Listing Particulars dated June 21, 2023

The Republic of Guatemala

US$1,000,000,000 6.600% Notes due 2036

The Republic of Guatemala (Legal Entity Identifier: 529900QKDFFU9UWW5315) (the "Republic") has issued US$1,000,000,000 in principal amount of its 6.600% Notes due 2036 (the "Notes").

The Notes have been accepted for clearance and settlement through The Depository Trust Company ("DTC"), Euroclear Bank SA/NV as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"). The Notes were issued on June 13, 2023.

Application has been made to have the Notes admitted to trading on the Official List of the Luxembourg Stock Exchange and to be listed on the Euro MTF Market operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended, ("MiFID II"), and, therefore, not an EU-regulated market.

The Listing Particulars constitute a prospectus for the purpose of Part IV of the Luxembourg Law of 16 July 2019 on Prospectuses for Securities.

The Listing Particulars do not constitute a prospectus within the meaning of Regulation (EU) No 1129/2017 of the European Parliament and of the Council of 14 June 2017 (as amended, the "Prospectus Regulation"). Neither the Luxembourg Financial Supervisory Authority (Commission de Surveillance du Secteur Financier, or "CSSF"), nor any other "competent authority" (as defined in the Prospectus Regulation) has approved the Listing Particulars or reviewed information contained in the Listing Particulars.

You should read the Listing Particulars along with the document appended hereto. The document contains information you should consider when making your investment decision. The Republic has not authorized anyone else to provide you with different information. We are responsible for the information contained in the Listing Particulars. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you.

The offering memorandum dated June 6, 2023 (the "Offering Memorandum"), appended hereto as Annex A, is considered part of the Listing Particulars.

Information in the Listing Particulars and the document appended hereto is accurate as of the date on the front of the Listing Particulars.

The Listing Particulars and the document appended hereto will be published on the internet website of the Luxembourg Stock Exchange www.luxse.com and will be available for download free of charge.

Annex A

Offering memorandum

The Republic of Guatemala

US$1,000,000,000 6.600% Notes due 2036

The Republic of Guatemala is offering US$1,000,000,000 aggregate principal amount of its 6.600% Notes due 2036 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on June 13 and December 13 of each year, beginning on December 13, 2023 and ending on June 13, 2036 (the "Maturity Date"). Principal on the Notes will be paid in three installments on June 13, 2034, June 13, 2035 and the Maturity Date.

The Notes will contain provisions, commonly known as "collective action clauses." Under these provisions 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 (as defined herein) under which the Notes will be issued with the consent of the holders of: (1) with respect to the debt securities of a series (including the Notes), more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (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 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 Notes, in whole at any time or in part from time to time, prior to March 13, 2036 (the date that is three months prior to the Maturity Date (the "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 Par Call Date, the Republic may, at its option, redeem the 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 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. See "Description of the 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 has been made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market.

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; 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 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: 100.000% plus accrued interest, if any, from June 13, 2023.

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."

Delivery of the Notes was 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, S.A., on June 13, 2023.

Global Coordinator and Sole Book-Running Manager

Santander

The date of this offering memorandum is June 6, 2023.

Guatemala

GUATEMALA
MEXICO
BELICE
HONDURAS
EL SALVADOR
Golfo de Honduras
OCEANO PACÍFICO
Dos Lagunas
Uaxactún
Parque Nacional Tikal
San Pedro
Melchor de Mencos
Lago Petén Itzá
Flores
Sierra del Lacandón
Usumacinta
La Libertad
Pasión
Sayaxché
San Luis
de Santa Amelia
Papá Isabel
Puerto Barrios
Dulce
Sierra del Santa Cruz
Lago de Izabal
Santa Cruz Barillas
Chixoy
Chipam
Sierra de Chama
El Estor
Panzos
Río Motagua
Sierra de los Cuchumatanes
Cobán
Semuc Champey
Sa de las Minas
Cunén
Huehuetenango
Salamá
Zacapa
Santa Cruz del Quiché
Rabinal
Volcán de Tajumulco 4220 m
Guastatoya
Sierra Madre
Quetzaltenango
CIUDAD DE GUATEMALA
Jalapa
San Marcos
Sololá
Chimaltenango
Volcán Santa María 3772 m
Antigua
San Miguel Petapa
Lago de Atitlán
Retalhuleu
Volcán de Agua 3752 m
Jutiapa
Mazatenango
Cuilapa
Samalá
Pacific Lowlands
Escuintla
Volcán Pacaya 2552 m
Madre Vieja
San José
Sipacate
LEYENDA
Límite País
Vía Principal
Otro Camino
Río
Major Ciudad
Otra Ciudad
País de Capital
Aeropuerto Principal
Mayor Puntos de Interés
Mayor Parque Nacional / Reserva
Volcán
Puerto de mar importante
92°
90°
88°
16°
14°
0 50 100 Km
0 25 50 Miles
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(Updated on 26th May, 2014)

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This offering memorandum 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 memorandum 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 memorandum is correct as of any date subsequent to the date hereof.

This offering memorandum has been prepared by the Republic solely for use in connection with the proposed offering of the Notes. This offering memorandum 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 memorandum, agrees to the foregoing.

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, S.A. ("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."

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 memorandum 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 PRICES 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 memorandum contains all information that is material in the context of the issue of the Notes, that the information contained in this offering memorandum is true and accurate in all material respects, and that there are no other facts the omission of which makes this offering memorandum 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 memorandum. The initial purchaser has not independently verified any information contained in this offering memorandum and assumes no responsibility for the accuracy or completeness of this information. Nothing contained in this offering memorandum is, or should 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 memorandum, 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 memorandum.

