularly with regards to requirements on board members to comply with standards of economic solvency, soundness, knowledge, experience and responsibility that assure financial support, appropriate administration and reputation of the bank throughout the time they are either working for the bank or holding stock.

Inflation

The average inflation rate from 2014 through 2018 was 3.7%, within inflation target range set by the Bank of Guatemala for those years (4.0% +/- 1 percentage point). 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 2014, 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%, inside the boundaries of the inflation target set by the Bank of Guatemala.

In 2016, inflation was affected by an increase in food prices, especially for vegetables and fruits, due to a domestic supply shock as a result of adverse weather conditions. Energy prices also boosted inflation due to an increase in fuel and electricity prices, mainly in the second half of the year, as a consequence of higher oil prices. For 2016, inflation registered at a rate of 4.2%, along the lines of our inflation target.

During 2017, temporary supply shocks and a seasonal increase in internal and external demand, mainly for vegetables and fruits, affected inflation. However, on average, the inflation rate remained within the target range during the year. In addition, inflation was influenced by fuel prices, particularly in the last quarter of 2017, and in that same quarter, the inflation rate reached its highest increase since 2013 due to an escalation in food prices. For 2017, inflation registered at a rate of 5.7%, along the lines of our inflation target.

During 2018, supply shocks that affected the prices for vegetables and fruits in 2017 dissipated. However, energy prices (gasoline, diesel and propane gas) increased in accordance with increases in international oil prices. Notwithstanding the foregoing, on average, the inflation rate remained within the target range throughout 2018.

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

Variation in Consumer Price Index
(%)

At December 31,	End of Period
2014	3.0
2015	3.1
2016	4.2
2017	5.7
2018	2.3
January	4.7
February	4.2
March	4.1
April	3.9
May	4.1
June	3.8
July	2.6
August	3.4
September	4.6
October	4.3
November	3.2
December	2.3

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, 2018 were US$12,755.6 million, an increase of US$986.1 million from the level recorded in December 31, 2017 (US$11,769.5 million). Net international reserves held at the Bank of Guatemala as of December 31, 2018 would cover 7.8 months of imports (7.7 in 2017), or the equivalent of 18.1 times the amount of the country's external debt service in one year (14.3 times in 2017).

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,				
	2014	2015	2016	2017	2018[(3)]
Bank of Guatemala:					
Assets[(2)]	7,333.4	7,751.2	9,160.4	11,769.5	12,755.6
Liabilities	—	—	—	—	—
Total	7,333.4	7,751.2	9,160.4	11,769.5	12,755.6
Commercial private banks:					
Assets	716.5	589.9	570.3	650.0	962.2
Liabilities	(3,955.3)	(4,551.1)	(4,939.5)	(5,366.2)	(5,257.3)
Total	(3,238.8)	(3,961.2)	(4,369.2)	(4,716.2)	(4,295.1)
Net international reserves of the banking systems	4,094.6	3,790.0	4,791.2	7,053.3	8,460.5

(1) Translated from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for the dates indicated.
(2) Amounts also reflect the gross international reserves of Bank of Guatemala.
(3) Preliminary data.
Source: Bank of Guatemala.

Gold Reserves

At December 31, 2018, the total amount of gold reserves of the Bank of Guatemala was US$284.0 million, as compared to US$287.3 million at December 31, 2017.

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 No. 2-70) and the Capital Markets and Merchandise Law and its regulation (*La Ley del Mercado de Valores y Mercancías y su reglamento*) (Decree No. 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.

PUBLIC SECTOR FINANCES

The public sector in Guatemala is comprised of the 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 2019 was approved on November 27, 2018, pursuant to Decree No. 25-2018, and entered into effect on January 1, 2019.

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 (*Instituto Nacional de Electrificación*, or the "INDE") 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 (*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, 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. For 2019, the budget for the University of San Carlos amounts to Q1,934.5 million, with an additional Q192 million to be transferred based on the efficiencies and savings for the year as well as the implementation of the Integrated Accounting System (*Sistema de Contabilidad Integrada*, or the "SICOIN").

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 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 2019

The budget ceiling for 2019 is Q87,715.06 million, to be financed mainly through tax revenues (73.0%) and other financial resources (27.0%), including approximately 18.0% to be financed through public credit. For 2019, the Government earmarked approximately 18.5% of the total budget for investment, 66.2% for general expenses and the remaining 15.3% to service public debt. The Ministries with the highest budget allocations are the Ministry of Education (18.8%), the Ministry of Public Health and Social Welfare (9.3%), the Ministry of Communications, Infrastructure and Housing (6.9%) and the Ministry of the Interior (6.1%), for a total of 41.2% of the budget. The Government estimates a fiscal deficit of 2.4% of GDP.

The following tables set forth the budgeted and actual Government expenses for 2018, and the budgeted Government expenses for 2019, by entity.

2018 Government Budget
(in millions of US$)[(1)]

Entities	Budgeted	Executed
Presidency of the Republic	30.9	30.4
Ministry of Foreign Affairs	57.0	56.0
Ministry of the Interior	651.3	627.5
Ministry of National Defense.	268.2	265.4
Ministry of Public Finance	40.0	35.3
Ministry of Education	1,861.0	1,808.2
Ministry of Health and Social Assistance	905.4	830.9
Ministry of Labor and Social Security	82.4	79.2
Ministry of Economy.	50.1	46.6
Ministry of Agriculture, Livestock and Feeding.	191.6	181.6
Ministry of Communications, Infrastructure and Housing	640.0	618.1
Ministry of Energy and Mines	9.7	9.5
Ministry of Culture and Sports	72.0	55.7
Secretariats and other Executive Branches	170.9	157.3
Ministry of Environment and Natural Resources	18.9	18.2
Obligations of the State Treasury	3,501.6	3,356.0
Public Debt Services	1,430.7	1,428.2
Ministry of Social Development	136.4	112.0
Attorney General's Office	14.0	13.5
Total	10,132.1	9,729.5

(1) Translated from *quetzales* to U.S. dollars with the annual reference exchange of December 31, 2018, published by the Bank of Guatemala.
Source: Budget Technical Office, Ministry of Public Finance.

2019 Government Budget
(in millions of US$)[(1)]

Entities	Budgeted
Presidency of the Republic	29.9
Ministry of Foreign Affairs	74.7
Ministry of the Interior	690.8
Ministry of National Defense	339.6
Ministry of Public Finance	49.3
Ministry of Education	2,136.6
Ministry of Health and Social Assistance	1,059.5
Ministry of Labor and Social Security	97.2
Ministry of Economy	52.1
Ministry of Agriculture, Livestock and Feeding	176.5
Ministry of Communications, Infrastructure and Housing	782.4
Ministry of Energy and Mines	10.5
Ministry of Culture and Sports	80.5
Secretariats and other Executive Branches	197.3
Ministry of Environment and Natural Resources	16.5
Obligations of the State Treasury	3,645.5
Public Debt Services	1,733.4
Ministry of Social Development	149.8
Attorney General's Office	15.2
Total	11,337.2

(1) Translated from *quetzales* to U.S. dollars at the annual reference exchange rate of December 31, 2018, published by the Bank of Guatemala.
Sources: Budget Technical Office and Ministry of Public Finance