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 memorandum. The Republic is offering to sell the Notes only where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes.

TERMS AND CONVENTIONS

Terms

All references in this offering memorandum 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 memorandum:

- 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 memorandum, real GDP figures are based on chained volume measures with use of reference year 2013, the year used by the Bank of Guatemala (*Banco de Guatemala*) for purposes of maintaining real GDP statistics. GDP growth rates and growth rates pertaining to the various sectors of Guatemala'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 memorandum 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 sixth 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 several 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 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 memorandum 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 Q7.85222 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, 2022. 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 June 5, 2023, the official *quetzal*/U.S. dollar exchange rate was Q7.82959 per US$1.00. See "Balance of Payments and Foreign Trade—Exchange Rate Policy and Foreign Exchange Rates."

Presentation of Financial and Economic Information

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

Certain financial and economic information presented in this offering memorandum may be subject to routine review and possible adjustment. Specifically, certain information and data for 2020, 2021 and 2022 are preliminary, and are subject to review and adjustment as additional or amended information may become available. In addition, all information and data for 2023, or any portion thereof, is estimated, and subject to review and adjustment as it is finalized. We have identified such information and data as "preliminary" or "estimated," respectively, in this offering memorandum. 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 memorandum, including amounts in tables, may differ from the results of arithmetic calculations thereof that may be obtained using individual amounts set out elsewhere in this offering memorandum due to rounding.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Republic. These statements are based upon the beliefs of certain Government officials and others, as well as several 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 memorandum, 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 concerning 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 memorandum 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. In order to enforce a foreign judgments in Guatemala, the following requirements set forth in section 345 of the Guatemalan Civil and Commercial Procedure Code must be met: (i) the judgment must satisfy all the formalities required for its enforceability under an applicable treaty or, in the absence of such a treaty, under the laws of the country where the foreign judgment was issued, provided that the courts of such jurisdiction would enforce, reciprocally, judgments issued by Guatemalan courts; (ii) the judgment must be issued in a personal action, civil or commercial in nature, against the defendant; (iii) the judgment must be issued by a competent court after proper service of process and must not have been rendered in default ("*absentia*") of the Republic; (iv) the Republic must be personally served in such action within such foreign jurisdiction; (v) the obligation in respect of which the judgment is issued must be valid in Guatemala and must not violate matters of public policy and express prohibitions of law; (vi) the judgment must be final or definitive and not subject to any appeal; (vii) the judgment must be duly apostilled, and translated into Spanish by a duly authorized public translator in Guatemala in order to be effective in Guatemala; and (viii) the Republic's budget must include a budgetary item which covers the amounts of any payments arising out of or related to the enforcement of foreign judgments in Guatemala, and such budgetary item must be recorded in the Guatemalan budgetary laws that are in force in the fiscal year in which any such payments are made.

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 suit, actions or proceedings 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.

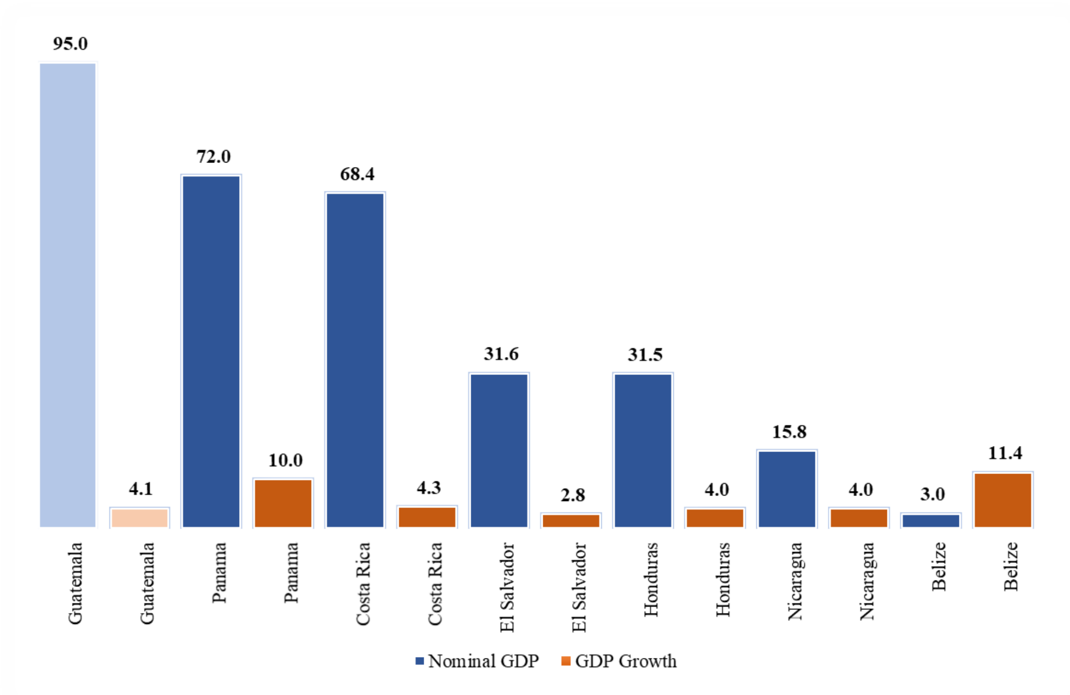
SUMMARY

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 memorandum. Investors should read the entire offering memorandum carefully before making an investment decision.

General

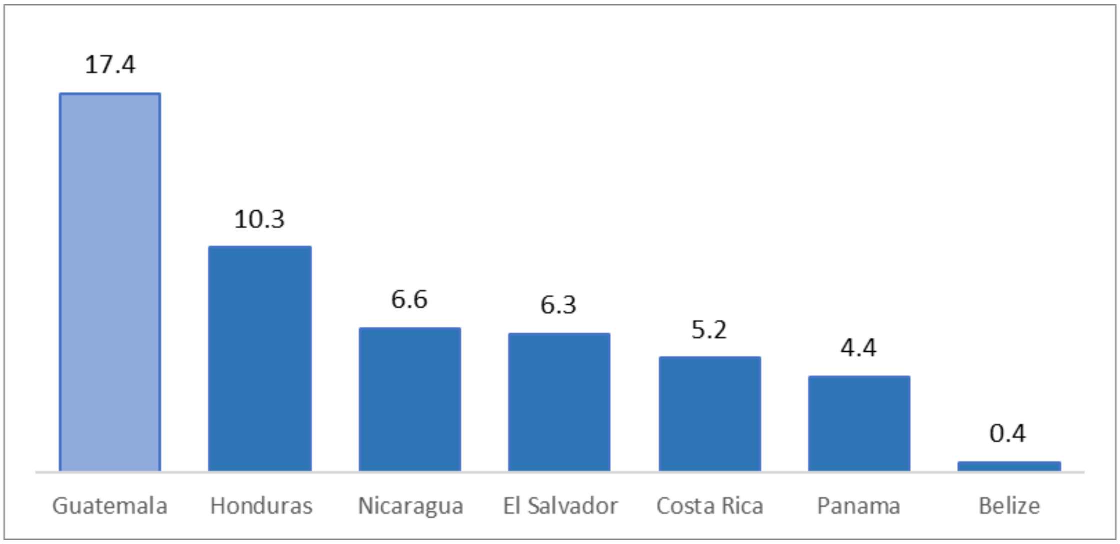
Guatemala is a Central American country bordered by Mexico to the northwest, Belize to the northeast, Honduras to the east and El Salvador to the southeast and covers a territory of 42,042 square miles (108,889 square kilometers). Guatemala's population, based on the most recent census held in 2018, was estimated to be 17.4 million in 2022 and 17.6 million in 2023. Guatemala is Central America's largest country in terms of population and its largest economy. It is estimated that approximately 50.8% of the population in 2022 was female, and approximately 61.1% was younger than 30, based on the 2018 census. Estimated population growth rate decreased slightly from 1.6% in 2018 to 1.5% in 2022.

Total preliminary nominal GDP was US$94,996.0 million for the year ended December 31, 2022. The chart below presents a comparison of nominal GDP and real GDP growth throughout Central America by country, for the year ended December 31, 2022 in billions of U.S. dollars and in percentages, respectively.



Sources: Guatemala: Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2023.

Guatemala has the largest population of any country in Central America, nearly twice as many inhabitants as Honduras, the next most populous neighbor. The chart below presents a comparison of population throughout Central America by country, estimated as of December 31, 2022 (in millions).



Sources: Guatemala: INE. Other countries: Estimates of the IMF staff, World Economic Outlook Database, April 2023.

The Government is divided into three branches: Executive, Legislative and Judicial. A separate Electoral Supreme Court (*Tribunal Supremo Electoral*, or "TSE") has independent authority to call and administer elections, and an independent Constitutional Court (*Corte de Constitucionalidad*) has authority to hear cases related to constitutional matters. 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 last general election was held on June 16, 2019. In the first round of the presidential contest, the two candidates to obtain the largest number of votes were Sandra Julieta Torres Casanova of the National Unity of Hope (*Unidad Nacional de la Esperanza*, or the "UNE") and Alejandro Eduardo Giammattei of *Vamos por una Guatemala Diferente* (Together for a Different Guatemala, or "VAMOS"), with 22.0% and 13.0%, respectively. In the second round of voting held on August 11, 2019, Alejandro Eduardo Giammattei was elected president, receiving 1,907,801 votes, which represented the 58.0% of the 3,291,913 valid votes cast. The next general election is scheduled to take place on June 25, 2023, with a second round of the presidential elections expected to be held on August 27, 2023, if no candidate wins a majority in the first round.

Alejandro Eduardo Giammattei's administration implemented the General Government Policy 2020-2024, which proposes the following five strategic pillars which consider the social, political, economic and environmental conditions of the country:

1. Economy, competitiveness and prosperity, seeking to achieve greater economic growth and to significantly increase the sources of sustainable employment.

2. Social development, with the objective of directly and effectively serving the poorest population through targeted and effective social actions.

3. Governance and security in development, which seeks to improve the country's governance for a peaceful and harmonious coexistence, resulting in adequate investment conditions.

4. A responsible, transparent and effective government, with an effective and transparent management of the government institutions for the service of the citizens.

5. Global relations with the purpose of using international relations to maintain good diplomatic ties, and improve international trade, tourism, investment and the treatment of our migrants.

The General Government Policy 2020-2024 also includes environmental considerations which aim to solve problems in relation to environmental sustainability, natural resources and climate change.

Currently the legislative branch has 160 deputies elected through universal vote in national elections by secret ballot, which represent 20 political parties. The political parties with the most representation are UNE with 51 deputies (31.9%), VAMOS with 17 deputies (10.6%), and Unión del Cambio Nacional with 12 deputies (7.5%).