Government Accounts

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

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

	As of and for the year ended December 31,									
	2014		2015		2016		2017		2018(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal revenue:										
Current revenues										
Taxes:										
Import duties	264.3	4.2	281.8	4.3	305.6	4.3	334.0	4.3	342.5	4.4
Taxes on goods and services (including VAT)	3,788.1	59.6	3,921.0	60.4	4,103.0	57.6	4,558.6	59.1	4,699.3	60.1
Estate and real estate taxes	2.0	—	2.8	—	3.1	—	4.1	0.1	3.7	—
Income taxes	2,296.3	36.2	2,290.4	35.3	2,706.1	38.0	2,815.4	36.5	2,778.3	35.5
Other	—	—	—	—	—	—	—	—	—	—
Total tax revenues	6,350.7	100.0	6,496.0	100.0	7,117.8	100.0	7,712.1	100.0	7,823.8	100.0
Non-Tax revenues(3)										
Social security contributions	209.2	55.0	215.7	54.6	266.6	60.9	256.3	59.7	260.7	59.3
Public services.	44.9	11.8	46.3	11.7	55.9	12.8	57.3	13.3	53.3	12.1
Other	126.4	33.2	132.8	33.6	115.1	26.3	116.0	27.0	125.8	28.6
Total non-tax revenues	380.5	100.0	394.8	100.0	437.6	100.0	429.6	100.0	439.8	100.0
Current transfers	23.2	100.0	13.7	100.0	8.8	100.0	22.2	100.0	26.2	100.0
Other current revenues	—		—		—		—		—	
Total current revenues	6,754.3	100.0	6,904.5	100.0	7,564.2	100.0	8,163.9	100.0	8,289.8	100.0
Capital revenues:										
Capital income	0.9	100.0	3.4	100.0	0.6	100.0	0.5	100.0	0.4	100.0
Total capital revenues	0.9	100.0	3.4	100.0	0.6	100.0	0.5	100.0	0.4	100.0
otal fiscal revenue	6,755.2	100.0	6,907.9	100.0	7,564.8	100.0	8,161.5	100.0	8,290.2	100.0
Expenditures:										
***Current expenditures*:**										
Consumption expenditures	3,620.0	59.0	3,702.3	57.5	3,781.5	55.2	4,048.5	54.0	4,244.9	54.7
Interest on public internal debt	564.7	9.2	656.0	10.2	670.7	9.8	720.8	9.6	763.9	9.8
Interest on public external debt	286.9	4.7	338.9	5.3	345.4	5.0	368.0	4.9	364.2	4.7
Social security contributions	488.2	8.0	509.2	7.9	566.3	8.3	649.7	8.7	630.5	8.1
Current transfers	1,180.7	19.2	1,227.7	19.1	1,486.2	21.7	1,715.3	22.9	1,756.6	22.6
Total current expenditures	6,140.5	100.0	6,434.1	100.0	6,850.1	100.0	7,502.3	100.0	7,760.0	100.0
***Capital expenditures*:**										
Real investment	552.9	32.0	269.4	19.4	168.4	11.6	284.6	17.2	516.7	27.1
Financial investment	0.8	—	—	—	1.0	0.1	7.1	0.4	4.7	0.2
Capital Transfers	1,172.8	67.9	1,119.7	80.6	1,278.3	88.3	1,359.1	82.3	1,387.5	72.7
Total capital expenditures	1,726.5	100.0	1,389.1	100.0	1,447.7	100.0	1,650.8	100.0	1,908.9	100.0
Total expenditures	7,867.0	100.0	7,823.2	100.0	8,297.8	100.0	9,153.1	100.0	9,668.9	100.0
Fiscal Balance:										
Current account balance	613.9	55.2	470.3	51.4	714.1	97.4	658.8	66.4	529.7	38.4
Capital account deficit	(1,725.6)	(155.2)	(1,385.7)	(151.4)	(1,447.1)	(197.4)	(1,650.3)	(166.4)	(1,908.5)	(138.4)
Fiscal surplus/(deficit)	(1,111.7)	100.0	(915.4)	100.0	(733.1)	100.0	(991.6)	100.0	(1,385.2)	100.0
Financing:										
Net foreign financing	15.9	1.4	475.2	51.9	542.6	74.0	160.5	16.2	60.4	4.4
Net domestic financing	1,062.8	95.6	522.5	57.1	528.6	72.1	965.2	97.3	1,291.2	93.2
Payment of monetary cost.	—	—	—	—	—	—	87.9	8.9	—	—
Other financing sources	33.0	3.0	(82.3)	(9.0)	(338.1)	(46.1)	(222.0)	(22.4)	33.6	2.4
Total financing	1,111.7	100.0	915.3	100.0	733.0	100.0	991.5	100.0	1,385.3	100.0
GDP	58,731.8		63,760.6		68,643.8		75,598.5		78,452.1	
Nominal exchange rate	7.731		7.656		7.602		7.350		7.520	
Government revenues as % of GDP	11.5		10.8		11.0		10.8		10.6	
Government expenditures as % of GDP	13.4		12.3		12.1		12.1		12.3	
Surplus/(deficit) as % of GDP	(1.9)		(1.4)		(1.1)		(1.3)		(1.8)	

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

Tax Regime

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

The ratio of tax revenues to GDP was 10.8% in 2014, 10.2% in 2015, 10.4% in 2016 and 10.2% in 2017. The ratio of tax revenues to GDP in 2018 was 10.0%. Guatemala has historically experienced low levels of tax collection principally due to:

- 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. In 2016, significant progress was made in combating fiscal fraud and corruption through the approval of a new legal framework set forth in Decree No. 37-2016 of Congress, which, among other things, sought to regulate banking secrecy. In this regard, this decree provided that information relating to bank accounts can be requested by the SAT (without knowledge of the relevant taxpayer) only under the order of a judge. This decree also created an administrative tax and customs court, which is responsible for resolving appeals in tax matters, and also created a new mechanism for the appointment of the superintendent of the SAT, where the superintendent is no longer appointed directly by the President of the Republic. The objective of this decree was to strengthen governance of the SAT.

However, the portion of Decree No. 37-2016 that provided for the SAT's ability to request information relating to bank accounts without knowledge of the relevant taxpayer was temporarily suspended on August 17, 2018 pursuant to a resolution of the Constitutional Court. Notwithstanding the suspension, information may still be requested of a judge; however, notice of such request must be given to the relevant taxpayer, which creates the possibility of challenge by the taxpayer. As a result of the suspension, these types of requests became difficult to enforce. If the above-referenced provisions of this decree are permanently declared unconstitutional by the Constitutional Court, this could have a negative impact on future tax collection, in particular in coming fiscal years when ambitious collection targets have been established. Estimates of tax collections for the first quarter of 2019 fell short by US$102.5 million.

During 2016, the SAT enforced existing law to intervene in companies in different sectors by means of a court order in connection with tax fraud investigations, allowing the SAT to control the intervened companies' cash and bank accounts to guarantee payment of tax obligations, without impairing the day-to-day operations of such companies. In some instances, these interventions also involved criminal actions for tax fraud. Collections by means of court orders during 2016 totaled Q2,197.7 million (approximately US$289.1 million), of which 77.5% corresponded to income tax and 21.6% corresponded to VAT, with the remaining 0.9% corresponding to other taxes. During 2017, collections by means of court orders totaled Q84.11 million (approximately US$11.4 million), of which 79.3% corresponded to income tax and 11.7% corresponded to VAT, with the remaining 9.0% corresponding to other taxes. There were no collections by means of such court orders in 2018.

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.

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 from VAT. 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 square meters; services rendered by educational, social assistance and religious institutions; and sales of generic drugs of natural origin, among others. Initial sales of real estate in connection with registrations are subject to VAT at a rate of 12%, and subsequent sales of real estate are subject to stamp tax at a rate of 3%.

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); and

(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 a month.

Individuals whose main income source comes from the rendering of personal services as employees under a labor regime, whose gross income is comprised of salaries and wages, commissions, representation expenses, bonuses (including 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%.

Income tax is also payable on income arising from the sale of goods, assets and/or interests. Profit from such sales is taxed at a 5% rate, and income from leases and capital gains are taxed at a rate of 10%.

Solidarity Tax

In December 2008, through Decree No. 73-2008, the Congress created 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

The tax revenues described above are complemented by a variety of other taxes which do not provide significant levels of revenue, including import duties, specific taxes on alcoholic beverages, tobacco, cement, and oil derivatives, stamp tax, vehicle registration, vehicle circulation and royalties, among others.

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

Tax Revenues
(As % of total tax revenue)

	For the year ended December 31,				
	2014	2015	2016	2017	2018
Import duties	4.2	4.3	4.3	4.3	4.4
Taxes on goods and services (including VAT)	59.6	60.4	57.6	59.1	60.1
Estate and real estate taxes	—	—	—	—	—
Income taxes	36.2	35.3	38.0	36.5	35.5
Other taxes	—	—	—	—	—
Total tax revenues	100.0	100.0	100.0	100.0	100.0

Source: SICOIN; Ministry of Public Finances.

During 2018, tax collection was affected by adverse events, such as the resolution of the Constitutional Court described above, depreciation of the *quetzal* and external factors, such as fluctuations in the international price of oil.

Tax Reforms

In 2012, a substantial tax reform was enacted, including Decree No. 10-2012 (*Ley de Actualización Tributaria*, or the "2012 Tax Update Law"), which includes a new income tax law, vehicle registration tax law and amendments to the VAT Law, and Decree No. 4-2012 (*Disposiciones para el Fortalecimiento del Sistema Tributario y Combate a la Defraudación y al Contrabando*, or the "2012 Anti-Tax Evasion Law"), which includes provisions intended to strengthen the tax collection system, and to reduce smuggling and tax avoidance generally. In addition, in 2013, Decree No. 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 decline 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 in 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 2012 Anti-Tax Evasion Law, 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 amendments to the 2012 Tax Update Law, which includes a new income tax that went 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 income tax law, to facilitate tax compliance, and to reduce tax avoidance and evasion.

The 2012 Anti-Tax Evasion Law provided for the improvement and strengthening of the ability of the SAT to combat tax noncompliance. For that purpose, the 2012 Anti-Tax Evasion Law provided new tools and included 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 SAT can reduce fines and other interest up to 85% of the original amount if during an audit proceeding the taxpayer accepts its obligations in the early phases of the proceeding. The same provisions have also been applied in the case of a threat of initiating a criminal investigation by the SAT.

The SAT 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; 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 No. 29-89.

During 2017, a tax amnesty was approved pursuant to Governmental Agreement 82-2017 “Exemption of fines, arrears, interest or surcharges,” which was later extended by an additional month with Governmental Agreement 182-2017. This amnesty resulted in the collection of a total of Q1,211.0 million (approximately US$164.8 million), of which 51.7% corresponded to income tax and 31.2% corresponded to VAT, with the remaining 17.1% corresponding to other taxes.

In addition to the recent tax reforms, the SAT, 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 Prosecutor's Office and the Guatemalan Army, to reduce smuggling and to improve tax compliance.