The Guatemalan Economy

Guatemala's economy is the largest in Central America, with a preliminary nominal GDP of US$94,996.0 million for the year ended December 31, 2022. Guatemala's economy is characterized by:

- continued growth, with the exception of 2020 given the impact of the COVID-19 pandemic;
- generally stable rates of inflation, consistent with the Bank of Guatemala's target, except for recent increases outside of the target as a result of inflation resulting from higher fuel and food prices as a result of the war between Russia and Ukraine, which are expected to have only a temporary effect;
- a stable foreign exchange rate, under a flexible exchange rate regime;
- high levels of international reserves; and
- growing and resilient flows of remittances from Guatemalans living abroad, which in 2022 amounted to 19.0% of GDP.

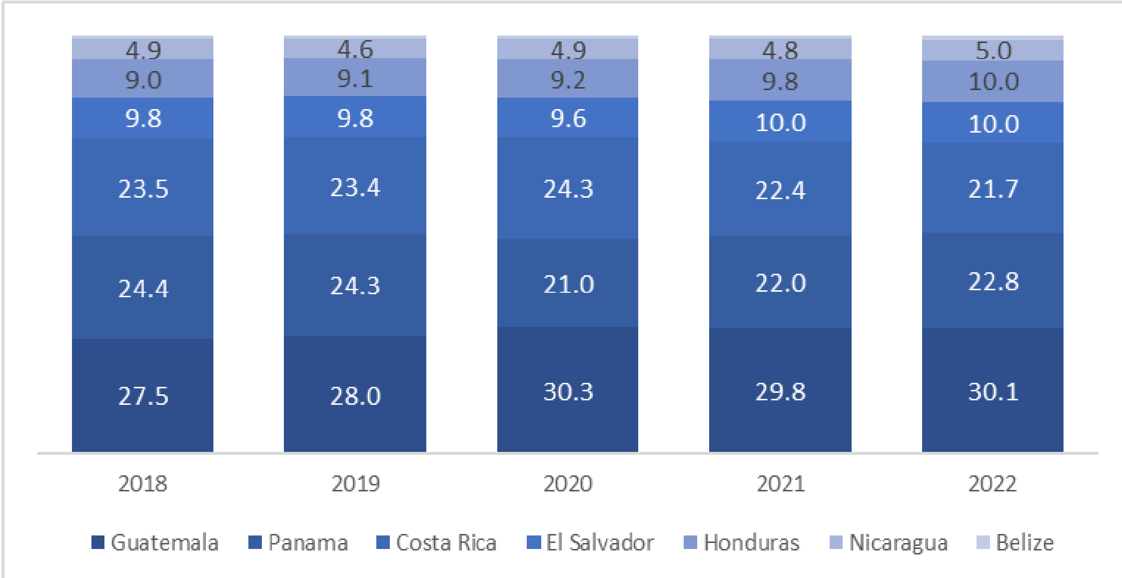
Guatemala's GDP grew at a real rate of 3.4% in 2018 and 4.0% in 2019, decreased at a rate of 1.8% in 2020, grew at a rate of 8.0% in 2021 and, according to preliminary data, grew at a rate of 4.1% in 2022. The three largest sectors of the economy as a percentage of GDP in 2022 were wholesale and retail trade and repair of motor vehicles and motorcycles (accounting for 20.7% of GDP), manufacturing (accounting for 14.1% of GDP), and agriculture, livestock, forestry and fishing (accounting for 9.3% of GDP).

In recent years, high levels of exports and foreign direct investment, coupled with substantial and growing remittances from Guatemalans living abroad, have helped Guatemala maintain solid international reserves. Exports generated US$11.0 billion in value in 2018 and increased to US$15.7 billion in 2022, while the aggregate amount of foreign direct investment totaled US$7.7 billion since 2018, consisting of US$1.0 billion in 2018, US$1.0 billion in 2019, US$0.9 billion in 2020, US$3.5 billion in 2021 and, according to preliminary figures, US$1.4 billion in 2022. The principal investment sectors in 2022 were motor vehicle trade and repair (28.7%), financial and insurance activities (19.7%), information and communication (18.9%) and manufacturing (11.6%). Foreign direct investment in 2021 was marked by the acquisition of 45% of the shares of a telecommunications company for US$2.2 billion.

Remittances from Guatemalans living abroad increased at an annual rate of 17.5% since 2018 and were US$9.3 billion in 2018, US$10.5 billion in 2019, US$11.3 billion in 2020 and US$15.3 billion in 2021. In 2022, remittances registered an annual growth rate of 17.9%, totaling US$18.0 billion.

These factors have helped Guatemala shore up its international reserves, which were US$20.0 billion at December 31, 2022, representing 180.5% of Guatemala's total public external debt, and which cover 7.8 months of imports.

The chart below presents the percentage of each country's share of aggregate Central American GDP.



Calculated as GDP of each individual country over the sum of GDP of all Central American countries.
Sources: Guatemala: Bank of Guatemala. Other countries: IMF staff estimates, World Economic Outlook Database, April 2023.

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, total Government consumption expenditures represented 11.3% of GDP over the last five years. Despite its limited role, the Government has historically supported private sector economic activity, both local and external, with clear market-oriented rules and conditions that provide incentives for the private sector to continue developing their businesses in Guatemala for the long term.

Balance of Payments and Foreign Trade

From 2018 to 2022, the Guatemalan economy recorded an average current account surplus of 2.4% of GDP. In 2018, a surplus in the current account of 0.9% of GDP was reported, which was due to a 13.4% growth in remittances, partially offset by a 7.2% increase in imports. In 2019, a surplus in the current account of 2.4% of GDP was reported, which was due to a 13.1% growth in remittances, partially offset by an increase of 1.5% in imports. In 2020, a surplus in the current account of 5.0% of GDP was reported, mainly due to a 7.9% growth in remittances and an 8.1% decrease in imports. In 2021, a surplus in the current account of 2.2% of GDP was reported, mainly due to a 34.9% growth in remittances, partially offset by an increase of 41.7% in imports. In 2022, a surplus in the current account of 1.4% of GDP was reported, mainly due to a 17.9% growth in remittances, partially offset by an increase of 22.2% 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 local 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. Financings granted as a result of catastrophes or public disasters are excepted from these prohibitions, provided that such financings are approved by two thirds of the Congress of the Republic ("Congress"), at the request of the President of Guatemala. Guatemala has experienced lower inflation, devaluation, and interest rates than many of other countries in the Latin American region.

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. Since 2013, a medium-term inflation target (continuous target) of 4.0% (+/- 1%) has been in effect. Guatemala's inflation rate was 2.3% in 2018, 3.4% in 2019, 4.8% in 2020, 3.1% in 2021 and 9.2% in 2022. During 2022, the increase in inflation reflected the supply shocks from abroad (energy prices and food), which explained almost 70.0% of headline inflation. As of April 2023, inflation stood at 8.3%, still above the target range (4.0% +/- 1.0 percentage point), explained mostly by external factors, especially because of rising prices in imported goods, as a result of higher commodity prices, mainly energy and food prices.

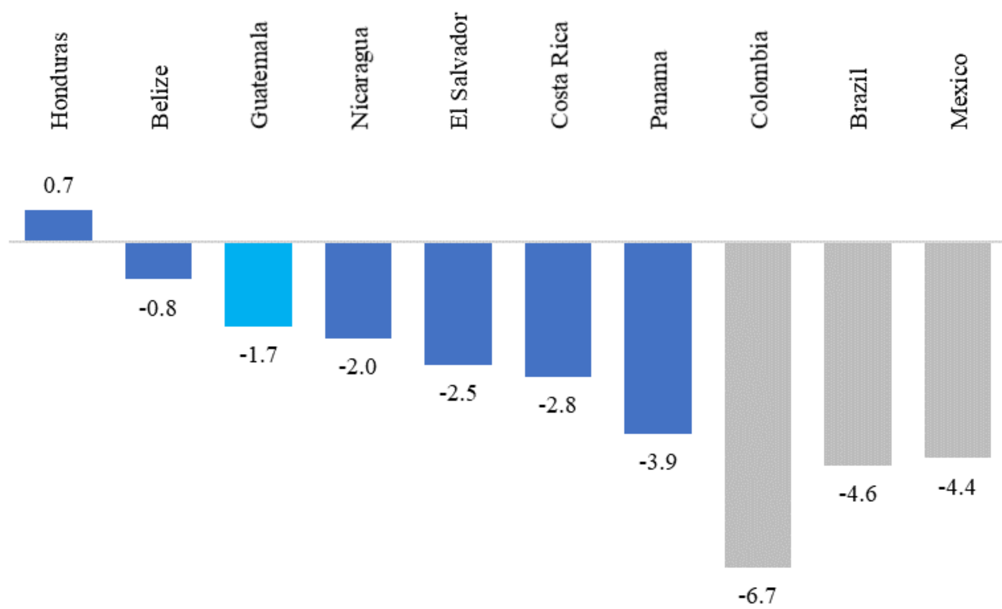
As of December 31, 2022, the monetary stabilization operations of the Bank of Guatemala (fixed-term deposits at the central bank) totaled Q42,193.2 million (approximately US$5,373.4 million), or 5.7% of GDP. The Bank of Guatemala currently has no outstanding external indebtedness.

Public Sector Finances

The Government has historically maintained a stable level of expenditure as a percentage of GDP. Today, Guatemala has one of the lowest public sector deficits in Latin America and the second lowest debt to GDP ratio among the countries in the Latin American region. Between 2018 and 2022, average expenditure as a percentage of GDP was 14.0%. However, in 2020, government expenditure was 15.6% of GDP, an increase of 2.2 percentage points compared to expenditure of 13.4% of GDP in 2019, as a result of the high level of public spending incurred by the Government to cope with the unprecedented health and economic crisis caused by the COVID-19 pandemic. In 2021, public spending decreased to 13.5% of GDP, as the social and economic programs implemented by the Government in 2020 in response to the COVID-19 pandemic were phased out. Additionally, in 2021, Congress failed to approve the General Budget Act of Revenues and Expenses of Guatemala for the second consecutive time. Therefore, for the fiscal year 2021, the effective budget totaled Q107,521.0 million, which amount corresponds to the General Budget of Revenues and Expenses of Guatemala for the fiscal year 2019, as approved by Congress by means of Decree No. 25-2018 and extended by means of Decree Nos. 12-2020, 13-2020 and 20-2020. In the face of fiscal uncertainty, in January 2021, the Government announced a reduction in the budget for the fiscal year 2021 to an operating budget of Q94,354.0 million, eliminating certain expenditures that could not be executed based on projected revenues or authorized debt financing, which excluded the extraordinary debt amounts approved only for 2020. For fiscal year 2022, the budget was approved by Decree No. 16-2021 of the Congress for an amount of Q106,229.5 million. For fiscal year 2023, the budget was approved by Decree No. 54-2022 of the Congress for an amount of Q115,443.7 million. In 2022, public spending as a proportion of GDP, increased again to 14.4% which was associated with the rise in international oil prices as a result of the war between Russia and Ukraine, as the Government intervened to mitigate the impact of the increase in fuel prices through the creation of temporary subsidies for gasoline and diesel, as well as propane gas and the extension of the coverage of the social rate for electric energy. In addition, in 2022, expenses associated with natural disasters and, to a lesser extent, related to the COVID-19 pandemic were made for medical care and immunizations.