In December 2014, Decree No. 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 royalty 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 royalty 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 and was challenged before the Constitutional Court. The Constitutional Court held against the Government, preventing the new tax on fixed or mobile phone 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%.

There was a negative impact on collections due to delays in the decisions of the Constitutional Court regarding mining activity, including in cases such as the San Rafael Mine, which was affected by a temporary suspension of the "El Escobal" mine from July 2017 to September 2018. These delays lead to a reduction in the export of metallic minerals such as silver, lead and zinc, which are the main products of the San Rafael Mine. In addition, another important mining company, Montana Exploradora, owned by Marlin Mine, ceased operations in 2017. See "Transparency and Corruption—Other Proceedings—San Rafael Mine."

In August 2016, Congress passed Decree No. 37-2016 which amended the Organic Law of the Tax Administration Superintendency (*Ley Orgánica de la Superintencia de Administración Tributaria*) and reorganized the SAT into the following offices: (i) the Board of the SAT, (ii) the Superintendent, (iii) the Tax and Customs Administrative Court ("TRIBUTA") and (iv) the tax managers. With these amendments, the Board of the SAT is currently responsible for determining tax and customs policy and the newly-created administrative court TRIBUTA is responsible of resolving administrative proceedings in tax matters, which prior to these amendments, was also a function of the Board of the SAT. These amendments also regulate banking secrecy, allowing the SAT to obtain information on bank accounts only by the order of a judge and secures that taxpayers must be informed when they are being investigated.

In addition, amendments under Decree No. 37-2016 strengthened the rules protecting taxpayers' rights with respect to their personal information obtained by the SAT and created special units overseeing internal affairs and the safeguarding of sensitive tax information. Finally, these amendments also provide transparency with respect to public contracting with the government of Guatemala and also require officers of the SAT to file a sworn statement of assets before taking office and yearly, no later than December 31.

During the 2018 fiscal year, the SAT focused on efforts to create tools meant to increase taxpayers' perception of risk, through strategic actions and objectives that would increase tax compliance and increase control in the country's customs. The new Online Electronic Invoice Regime (known as the ELF) allows the SAT to access online invoicing information, including through a system of advanced queries to obtain information, in order to reinforce taxpayers' perception of risk.

In April 2019, Congress approved Decree No. 4-2019, the "Law for the Economic Reactivation of the Guatemalan Coffee Sector." This decree was intended to contribute to the reactivation of the coffee sector in two ways: actions with respect to a trust for the financial support of coffee producers in Guatemala; and tax measures aimed to speed up the reimbursement of VAT to exporters. This decree is intended to accelerate the right to obtain reimbursement of VAT credits for exporters pursuant to the VAT Law, not only of the coffee sector but all sectors that include exports. Chapter II of this decree updated the VAT Law, including the formation of a new method of refunding the VAT credits to exporters, called the "special electronic scheme." This decree unified rates upon the issuance of special invoices (*facturas especiales*) at 5%, eliminated the marginal rate of 7%, defined the requirements to participate in the regime and modified the exporters' supplier registry. Finally, this decree included the possibility that exporters can commence the process of obtaining a refund of a VAT credit prior to the issuance of the related approval by the SAT, in order to reduce the large number of refunds of VAT credits generated in the general tax regime, under the condition that the current procedure is terminated and that the requirements of the special electronic scheme are complied with. However, the creation of this regime is subject to the SAT being able to implement the necessary tools for its operation within a period of six months. If such implementation is not completed within the six-month period for an external cause, the SAT shall request an extension from Congress, which can be approved by a simple majority vote.

Fiscal Policy

Public sector debt as a percentage of GDP was 23.8% in 2017 and 24.8% in 2018. In addition, the Government believes that this rate is consistent with the policy set for debt sustainability.

Since 2001, Guatemala has had a track record of low deficits with an average deficit of 1.9% between 2001 and 2017. Since 2001, in only two out of 17 years, has the annual deficit been higher than 3% (3.1% in 2009 and 3.3% in 2010) due to the reduction on imports and remittances that affected tax revenues and counter-cyclical social expenditures, both due to the 2008 global financial crisis.

After 2007, other factors had adverse effects on public finances: the lack of political consensus for fully implementing 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 2018 at 1.8% of GDP.

On June 3, 2018, the Fuego volcano, located in south-central Guatemala 40 kilometers southwest of Guatemala City, erupted with heavy explosions that produced dense ash columns that rose to 10 kilometers into the atmosphere and were carried by the wind for tens of kilometers, causing the temporary closure of the Aurora Airport, the main international airport. Many people lost their lives and the victims who survived were affected by the loss of housing and basic services. In addition, road infrastructure and public services were damaged, leading the Government to incur additional expenditures for emergency responses, in particular during the days immediately after the eruption, and generally to help those who were affected. As a result, there was an increase in expenditures for goods and services. A damage and loss assessment relating to the Fuego volcano eruption was prepared with the support of international organizations. Preliminary reports indicate that the total damage caused by the eruption amounted to Q1,642 million (approximately US$212.2 million), of which Q201 million corresponded to impact on the public sector for the damages, losses and additional costs incurred as a result of the catastrophe.

The following table sets forth the deficits between 2014 and 2018.

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

For the year ended December 31,				
2014	**2015**	**2016**	**2017**	**2018[(1)]**
(1.9)	(1.4)	(1.1)	(1.3)	(1.8)

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

Because the growth of tax revenues was below economic growth, the tax burden was reduced again, while public expenditure on GDP terms increased due to higher investment spending, which collectively exerted upward pressure on the fiscal deficit, which stood at 1.8% of GDP as of December 31, 2018.

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 from 3.3% in 2010 to 1.8% in 2018 and keeping public debt below 30% of GDP (24.8% of GDP in 2018). 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 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 a stable level of expenditure as a share of GDP. Between 2000 and 2017, average budgeted expenditures as a percentage of GDP have been approximately 13.8%. However, in recent years, there has been a reduction in Government expenditures, and in 2018, budgeted expenditures were 12.3% of GDP, as a result of the reduction in tax revenues and the Government's policy of avoiding increases in public debt. The allocation for social expenditures increased from 46.7% of the Republic's budget in 2014 to an estimated 50.3% of the budget in 2018.

For 2018, due to expenditure commitments, tax provisions and other laws, from each Q1.00 collected by the Government, approximately Q0.91 specifically earmarked for, or intended to finance, a spending obligation, such as meeting debt service payments, which reduces budget flexibility. The specific uses defined by constitutional law include, among others, the contributions of 10% of total ordinary revenues of the budget to municipalities, 5% to the University of San Carlos, 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 from 42.2% in 2001 to 50.3% in 2018. 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,				
2014	**2015**	**2016**	**2017**	**2018**
46.7%	48.4%	49.4%	48.7%	50.3%

Source: Ministry of Public Finance

Public Investment

From 2012 to 2015, investment spending appeared to decrease due to the changes in the classification of public expenditure since, from 2012, maintenance of infrastructure spending is recorded in the goods and services category (prior to 2012, such spending was considered to be a direct investment). In addition, fiscal policy consolidation efforts through the gradual reduction of the deficit over this period reduced the availability of public investment funds, thereby reducing this type of investment.

In 2016, in addition to the scarcity of funds, investment was affected by other factors, including the validity of a new law for purchases and contracts by the Government. This law introduced new provisions that affect the way public bidding is conducted, which delayed the awarding of public contracts for that year, and created uncertainty for the suppliers of goods and services as well as in Government entities, which mainly affected projects that were financed with external loans.

By 2017, public investment began to recover gradually, increasing by 3.5% compared to 2016 and by 18.3% in 2018 compared to 2017. This increase was mainly due to the effects of policies implemented by the current administration intended to promote economic recovery by increasing public investment in strategic sectors.

In 2018, approximately 82% of the Government's spending on public investment was concentrated on works and projects executed by the Ministry of Communications, Infrastructure and Housing, committed to the recovery of the country's road network, as well as in transfers made by the Government to municipalities and development councils, with the purpose of promoting community development and at the same time comply with constitutional mandates and ordinary laws.

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 (*Sistema Nacional de Inversion Pública*, or the "SNIP"), the Management Information System and the SICOIN, 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 Prosecutor's Office 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. Among the most important amendments, the following were included: 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*) and Certificate of Financial Availability (*Constancia de Disponibilidad Financiera*) prior to underwrite contracts or agreements to ensure the existence of 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 SAT 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).

In 2016, under the open government initiative, the Ministry of Public Finance made each stage of budget formulation more open towards the participation of civil society. This process included generating spaces for discussion and analyzing different scenarios, projections and macroeconomic assumptions for consideration in the process of formulating the 2017 and 2018 budget that would serve as a basis for the estimation of tax revenues.

In 2018, for the third consecutive year the open budget exercise was carried out. In June 2018, the Open Country Route 2019-2023 Budget workshops concluded based on the following priorities: Economy and Prosperity, Human Development, and Security and Justice. Each of the 13 Ministries, the Public Ministry and the judicial system presented their budgetary allocation needs. These forums established national priorities, pursuant to which institutional indicative ceilings were defined for the formulation of the budget.

Further in the area of transparency, in September 2016 the government carried out the first electronic reverse auction event through Guatecompras. The main objective was to optimize the supply and demand of public purchases, allowing for the real-time visualization of the auction process in electronic form as it automatically determines which bidder has proposed the most suitable bid based on the lowest price and best quality.

Additionally, since November 15, 2018, the General Acquisitions Registry of the State (*Registro General de Adquisiciones del Estado–RGAE*) has been operating. Its purpose is to register individual and legal persons, national or foreign, in order to be qualified as contractors or suppliers for the Government. This registry is maintained by the newly-created Vice Ministry of Fiscal Transparency and Acquisitions of the State, which was approved pursuant to Governmental Agreement 25-2018. This Vice Ministry's purpose is to strengthen institutions and institutional transparency in the management of public resources.

In terms of public expenditure prioritization, the Plan of the Alliance for Prosperity in the Northern Triangle (the "PAPTN") seeks to implement actions that improve quality of life and that generate economic opportunities for the populations of the Northern Triangle countries (Guatemala, Honduras and El Salvador) to avoid migration to the United States. The PAPTN is comprised of 16 commitments associated with four strategic axis, which aim to strengthen human capital, improve transparency, strengthen security and justice and boost the productive sector. The programs in the Government budget in 2018 aligned with the strategic objectives of the PAPTN were equal to Q9,632.5 million (95.8%), exceeding the percentages for 2016 and 2017, which were 68.0% and 73.6%, respectively.

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,				
	2014	**2015**	**2016**	**2017**	**2018[(2)]**
Balance:					
Total non-financial public sector	(1.5)	(1.2)	(0.9)	(1.1)	(1.6)
Bank of Guatemala losses	(0.4)	(0.3)	(0.2)	(0.3)	(0.1)
Consolidated public sector deficit	(1.8)	(1.5)	(1.1)	(1.4)	(1.7)
Financing:					
Government					
External					
Foreign loans (net)	—	0.7	(0.2)	0.4	0.1
Bonds	—	—	1.0	0.7	
Total external	—	0.7	0.8	0.3	0.1
Internal					
Bonds	1.8	0.8	0.8	1.3	1.6
Use of government deposits	—	(0.1)	(0.5)	(0.3)	0.1
Total internal	1.8	0.7	0.3	1.0	1.7
Overall balance Government	1.9	1.4	1.1	1.3	1.8
Rest of nonfinancial public sector balance	0.4	0.2	0.2	0.2	0.2
Bank of Guatemala losses	0.4	0.3	0.2	0.3	0.1
Combined public sector financing	1.8	1.5	1.1	1.4	1.7

(1) Data provided by the Ministry of Public Finances and Bank of Guatemala.
(2) 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 (*Sistema Integrado de Administración Financiera*, or the "SIAF") was created to develop an on-line system which allows public access to financial information, with the goal of improving public expenditure transparency. 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. 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. By the end of 2018, all 340 municipalities had been incorporated into the SICOIN, and only one autonomous institution (the University of San Carlos) remained which did not use SICOIN as its official financial management system. However, beginning in 2019, with the support of the Ministry of Finance, the University of San Carlos has begun the process of adopting the SICOIN system with respect to its budget and spending, including its payrolls. The Ministry of Finance and the University of San Carlos signed an Agreement for the strengthening of Institutional Transparency policy and support in the implementation of Transparency and Accountability Mechanisms.

Notwithstanding the foregoing, there are still different electronic platforms in use by each government sector, which still makes it difficult to obtain consolidated data from the non-financial public sector. However, by 2019, efforts have been made to find the appropriate mechanisms with the purpose of initiating actions aimed at consolidating the information of non-financial public sector within the framework of the international standards of the Manual of Public Finance Statistics of the IMF (2014 edition).

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.

The Government has followed a fiscal policy resulting in an average deficit of 1.5% of GDP between 2014 and 2018 that has contributed to maintain a modest level of debt. As a result, at December 31, 2018, public sector debt was 24.8% of GDP, 1.0% more than the public sector debt to GDP ratio for 2017.

Between 2005 and 2007, average public sector debt was 21.4% 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

As of December 31,				
2014	**2015**	**2016**	**2017[(1)]**	**2018[(1)]**
24.4%	24.3%	24.0%	23.8%	24.8%

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

As of December 31, 2018, public sector external debt was US$ 8,224.6 million, which represented approximately 43.6 % 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
(in millions of US$[(1)] and as of % of total)

	As of December 31,									
	2014		**2015**		**2016**		**2017**		**2018**	
	US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
External public debt................	7,039.3	48.2	7,489.9	48.2	8,015.5	48.0	8,183.2	45.4	8,224.6	43.6
Internal public debt.................	7,559.6	51.8	8,052.5	51.8	8,692.0	52.0	9,849.9	54.6	10,648.5	56.4
Total......................................	14,598.9	100.0	15,542.5	100.0	16,707.5	100.0	18,033.2	100.0	18,873.1	100.0

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate for each year-end date.
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

Country	Long-term Credit Ratings			2018
	Moody's	S&P	Fitch	
Guatemala	Ba1	BB-	BB	24.8%
Mexico	A3	BBB+	BBB+	53.6%
Nicaragua	B2	B-	B-	37.2%
El Salvador	B3	B-	B-	67.1%
Honduras	B1	BB-	—	40.3%
Costa Rica	B1	B+	B+	53.5%
Belize	B3	B-	—	94.8%
Panama	Baa1	BBB	BBB	39.4%

Source: Guatemala: Ministry of Public Finance. Other countries: IMF, World Economic Outlook Database, April 2019.

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 last time the Government faced difficulties paying the debt service 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. 25-2018, 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 Amortization Fund (*Fondo de Amortización*). Decree No. 25-2018 permits the Bank of Guatemala to transfer funds from the Republic's Common Fund (*Fondo Común*) to the Amortization Fund in amounts necessary to make payments of interest, principal 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 25-2018 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;
- in February 2013, US$700 million of 4.87% notes due 2028;
- in May 2016, US$700 million of 4.500% notes due 2026; and
- in June 2017, US$500 million of 4.375% notes due 2027.

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, Governmental Agreement 540-2013). 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 Organic Budget Law, established in Article 66 of the Organic Budget 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, 2018, total public sector debt totaled US$18,873.1 million. Domestic debt increased from 51.8% of total public sector debt in 2014 to 56.4% in December 31, 2018. During the same period, local currency-denominated debt increased from 45.8% of total public sector debt in 2014 to 52.1% in December 31, 2018, an increase of 6.3%. 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 2014 and 2018, the average percentage of fixed interest rate debt was approximately 72.3% of total public sector debt. As of December 31, 2018, 75.6% of public sector debt bears interest at fixed rates and the remainder, 24.4%, 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, 2018, 25.9% and 2.2% 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 2018 for external and internal public sector debt were 4.6% and 7.5%, respectively. Interest payments for debt service as of December 31, 2018, are valued at 1.4% of GDP, or 14.2% of tax revenues.

Long-term domestic debt and multilateral debt contributes to reduce rollover risk. The Average Time to Maturity of external and domestic internal debt in 2018 was 8.3 years and 8.9 years, respectively. The weighted maturity overall is 8.6 years. Low interest rates of debt issued to multilateral and bilateral institutions contribute to reduce the rollover risk.

External Debt

As of December 31, 2018, public sector external debt was comprised 59.4% by debt issued to multilateral institutions; 5.0% by debt issued to bilateral organizations and governments; and the remainder, 35.6%, was issued to private creditors (bondholders). As of December 31, 2018, the Government's public sector external debt and its debt service was 74.2% 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 December 31,				
	2014	**2015**	**2016**	**2017[(2)]**	**2018[(2)]**
Official Creditors:					
Multilateral organizations					
Inter-American Development Bank	2,356.5	2,500.6	2,403.7	2,262.2	2,196.5
World Bank	1,493.3	1,761.9	1,675.3	1,555.3	1,718.0
CABEI	1,051.8	1,080.5	1,084.5	1,014.4	957.7
International Fund for Agricultural Development	7.5	5.7	6.5	9.2	7.6
Organization of Petroleum Exporting Countries	7.9	7.6	6.2	6.0	4.8
Total multilateral organizations	4,917.0	5,356.3	5,176.2	4,847.1	4,884.6
Bilateral lending institutions:					
United States (US-AID, C.C.C.)	8.1	7.1	6.2	5.0	4.4
Kreditanstalt für Wiederaufbau—Germany	66.3	57.3	53.3	58.1	55.9
Mediocredito Centrale—Italy	—	—	—	—	—
Canadian International Development Agency	1.1	0.8	0.8	0.7	0.6
Union Bank of Switzerland	3.4	2.7	2.0	1.3	0.8
Japanese International Cooperation Agency	137.3	130.8	125.7	121.4	130.8
Eximbank—Republic of China (Taiwan)	4.2	3.3	17.1	33.9	50.5
International Cooperation and Development Fund—Republic of China (Taiwan)	5.8	5.1	4.4	3.6	2.9
BBVA—Spain	19.2	28.8	32.0	28.3	24.5
BNDES—Brazil	146.7	167.8	167.8	153.8	139.8
Total bilateral entities	392.1	403.7	409.3	406.1	410.2
Private Creditors					
9.25% Notes due 2013	—	—	—	—	—
5.75% Notes due 2022	700.0	700.0	700.0	700.0	700.0
4.87% Notes due 2028	700.0	700.0	700.0	700.0	700.0
8.12% Notes due 2034	330.0	330.0	330.0	330.0	330.0
4.500% Notes due 2026	—	—	700.0	700.0	700.0
4.375% Notes due 2027	—	—	—	500.0	500.0
Total private creditors	1,730.0	1,730.0	2,430.0	2,930.0	2,930.0
Total	7,039.1	7,490.0	8,015.5	8,183.2	8,224.6
External debt (as % of GDP)	11.78%	11.71%	11.54%	10.82%	10.79%
External debt interest service (as % of GDP)[(3)]	0.49%	0.53%	0.50%	0.48%	0.46%

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate for December 31 of each year.
(2) Preliminary data for percentages.
(3) Includes interest and commissions.
Source: Ministry of Public Finance.