In the 2018-2022 period, the fiscal deficit averaged 2.4% of GDP. In 2018, the fiscal deficit was 1.9% of GDP; however, in 2020, there was a significant increase in the fiscal deficit, amounting to 4.9% of GDP, as a result of the fiscal policy expansion in relation to the COVID-19 pandemic that generated a significant increase in public spending. In 2021, the fiscal deficit was 1.2% of GDP, below the budget and subsequent operating budget forecasts, and in line with the aim of reducing the deficit to pre-pandemic levels and achieving fiscal consolidation. However, in 2022, the deficit increased again to 1.7% of GDP, as a result of the temporary subsidies that were adopted to support the population in view of the increase in prices relating to the war between Russia and Ukraine. Notwithstanding the effects of these subsidies, the deficit remained at a sustainable level due to increases in tax collection, which reached a maximum level of 12.0% of GDP, and which offset the effects of the subsidies at a higher fiscal level.

The financing of the fiscal deficit in 2022 was covered by the issuance and placement of treasury bonds in the domestic market in an aggregate principal amount of Q8,974.2 and the issuance and placement of bonds in the international capital markets in an aggregate principal amount of US$500 million. Guatemala has one of the lowest fiscal deficits in the region. The chart below presents Guatemala's preliminary fiscal deficit as a percentage of GDP compared to all Central American countries and some other Latin American countries as of December 31, 2022.



Reflects preliminary data.
Sources: Guatemala: Ministry of Public Finance and the Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2023.

Guatemala's debt to GDP ratio was 29.2% as of December 31, 2022 compared to 30.8% as of December 31, 2021, the lowest debt to GDP ratio in Central America. The 1.1 percentage point reduction in the debt to GDP ratio was due to a reduced need to resort to debt-generating sources of financing, the repayment at maturity of a bond in the amount of US$700 million and the repayment of loans in the aggregate amount of Q4,591.3 million. However, in 2022, the Treasury bond relocation mechanism (also known as a "roll over"), which consists of the placements of Treasury bonds to replace those that mature during the fiscal year, was practically not used. In particular, Q5,149.4 million of maturing Treasury bonds were not rolled over, which corresponded to 28.6% of the availability under Decree No. 16-2021, State Income and Expenditure Budget Law for 2022, since cash balances were available and no additional resources were required. Thus, 2022 was the first year in which not all the indebtedness approved by the Congress was rolled over, and the amount of indebtedness was less at the end of the year than expected at the beginning of the year. In addition, an important component of the fiscal deficit was financed from cash resources, which were strengthened in 2021-2022 due to improvements in tax collection that increased the government's availability in the Central Bank. Guatemala's public indebtedness is therefore considered sustainable due to the prudent management of fiscal policy in recent years. Even with fluctuating debt indicators, Guatemala is at a lower level of public sector debt than most other countries in the region.

Historically, social spending has accounted for about half of government spending. In 2017 and 2018, social expenditure accounted for 48.6% and 50.3% of public expenditure, respectively. By 2020, the level of social spending had decreased to 43.5%, mainly because several expenses incurred in relation to the COVID-19 pandemic were not contemplated as social spending. However, in 2021, social spending increased by 6.7 percentage points to 50.2%, driven mainly by spending in the health and social security sector, which includes a large part of expenditures related to COVID-19 vaccination efforts. In 2022, social spending decreased slightly to 48.7% of Government spending, because subsidies and emergency expenses are not considered to be social spending. However, in 2022, social spending did increase 13.2% in nominal terms.

Fiscal policy in recent years has focused on meeting the basic social needs of the population, in an environment of lower tax collection, which has led to the adoption of policies aimed at achieving fiscal consolidation that began to be implemented in 2011. Fiscal consolidation was interrupted during 2020, as a result of budget expansions of Q20,045.7, mainly related to measures to face the impact of COVID-19. In 2021, the fiscal consolidation process was resumed, with a moderate public spending plan and an improvement in the level of tax revenues, which led to cash surpluses that were expanded in 2022 despite the increase in extraordinary and temporary spending on subsidies that was financed with cash resources.