For 2014 through 2018, the Guatemalan public sector has increased its bilateral and commercial bank debt, and also has increased the debt issued to the private sector, while the debt to multilateral institutions has decreased slightly. 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, 2018 are the bond holders (35.6%), the Inter-American Development Bank (26.7%), the World Bank (20.9%), and the Central American Bank for Economic Integration (11.6%).

As set forth in the following table, most of the external debt of the Republic as of December 31, 2018 was denominated in U.S. dollars (97.5%).

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

	As of December 31, 2018	
Currency:	**Amount**	**% of total external debt**
U.S. dollar	8,022.6	97.5%
Japanese yen	130.8	1.6%
Euros	62.3	0.8%
Special drawing right[2]	7.6	0.1%
Swiss franc	0.8	—
Canadian dollar	0.6	—
Total	8,224.6	100.0%

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate for each 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,				
	2014	**2015**	**2016**	**2017**	**2018**
Interest payments[2]	285.9	337.3	343.8	365.8	361.9
Amortization	303.4	341.5	344.4	446.8	336.9
Total public sector external debt service[3]	589.3	678.8	688.2	812.6	698.8
Total public sector external debt service:					
as % of total exports (FOB)	5.4%	6.3%	6.5%	7.3%	6.4%
as % of GDP	1.0%	1.1%	1.0%	1.1%	0.9%
as % of total tax revenue	9.3%	10.4%	9.7%	10.5%	8.9%

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official average daily exchange rate for each year.
(2) Includes interest and commissions.
(3) Includes Government debt and Government-guaranteed debt of the public sector.
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 5.4% in 2014 to 6.4% in 2018. Similarly for the same period, debt service as percentage of GDP has decreased slightly from 1.0% in 2014 to 0.9% of GDP in 2018; and debt service as percentage of tax revenue has decreased from 9.3% in 2014 to 8.9% in 2018. 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,									
	2014		2015		2016		2017		2018	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fixed rate	2,722.6	38.7	2,691.4	35.9	3,205.3	40.0	3,660.9	44.7	3,619.9	44.0
Floating rate	4,316.7	61.3	4,798.5	64.1	4,810.2	60.0	4,522.3	55.3	4,604.7	56.0
Total	7,039.3	100.0	7,489.9	100.0	8,015.5	100.0	8,183.2	100.0	8,224.6	100.0

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate for each year-end date.
Source: Ministry of Public Finance.

As of December 31, 2018, most of the Republic's external debt was set at floating rates (56.0%), 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 2019 through 2030.

Debt Service on Current Public Sector External Debt[(1)]

(in millions of US$)[(2)]

	2019		2020		2021		2022	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	307.8	328.5	396.2	356.7	379.5	338.0	1,065.4	300.7
Rest of public sector	7.1	1.8	7.1	1.5	7.1	1.3	6.2	1.0
Total	314.9	330.4	403.4	358.2	386.6	339.3	1,071.6	301.7
	2023		**2024**		**2025**		**2026**	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Government	340.3	263.9	365.0	248.3	366.4	231.1	1,046.3	199.1
Rest of public sector	5.2	0.8	5.2	0.5	4.6	0.3	2.3	0.2
Total	345.4	264.7	370.1	248.8	371.0	231.5	1,048.6	199.2
	2027		**2028**		**2029**		**2030**	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Government	798.9	157.7	988.4	117.2	247.0	88.1	211.2	78.5
Rest of public sector	1.4	0.1	0.3	0.1	0.3	0.1	0.3	0.1
Total	800.2	157.7	988.7	117.3	247.4	88.2	211.6	78.6

(1) Amounts are for existing public sector external debt as of December 31, 2018.
(2) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate as of December 31, 2018.
Source: Ministry of Public Finance.

Internal Debt

Public sector internal debt, which does not include debt of the Bank of Guatemala, was US$10,648.5 million (Q82,386.9 million) as of December 31, 2018. A portion of such debt is owed to public sector entities.

As of December 31, 2018, public sector internal debt is comprised of government bonds denominated in local currency (92.3%), with the remainder denominated in U.S. dollars (7.7%). 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 14.0% and 56.4%, 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 % of total)

	As of December 31,									
	2014		2015		2016		2017[3]		2018[3]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Quetzales	6,690.3	88.5	7,183.2	89.2	7,822.7	90.0	9,020.2	91.6	9,823.5	92.3
U.S. dollars	869.3	11.5	869.3	10.8	869.3	10.0	829.8	8.4	825.0	7.7
Total	7,559.6	100.0	8,052.5	100.0	8,692.0	100.0	9,849.9	100.0	10,648.5	100.0
Internal debt as % of GDP	12.6%		12.6%		12.5%		13.0%		14.0%	
Internal debt as % of public debt	51.8%		51.8%		52.0%		54.6%		56.4%	

(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 end of period official exchange rate for each year.
(3) Preliminary data for percentages.
Source: Ministry of Public Finance.

The following table sets forth information regarding the public sector internal debt service from 2014 to 2018.

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

	As of December 31,				
	2014	2015	2016	2017	2018
Interest payments[2]	564.2	655.3	670.0	720.0	763.3
Amortization[3]	1.3	1.6	2.0	4.6	7.5
Total public sector internal debt service	565.4	656.9	672.0	724.6	770.8
Total public sector internal debt service:					
as % of GDP	1.0%	1.0%	1.0%	1.0%	1.0%
as % of total tax revenues	8.9%	10.1%	9.4%	9.4%	9.9%

(1) Non-U.S. dollar amounts are translated to U.S. dollars at the official average daily exchange rate for each year.
(2) Includes interest and commissions.
(3) Excludes refinanced amounts.
Source: Ministry of Public Finance and Bank of Guatemala.

The following table sets forth the projection of the internal public debt service for 2019 through 2030.

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

	2019		2020		2021		2022	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	—	45.5	171.5	45.5	250.3	36.2	—	24.7
In local currency	544.3	733.6	553.0	690.1	448.1	651.3	46.7	616.9
Total	544.3	779.1	724.4	735.6	698.4	687.6	46.7	641.5

	2023		2024		2025		2026	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	77.2	22.9	—	20.1	—	20.1	121.2	18.4
In local currency	350.7	602.7	792.2	576.8	746.5	519.2	640.9	453.1
Total	427.9	625.7	792.2	597.0	746.5	539.4	762.1	471.6

	2027		2028		2029		2030	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	187.7	7.1	—	1.6	—	1.6	—	1.6
In local currency	596.1	412.2	—	360.2	971.6	335.5	971.1	256.2
Total	783.8	419.3	—	361.8	971.6	337.1	971.1	257.8

(1) Amounts are for existing public sector internal debt as of December 31, 2018.
(2) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate as of December 31, 2018.
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 No. 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 Law 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 non-interest bearing note in the amount of Q16,834.2 million with a term of 100 years 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$116.9 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 Q4,092.5 million (US$512.0 million).

In 2011, quasi-fiscal losses reached Q1,017.1 million (US$130.7 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 2012, quasi-fiscal losses reached Q1,401.8 million (US$179.0 million) which were 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 Q1,523.8 million (US$194.0 million) which were reclaimed by the Bank of Guatemala in 2014, but Congress only approved Q361.0 million, which are still pending.

In 2014, quasi-fiscal losses reached Q1,710.6 million (US$221.3 million), which were requested by the Bank of Guatemala in 2015 and included in the budget for 2016, which was approved on November 30, 2015; however, as of December 31, 2016, quasi-fiscal losses from 2015 were still pending.

In 2015, quasi-fiscal losses reached Q1,449.0 million (US$189.3 million), which were requested by the Bank of Guatemala to be included in the budget for 2017, but Congress only approved Q646.0 million, which were restored to the Bank of Guatemala by the end of 2017 and, since the 2018 Budget was not approved by Congress, that difference remains to be restored to the Bank of Guatemala.

In 2017, quasi-fiscal losses reached Q1,479.3 million (US$201.2 million), which were reclaimed by the Bank of Guatemala in 2018, but Congress only approved Q699.5 million, which should be restored to the Bank of Guatemala during 2019.

DESCRIPTION OF THE NOTES

The 2030 Notes will be issued under a fiscal agency agreement, to be dated as of May 31, 2019 (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 Agent (as defined below), the "*Agents*," which terms will include their respective successors and permitted assigns), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg paying agent.

The 2050 Notes will be issued under a fiscal agency agreement, to be dated as of May 31, 2019 (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 Agent (as defined below), the "*Agents*," which terms will include their respective successors and permitted assigns), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg paying 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 2030 Notes

The 2030 Notes will:

- be issued on or about May 31, 2019;
- be limited to an aggregate principal amount of US$500,000,000 (except as provided under "—Further Issuances" and "—Replacement, Exchange and Transfer");
- have a final maturity date of June 1, 2030 (the "2030 Maturity Date"), and be repaid at par in three installments, as follows:

Principal Payment Date	Principal Payment Amount
June 1, 2028	US$166,667,000
June 1, 2029	US$166,667,000
2030 Maturity Date	Remaining principal amount

  On each principal payment date, the record holders of the 2030 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of 2030 Notes, including as a result of a redemption as described under "—Optional Redemption," or increased as a result of the issuance of additional 2030 Notes as described under "—Further Issuances" (with any principal payment date's principal payment amount resulting from such decrease or increase for any principal payment date being on a *pro rata* basis and rounded upwards to the next US$0.01));
- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- bear interest at a rate of 4.900% per year, from and including May 31, 2019, to, but excluding, the 2030 Maturity Date. Interest on the 2030 Notes will be payable semi-annually in arrears on June 1 and

December 1 of each year, commencing on December 1, 2019. Interest on the 2030 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 2030 Notes are registered at the close of business on the May 16 and November 15, as the case may be, preceding each payment date (each a "*2030 Notes Regular Record Date*");
- be subject to optional redemption prior to their scheduled maturity as described under "—Optional Redemption";
- 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 2030 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; and
- contain "collective action clauses" under which the Republic may amend certain key terms of the Notes, including the maturity date, the interest rate and other terms, with the consent of less than all of the holders of the 2030 Notes.

General Terms of the 2050 Notes

The 2050 Notes will:

- be issued on or about May 31, 2019;
- be limited to an aggregate principal amount of US$700,000,000 (except as provided under "—Further Issuances" and "—Replacement, Exchange and Transfer");
- have a final maturity date of June 1, 2050 (the "2050 Maturity Date"), and be repaid at par in three installments, as follows:

Principal Payment Date	Principal Payment Amount
June 1, 2048	US$233,333,000
June 1, 2049	US$233,333,000
2050 Maturity Date	Remaining principal amount

On each principal payment date, the record holders of the 2050 Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of 2050 Notes, including as a result of a redemption as described under "—Optional Redemption," or increased as a result of the issuance of additional 2050 Notes as described under "—Further Issuances" (with any principal payment date's principal payment amount resulting from such decrease or increase for any principal payment date being on a *pro rata* basis and rounded upwards to the next US$0.01));

- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- bear interest at a rate of 6.125% per year, from and including May 31, 2019, to, but excluding, the 2050 Maturity Date. Interest on the 2050 Notes will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2019. Interest on the 2050 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 2050 Notes are registered at the close of business on the May 16 and November 15, as the case may be, preceding each payment date (each a "*2050 Notes Regular Record Date*");
- be subject to optional redemption prior to their scheduled maturity as described under "—Optional Redemption";

- 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 2050 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; and
- contain "collective action clauses" under which the Republic may amend certain key terms of the Notes, including the maturity date, the interest rate and other terms, with the consent of less than all of the holders of the 2050 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; and (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 (the "*Luxembourg Agent*"). 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 present or future taxes, duties, fines, penalties, assessments or other governmental charges of whatever nature) imposed or levied by the Republic or any political subdivision or authority of the Republic having power to tax or any other jurisdiction through which payments on the Notes are made (each a "*Relevant Jurisdiction*") ("*Taxes*"), unless it is compelled by law to deduct or withhold such Taxes. In such event, the Republic will (i) 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 Notes;
- 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 Notes or rights in respect of the Notes, if compliance is required by the Relevant Jurisdiction, or any political subdivision or taxing authority of such jurisdiction, as a precondition to exemption from or reduction in 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 on the Notes 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, the Notes, 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 the Notes, 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, the issue price, the date from which interest accrues and the 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.

Optional Redemption

2030 Notes

Prior to the date that is three months prior to the 2030 Notes Maturity Date (the "2030 Notes Par Call Date"), the Republic may, at its option, redeem the 2030 Notes, in whole or in part, at any time or from time to time at a redemption price, calculated by a calculation agent appointed by the Republic, equal to the greater of (1) 100% of the outstanding principal amount of such 2030 Notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest on the outstanding principal amount of the 2030 Notes to be redeemed to, but excluding, the redemption date.

On or after the 2030 Notes Par Call Date, the Republic may, at its option, redeem the 2030 Notes, in whole or in part, at any time or from time to time at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest on the outstanding principal amount of the 2030 Notes to be redeemed to, but excluding, the redemption date.

Notice of any redemption will be mailed by first-class mail, postage prepaid, or delivered in accordance with the procedures of the DTC, at least 30 but not more than 60 days before the redemption date to holders of the 2030 Notes to be redeemed at their respective registered addresses and to the Fiscal Agent; *provided, however*, that if the Fiscal Agent provides notice on behalf of the Republic, the Fiscal Agent will receive notice no later than 40 days prior to the redemption date. For so long as the 2030 Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchange so require, the Republic will also cause notices of redemption to be published as described under "—Notices."

2030 Notes, when called for redemption as specified herein, will become due on the date fixed for redemption. The Republic will pay the redemption price for the 2030 Notes to be redeemed together with accrued and unpaid interest thereon to, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on the 2030 Notes subject to redemption as long as the Republic has deposited with the Fiscal Agent or a Paying Agent funds in satisfaction of the applicable redemption price pursuant to terms of the 2030 Notes. Upon redemption of any 2030 Notes by the Republic, such 2030 Notes will be cancelled.

2050 Notes

Prior to the date that is six months prior to the 2050 Notes Maturity Date (the "2050 Notes Par Call Date"), the Republic may, at its option, redeem the 2050 Notes, in whole or in part, at any time or from time to time at a redemption price, calculated by a calculation agent appointed by the Republic, equal to the greater of (1) 100% of the outstanding principal amount of such 2050 Notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest on the outstanding principal amount of the 2050 Notes to be redeemed to, but excluding, the redemption date.

On or after the 2050 Notes Par Call Date, the Republic may, at its option, redeem the 2050 Notes, in whole or in part, at any time or from time to time at a redemption price equal to 100% of the principal amount of the 2050 Notes to be redeemed, plus accrued and unpaid interest on the outstanding principal amount of the 2050 Notes to be redeemed to, but excluding, the redemption date.

Notice of any redemption will be mailed by first-class mail, postage prepaid, or delivered in accordance with the procedures of the DTC, at least 30 but not more than 60 days before the redemption date to holders of the 2050 Notes to be redeemed at their respective registered addresses and to the Fiscal Agent; *provided, however*, that if the Fiscal Agent provides notice on behalf of the Republic, the Fiscal Agent will receive notice no later than 40 days prior to the redemption date. For so long as the 2050 Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchange so require, the Republic will also cause notices of redemption to be published as described under "—Notices."

2050 Notes, when called for redemption as specified herein, will become due on the date fixed for redemption. The Republic will pay the redemption price for the 2050 Notes to be redeemed together with accrued and unpaid interest thereon to, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on the 2050 Notes subject to redemption as long as the Republic has deposited with the Fiscal Agent or a Paying Agent funds in satisfaction of the applicable redemption price pursuant to terms of the 2050 Notes. Upon redemption of any 2050 Notes by the Republic, such 2050 Notes will be cancelled.

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 66⅔% 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 such 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 66⅔% 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 April 28, 2016 pursuant to a fiscal agency or other agreement or an indenture containing provisions substantially the same as those set forth under this "—Reserved Matters; 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 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 DTC 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 276 Park Avenue South, 2nd Floor, 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.

"*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the Weighted Average Life of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of debt securities of a comparable maturity to the Weighted Average Life of the Notes.

"*Comparable Treasury Price*" means, with respect to any redemption date, (1) the arithmetic average of the Reference Treasury Dealer Quotations for the applicable redemption date after excluding the highest and lowest Reference Treasury Dealer Quotations for such redemption date, or (2) if the Independent Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the arithmetic average of all such Reference Treasury Dealer Quotations.

"*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.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Republic.

"*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.

"*Reference Treasury Dealer*" means Citigroup Global Markets Inc. or one of its affiliates, which is a primary U.S. government dealer, plus three other leading primary United States government securities dealers in New York City reasonably designated by the Republic not later than five business days preceding such redemption date; *provided* that, if any of the foregoing ceases to be a primary United States government securities dealer in New York City, the Republic will substitute therefor another primary government securities dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its outstanding principal amount) quoted in writing to Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated yield to maturity of the applicable Comparable Treasury Issue. In determining the Treasury Rate, the price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) will be assumed to be equal to the Comparable Treasury Price for such redemption date.

"*Weighted Average Life*" at any date means the number of years obtained by dividing: (1) the sum of the products obtained by multiplying:

(a) the amount of each then remaining principal installment in respect of the Notes, by

(b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such principal installment payment

by (2) the then outstanding principal amount of the Notes.