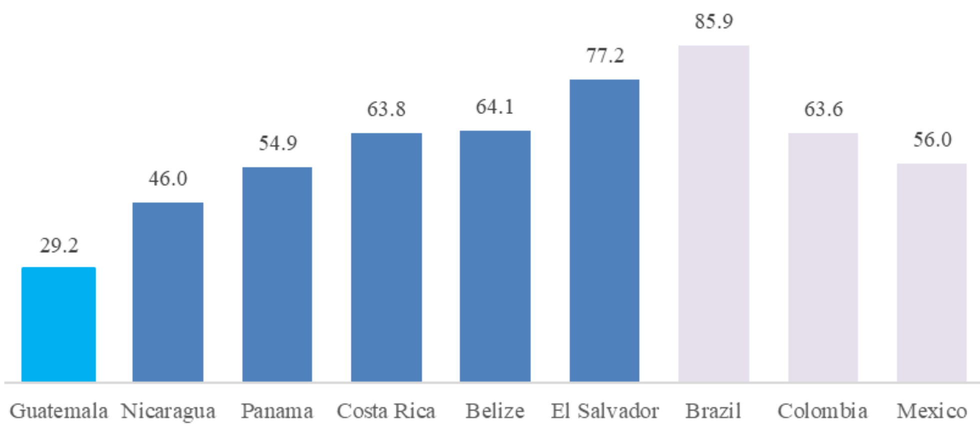
The Government's tax policies are designed to preserve macroeconomic stability and fiscal sustainability in the medium term, and aim to meet two objectives. First, to keep public debt below the international benchmark for upper middle-income countries such as Guatemala, which is between 50% and 60% of GDP. Second, to gradually reduce the fiscal deficit.

Public Sector Debt

Guatemala has a history of meeting its debt service obligations, in respect of its issued bonds, since its inaugural bond issue in 1997. Since then, Guatemala has issued additional series of bonds in 2001, 2003, 2004, 2012, 2013, 2016, 2017, 2019, 2020, 2021 and 2022. The law mandates that the Government must set aside income on a daily basis to service debt, based on estimates of amounts that will be due on a daily basis by the Ministry of Finance.

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, 2022, public sector debt was US$27,349.6 million (29.2% of GDP for 2022) compared to US$26,514.2 million as of December 31, 2021 (30.8% of GDP for 2021). Guatemala's indebtedness as a percentage of GDP is the lowest in Central America.

The chart below presents public sector debt as a percentage of GDP for Guatemala and certain countries in Latin America for 2022.



Reflects preliminary data.
Sources: Guatemala: Ministry of Public Finance and the Bank of Guatemala. Other countries: IMF, World Economic Outlook Database, April 2023.

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 with stable outlook; Moody's rating of Ba1 with stable outlook; and Fitch's rating of BB with stable outlook as of the date of this offering memorandum.

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 years ended December 31,				
	2018	2019	2020[(1)]	2021[(1)]	2022[(1)]
Domestic economy:					
Nominal GDP in US$[(2)]	US$73,329.2	US$77,155.8	US$77,709.4	US$86,037.7	US$94,996.0
Nominal GDP in *quetzales*	Q551,368.1	Q593,972.0	Q600,089.4	Q665,567.9	Q736,109.0
Real GDP	Q495,443.9	Q515,350.3	Q506,115.9	Q546,617.4	Q569,127.1
Real GDP growth rate[(3)]	3.4%	4.0%	(1.8)%	8.0%	4.1%
Inflation rate[(4)]	2.3%	3.4%	4.8%	3.1%	9.2%
Exchange rate (Q per US$1.00)[(5)]	Q7.73695	Q7.69884	Q7.79382	Q7.71912	Q7.85222
Average daily exchange rate for the year	Q7.51908	Q7.69835	Q7.72222	Q7.73577	Q7.74884
Balance of payments[(7)]:					
Total current account	US$649.6	US$1,821.5	US$3,924.2	US$1,891.7	US$1,319.4
of which:					
Trade balance	US$(7,984.8)	US$(7,966.9)	US$(6,314.2)	US$(10,927.6)	US$(14,186.0)
Services balance	US$165.7	US$38.0	US$(236.1)	US$(1,169.5)	US$(1,603.2)
Primary income (net)	US$(1,502.2)	US$(1,404.1)	US$(1,403.8)	US$(2,126.1)	US$(1,852.6)
Current transfers	US$9,970.8	US$11,154.5	US$11,878.2	US$16,114.9	US$18,961.2
of which:					
Remittances	US$9,314.5	US$10,536.4	US$11,290.1	US$15,263.3	US$18,050.2
Foreign aid	US$330.4	US$305.8	US$263.7	US$404.0	US$415.6
Total capital account	US$3.0	US$0.7	US$1.2	US$2.3	—
Total financial account	US$(603.6)	US$(400.9)	US$75.6	US$(1,436.0)	US$830.4
of which:					
Private sector, net	US$(759.5)	US$337.1	US$1,290.2	US$(609.0)	US$738.4
Change in reserve assets[(6)(7)]	US$987.9	US$1,798.2	US$3,188.5	US$2,808.8	US$33.0
Bank of Guatemala net international reserves at end of period	US$12,755.6	US$14,789.0	US$18,468.2	US$20,939.6	US$20,019.8
Public sector balance:[(7)]					
Government revenue	US$ 8,291.2	US$ 8,645.3	US$ 8,296.3	US$ 10,638.2	US$ 11,864.7
As a % of GDP	11.3%	11.2%	10.7%	12.4%	12.7%
Government expenditure	US$ 9,670.1	US$ 10,370.6	US$ 12,111.7	US$ 11,642.8	US$ 13,464.5
As a % of GDP	13.2%	13.4%	15.6%	13.5%	14.4%
Government fiscal balance	US$ (1,379.0)	US$ (1,725.2)	US$ (3,815.4)	US$ (1,004.5)	US$ (1,599.8)
As a % of GDP	(1.9)%	(2.2)%	(4.9)%	(1.2)%	(1.7)%
Overall non-financial public sector fiscal balance	US$ (698.5)	US$ (1,363.9)	(US$ 2,914.3)	US$ (384.7)	US$ (884.6)
As a % of GDP	(1.0)%	(1.8)%	(3.8)%	(0.4)%	(0.9)%
Public sector debt: [(7)]					
Public sector external debt	US$ 8,224.6	US$ 9,105.8	US$ 10,449.8	US$ 11,097.2	US$ 11,090.9
As a % of GDP	11.5%	11.8%	13.6%	12.9%	11.8%
Public sector internal debt	US$ 10,648.5	US$ 11,329.2	US$ 13,824.3	US$ 15,417.0	US$ 16,258.8
As a % of GDP	15.0%	14.7%	18.0%	17.9%	17.3%
Total public sector debt	US$ 18,873.2	US$ 20,435.0	US$ 24,274.0	US$ 26,514.2	US$ 27,349.6
As a % of GDP	26.5%	26.5%	31.6%	30.8%	29.2%