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, as amended.

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, as amended, 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, Section 100 of the 2012 Tax Update Law provides that interest (including interest on debt securities issued by the Government) and other payments made by the Government to non-residents are exempt from withholding tax. 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, subject to certain exceptions. 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

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires the Notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the Notes 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 U.S. 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;
- tax consequences attributable to persons being required to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement; or
- alternative minimum 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

The Republic expects, and the remainder of this summary assumes, that the Notes will be issued at par or at a discount that is *de minimis* for United States federal income tax purposes. 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 Notes, 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 such Guatemalan withholding tax. You may be entitled to credit any such withholding tax against your United States federal income tax liability, or, alternatively, you may be entitled to deduct any such withholding tax from your United States federal taxable income, in either case, 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 Notes 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 reduced by any previous payments of principal. 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 for purposes of determining your United States foreign tax credit limitations.

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.

Specified Foreign Financial Assets

You may be subject to reporting obligations with respect to the Notes if you do not hold the Notes in an account maintained by a United States financial institution and the aggregate value of your Notes and certain other "specified foreign financial assets" (applying certain attribution rules) exceeds applicable threshold amounts. Significant penalties can apply if a U.S. holder is required to disclose its Notes and fails to do so.

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"). However, Estonia has since stated that it will not participate.

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. 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.

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

Citigroup Global Markets Inc. 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 admitted to trading 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.

The delivery of the securities is expected to be made against payment therefor on or about May 31, 2019, which will be the fifth business day following the date of pricing of the securities (such settlement cycle being herein referred to as "T+5"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade securities on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the securities initially will settle T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of securities who wish to trade securities on the date of pricing or the next succeeding business day should consult their own advisor.

Notice to Prospective Investors in the European Economic Area ("EEA")

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) a person who is not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

Each Initial Purchaser has represented, warranted and agreed that it has:

- only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and
- 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.

Notice to Prospective Investors in Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Republic of Guatemala nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

Notice to Prospective Investors in Panama

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.

Notice to Prospective Investors in Peru

The Notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*). However, the Notes have been registered with the Superintendency of Banking, Insurance and Private Pension Funds (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) in order to be offered or sold in private placement transactions addressed to Peruvian institutional investors such as Peruvian private pension funds.

Notice to Prospective Investors in Chile

The offer of the Notes will begin on February 4, 2019 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, the Republic of Guatemala is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 4 de febrero de 2019 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). 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 los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered on the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) or in the Colombian Stock Exchange. Therefore, the Notes may not be publicly offered in Colombia. This material is for your sole and exclusive use as a determined entity, including any of your shareholders, administrators or employees, as applicable. You acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated pursuant hereto and represent that you are the sole liable party for full compliance with any such laws and regulations.

Notice to Prospective Investors in Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This Offering Circular has not been registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") by the Monetary Authority of Singapore, and the offer of the Notes in Singapore is made primarily pursuant to the exemptions under Section 274 and 275 of the SFA. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for 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 (i) to an institutional investor as defined in Section 4A of SFA (an "Institutional Investor"), pursuant to Section 274 of the SFA, (ii) to an accredited investor as defined in Section 4A of the SFA (an "Accredited Investor") or other relevant person as defined in Section 275(2) of the SFA (a "Relevant Person") and pursuant to Section 275(1), or to any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable exemption or provision of the SFA.

It is a condition of the offer that where the Notes are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has subscribed for or acquired the Notes except:

(i) to an Institutional Investor, an Accredited Investor, a Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Singapore Securities and Futures Act Product Classification - Solely for the purposes of its obligations pursuant to Sections 309(B)(1)(a) and 309(B)(1)(c) of the SFA, the Republic of Guatemala has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Guatemala

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.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

The validity of the Notes will be passed upon on behalf of the Republic by QIL+4 Abogados, 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 Hogan Lovells US LLP, U.S. counsel to the initial purchaser. As to all matters of Guatemalan law, Simpson Thacher & Bartlett LLP may rely on the opinion of QIL+4 Abogados, S.A., and Hogan Lovells US 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. 25-2018 of the Congress.

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 each Paying Agent:

- The fiscal agency agreement (including the forms of the Notes);
- English translations of Decree No. 25-2018 referred to in paragraph 1 above;
- The Republic's consolidated public sector fiscal accounts for 2018 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 2030 Notes CUSIP numbers for the Regulation S Global Note and the Rule 144A Global Note are P5015V AH9 and 401494 AQ2, respectively. The 2030 Notes ISINs for the Regulation S Global Note and the Rule 144A Global Note are USP5015VAH98 and US401494AQ29, respectively.

5. The 2050 Notes CUSIP numbers for the Regulation S Global Note and the Rule 144A Global Note are P5015V AJ5 and 401494 AR0, respectively. The 2050 Notes ISINs for the Regulation S Global Note and the Rule 144A Global Note are USP5015VAJ54 and US401494AR02, respectively.

6. Other than as disclosed in this offering circular, there has been no material adverse change in the financial condition of the Republic which is material in the context of the issue of the Notes since December 31, 2018.

Appendix A

Republic of Guatemala: Global Public Sector External Debt
(As of December 31, 2018)

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (in millions of US$)[(2)]
ACDI	GOCE	16/03/1976	0.00	30/09/2025	0.06
ACDI	GOCE	13/07/1977	0.00	31/03/2027	0.55
AID	GOCE	13/06/1983	3.00	27/12/2023	0.68
AID	GOCE	30/09/1987	5.00	21/09/2020	0.07
BBVA-ESPAÑA	GOCE	15/11/2012	4.85	25/06/2025	24.51
BCIE	GOCE	09/02/1999	3.00	09/02/2019	0.03
BCIE	GOCE	13/05/2003	5.88	13/05/2023	3.93
BCIE	GOCE	26/09/2007	5.90	26/09/2022	9.12
BCIE	GOCE	30/07/2008	5.90	25/07/2028	6.91
BCIE	GOCE	16/01/2006	5.90	25/01/2026	141.67
BCIE	GOCE	16/10/2008	5.90	14/10/2028	43.53
BCIE	GOCE	11/09/2009	5.90	27/11/2029	122.94
BCIE	GOCE	26/03/2010	5.90	26/03/2025	58.27
BCIE	GOCE	11/10/2011	5.90	25/10/2026	176.67
BCIE	GOCE	14/11/2012	5.90	25/04/2033	76.10
BCIE	GOCE	07/07/2014	5.23	28/11/2034	79.31
BCIE	GOCE	06/02/2015	4.86	06/02/2035	223.07
BCIE	INDE	09/12/2005	5.90	09/12/2025	16.11
BID	GOCE	14/03/1998	5.39	14/03/2023	11.30
BID	GOCE	18/09/1998	5.98	18/09/2028	5.91
BID	GOCE	14/03/1999	5.39	14/03/2029	10.17
BID	GOCE	22/01/1999	5.39	22/01/2029	16.07
BID	GOCE	26/03/2000	5.26	26/03/2020	3.38
BID	GOCE	18/10/1999	5.39	18/10/2029	38.06
BID	GOCE	11/02/2002	5.39	11/02/2027	2.56
BID	GOCE	11/02/2002	5.09	11/02/2022	4.60
BID	GOCE	11/02/2002	5.30	11/02/2032	29.11
BID	GOCE	03/07/2001	5.39	03/07/2026	51.14
BID	GOCE	17/09/2002	5.39	17/09/2027	2.17
BID	GOCE	12/12/2002	5.34	12/12/2027	1.54
BID	GOCE	12/12/2002	5.39	12/12/2022	0.15
BID	GOCE	17/09/2002	5.39	17/09/2022	53.33
BID	GOCE	02/06/2003	5.03	02/06/2028	21.57
BID	GOCE	03/11/2006	4.35	03/11/2031	22.45
BID	GOCE	23/09/2005	5.27	23/09/2030	20.54
BID	GOCE	03/02/2006	5.39	03/02/2031	62.50
BID	GOCE	18/05/2007	4.21	18/05/2032	7.42
BID	GOCE	23/10/2007	2.95	15/05/2032	19.82
BID	GOCE	24/08/2012	1.91	24/08/2037	18.15
BID	GOCE	06/06/2007	5.39	06/06/2027	56.67
BID	GOCE	10/12/2007	4.30	10/12/2032	21.51
BID	GOCE	05/04/2008	3.70	05/04/2033	36.67
BID	GOCE	05/04/2008	5.39	05/04/2038	38.84
BID	GOCE	05/04/2008	0.25	05/04/2048	12.20
BID	GOCE	05/04/2008	5.39	05/04/2028	24.70
BID	GOCE	14/12/2011	2.91	14/06/2032	25.01
BID	GOCE	25/02/2009	4.69	25/02/2029	280.00

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (in millions of US$)[(2)]
BID	GOCE	25/02/2009	4.11	25/08/2033	117.96
BID	GOCE	25/02/2009	3.31	25/02/2029	94.16
BID	GOCE	25/02/2009	0.25	25/02/2039	12.20
BID	GOCE	25/02/2009	3.31	25/02/2039	40.83
BID	GOCE	21/04/2010	3.14	21/04/2035	44.93
BID	GOCE	25/02/2009	3.31	25/02/2034	6.11
BID	GOCE	21/04/2010	3.14	21/04/2035	15.72
BID	GOCE	14/12/2011	0.25	14/12/2051	4.22
BID	GOCE	14/12/2011	3.27	14/12/2041	16.16
BID	GOCE	08/11/2012	0.25	08/11/2052	4.92
BID	GOCE	08/11/2012	1.85	08/11/2042	19.46
BID	GOCE	14/11/2012	0.25	14/11/2052	5.51
BID	GOCE	14/11/2012	3.62	14/11/2042	20.86
BID	GOCE	06/10/2011	3.27	06/10/2031	184.77
BID	GOCE	06/10/2011	0.25	06/10/2051	7.36
BID	GOCE	06/10/2011	3.80	06/10/2041	27.64
BID	GOCE	11/12/2013	3.27	15/11/2033	72.00
BID	GOCE	11/12/2013	0.25	11/12/2053	32.40
BID	GOCE	11/12/2013	4.70	11/12/2043	129.60
BID	GOCE	11/12/2013	0.25	11/12/2053	0.61
BID	GOCE	11/12/2013	4.01	11/06/2043	2.45
BID	GOCE	28/01/2015	3.27	15/11/2034	97.50
BID	GOCE	28/01/2015	0.25	15/11/2054	30.50
BID	GOCE	28/01/2015	3.85	15/11/2044	122.00
BID	GOCE	10/05/2018	2.65	15/10/2042	6.71
BID	GOCE	18/02/1981	2.00	18/02/2021	2.11
BID	GOCE	12/06/1981	2.00	24/05/2021	2.14
BID	GOCE	27/04/1982	2.08	24/04/2022	1.71
BID	GOCE	27/04/1982	2.00	24/04/2022	2.58
BID	GOCE	20/03/1983	2.00	24/03/2023	1.46
BID	GOCE	20/03/1983	2.00	24/03/2023	2.62
BID	GOCE	06/09/1983	2.00	06/09/2023	2.51
BID	GOCE	24/05/1984	2.00	24/05/2024	1.34
BID	GOCE	05/03/1987	2.00	06/03/2027	3.57
BID	GOCE	05/03/1987	2.00	06/03/2027	7.06
BID	GOCE	30/09/1996	5.39	30/09/2021	0.23
BID	GOCE	02/10/1991	2.00	02/10/2031	14.22
BID	GOCE	07/12/1992	2.00	24/11/2032	6.75
BID	GOCE	03/02/1993	2.00	03/02/2033	20.14
BID	GOCE	13/01/1996	5.39	13/01/2021	10.53
BID	GOCE	13/01/1996	5.39	13/01/2021	5.26
BID	GOCE	14/03/1998	2.00	14/03/2038	6.60
BID	GOCE	13/01/1996	5.39	13/01/2021	1.47
BID	GOCE	25/01/1994	2.00	25/01/2034	20.67
BID	GOCE	30/12/1996	5.39	16/12/2026	13.81
BID	GOCE	21/01/1997	5.39	21/01/2027	5.98
BID	GOCE	10/09/1997	5.39	10/09/2022	1.28
BID	GOCE	10/09/1997	5.39	10/09/2022	3.21
BID	GOCE	21/01/1997	2.00	21/01/2037	18.63
BID	INDE	17/09/2002	2.00	15/06/2037	6.40
BID	INDE	17/09/2002	3.27	15/06/2027	15.99
BID	INDE	17/09/2002	3.06	17/09/2027	0.77

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (in millions of US$)(2)
BID	INDE	27/09/1984	2.00	24/09/2024	3.30
BIRF	GOCE	27/10/2004	3.01	15/02/2020	6.72
BIRF	GOCE	05/01/2006	5.40	15/05/2025	36.06
BIRF	GOCE	18/05/2007	3.02	15/11/2022	15.97
BIRF	GOCE	22/10/2007	1.68	15/11/2023	13.23
BIRF	GOCE	18/05/2007	6.25	15/06/2026	41.62
BIRF	GOCE	26/02/2008	1.63	15/09/2022	22.20
BIRF	GOCE	12/04/2008	1.88	15/09/2022	34.34
BIRF	GOCE	22/05/2008	5.00	15/05/2027	47.18
BIRF	GOCE	06/03/2009	3.25	15/03/2033	12.93
BIRF	GOCE	06/03/2009	4.18	15/11/2034	177.76
BIRF	GOCE	01/06/2010	4.77	15/05/2034	85.00
BIRF	GOCE	07/12/2009	5.27	15/11/2035	330.54
BIRF	GOCE	16/12/2011	3.42	15/02/2037	99.97
BIRF	GOCE	29/11/2012	3.38	15/10/2035	4.50
BIRF	GOCE	13/11/2013	4.59	15/09/2037	200.00
BIRF	GOCE	19/01/2015	3.19	15/03/2039	340.00
BIRF	GOCE	10/07/2018	4.32	15/09/2036	250.00
BNDES-BRAZIL	GOCE	22/02/2013	4.94	15/10/2028	139.81
C.C.C.	GOCE	08/07/1998	4.00	24/12/2022	0.87
C.C.C.	GOCE	13/08/1999	2.50	25/01/2024	2.80
EUROBONDS	GOCE	03/05/2016	4.50	03/05/2026	700.00
EUROBONDS	GOCE	06/10/2004	8.13	06/10/2034	330.00
EUROBONDS	GOCE	13/02/2013	4.88	13/02/2028	700.00
EUROBONDS	GOCE	06/06/2012	5.75	06/06/2022	700.00
EUROBONDS	GOCE	05/06/2017	4.38	05/06/2027	500.00
EXIM-CHINA	GOCE	22/04/1999	5.00	22/04/2019	0.47
EXIM-CHINA	GOCE	12/11/2015	3.43	22/03/2047	50.00
FIDA	GOCE	27/02/2001	1.28	15/02/2020	1.45
FIDA	GOCE	12/06/2008	1.18	15/02/2025	2.98
FIDA	GOCE	13/12/2011	2.37	15/02/2027	3.21
ICDF	GOCE	22/06/1999	2.00	15/01/2024	1.00
ICDF	GOCE	09/08/2002	3.50	15/02/2022	1.88
JICA	EMPAGUA	16/06/1992	2.70	20/06/2022	6.94
JICA	GOCE	09/02/1990	3.50	20/02/2020	3.74
JICA	GOCE	27/12/1995	3.00	20/12/2025	9.21
JICA	GOCE	30/09/1999	1.48	20/09/2039	29.62
JICA	GOCE	20/02/2006	0.75	20/02/2046	60.38
JICA	GOCE	06/11/2012	0.94	20/12/2037	20.90
KFW	GOCE	27/04/1995	0.75	30/06/2045	5.83
KFW	GOCE	27/04/1995	0.75	30/06/2035	4.83
KFW	GOCE	30/08/1995	0.75	30/12/2045	2.91
KFW	GOCE	03/12/1986	0.75	31/12/2036	5.27
KFW	GOCE	29/09/1987	0.75	30/06/2037	5.42
KFW	GOCE	13/06/1988	0.75	30/06/2038	2.85
KFW	GOCE	13/06/1988	0.75	30/06/2038	2.85
KFW	GOCE	15/12/1988	0.75	30/12/2038	1.47
KFW	GOCE	11/09/1990	0.75	31/12/2040	4.15
KFW	GOCE	30/06/2005	0.75	30/06/2045	3.58
KFW	GOCE	22/01/1998	0.75	30/12/2048	8.53
KFW	GOCE	23/12/1992	0.75	30/12/2042	0.70
KFW	GOCE	18/10/2016	2.50	30/12/2036	2.65

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount (in millions of US$)(2)
KFW	GOCE	13/08/2002	0.75	30/12/2052	4.81
OPEP	GOCE	06/09/2007	2.50	15/03/2027	2.04
OPEP	GOCE	12/04/2008	2.75	15/10/2027	2.72
UBS	GOCE	26/07/2006	3.38	31/12/2023	0.75

Defined terms for Appendix A:

ACDI	=	Canadian International Development Agency
AID	=	United States Agency for International Development
BBVA-ESPAÑA	=	Banco Bilbao Vizcaya Argentaria, S.A.—Spain
BCIE	=	Central American Bank of Economic Integration
BID	=	Inter-American Development Bank
BIRF	=	International Bank for Reconstruction and Development
BNDES-BRAZIL	=	Brazilian Development Bank
C.C.C.	=	Commodity Credit Corporation
EMPAGUA	=	*Empresa Municipal de Agua*
EXIM-CHINA	=	Export Import Bank of the Republic of China
FIDA	=	International Fund for Agricultural Development
GOCE	=	*Gobierno Central*
ICDF	=	International Cooperation and Development Fund—Republic of China, Taiwan
INDE	=	*Instituto Nacional de Electrificación*
JICA	=	Japanese International Cooperation Agency
KFW	=	*Kreditanstalt für Wiederaufbau*
OPEP	=	Organization of Petroleum Exporting Countries
UBS	=	Union Bank of Switzerland

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