(1) Preliminary data.
(2) Converted 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.
Sources: Bank of Guatemala and the Ministry of Public Finance.

Transparency and Corruption

Guatemala is a developing country that has historically experienced perceived significant 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. See "Transparency and Corruption."

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.
Principal Amount	US$1,000,000,000
Issue Price	100.000% of the principal amount of the Notes, plus accrued interest, if any, from June 13, 2023.
Issue Date	June 13, 2023.
Maturity Date	June 13, 2036.
Interest Rate	6.600% per annum.
Principal Payments	Principal on the Notes will be paid in three installments on June 13, 2034, June 13, 2035 and the Maturity Date. Principal payments will be calculated as follows: the aggregate amount of each principal payment on the Notes shall equal the principal amount outstanding as of any principal payment date, divided by the number of remaining principal installments from and including such principal payment date to and including the Maturity Date. To the extent necessary, principal payments may be rounded down to the nearest whole number, with any difference being paid on the Maturity Date.
Interest Payment Dates	June 13 and December 13 of each year, commencing on December 13, 2023.
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—Covenants—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 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 Notes, in whole at any time or in part from time to time, prior to March 13, 2036 (the date that is three months prior to the Maturity Date (the "Par Call Date")), by paying the greater of the outstanding principal amount of the 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 Par Call Date, the Republic may, at its option, redeem the 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 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 intends to use the net proceeds from the sale of the Notes for general budgetary purposes, including to refinance the Republic's public indebtedness. See "Use of Proceeds."
Collective Action Clauses	The Notes will contain "collective action clauses." Under these provisions 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 under 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 such additional Notes are not issued either (i) pursuant to a "qualified reopening" for U.S. federal income tax purposes of the original Notes, (ii) with less than a *de minimis* amount of original issue discount or (iii) otherwise as part of the same issue for U.S. federal income tax purposes as the original Notes, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP, ISIN or other identification number but shall otherwise be treated as a single class with all other previously issued Notes.
Listing..	Application has been made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market.
Governing Law...	The Fiscal Agency Agreement under which the Notes will be issued 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, Paying Agent, Transfer Agent and Registrar	The Bank of New York Mellon.
Listing Agent...	The Bank of New York Mellon SA/NV, Luxembourg Branch.

USE OF PROCEEDS

The Republic intends to use the net proceeds from the sale of the Notes for general budgetary purposes, including to refinance the Republic’s public indebtedness.

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 memorandum 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, including economic contractions or increased crime rates in neighboring 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 international debt capital markets in the future.

Guatemala will hold elections in June 2023, 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 25, 2023, to elect the President, Vice President, members of Congress, mayors and members of the Central American Parliament, with a second round of the presidential elections expected to be held on August 27, 2023, if no candidate wins a majority in the first round. As of May 26, 2023, 30 political parties had registered their respective presidental and vice presidental candidates with the TSE. 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 "Republic of Guatemala—Government and Political Parties—General Elections—2023 General 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.

Guatemala has been affected by political problems and corruption scandals, and the political, economic and social effects of these problems and scandals could adversely affect the Republic.

Guatemala is a developing country that has historically experienced perceived significant levels of corruption, among other social and political problems, which affected, among other things, the ability of the Government to implement political, economic and social reforms.

In 2021, certain international and national media publications and social media accounts reported allegations, made by Juan Francisco Sandoval Alfaro, the former head of the Special Prosecutor's Office against Impunity (the "FECI"), that Russian businessmen with mining interests in Guatemala paid a bribe to President

Alejandro Eduardo Giammattei with the aim of obtaining a lease of land located in Puerto Santo Tomás de Castilla. President Giammattei has denied these allegations. Mr. Sandoval was removed from his position by the Head of the Public Prosecutor's Office (*Ministerio Público*) on July 23, 2021. As of the date of this offering memorandum, no formal accusations have been brought against President Giammattei, nor has any evidence of any such allegations been presented formally in any proceeding.

On July 20, 2022, the U.S. Department of State announced that the current chief of the FECI, Rafael Curruchiche, had been included to the Section 353 Undemocratic and Corrupt Actors list for allegedly obstructing investigations into acts of corruption. As of the latest publication, the list also included former President Colom, former Minister of Communications, Infrastructure and Housing Sinbaldi Aparicio, former Minister of Communications and Infrastructure José Luis Benito Ruiz, former Minister of Culture de Jesús Súchite Vargas, former Vice Minister of Communications de Jesús Sosa Rodríguez, Mayor of Joyabaj Carrascoza Gamez, Supreme Court judges Duarte Barrera, Vásquez Pimentel, Nery Oswaldo Medina Mendez and Vitalina Orellana y Orellana and legislators España Cáceres, Vargas Morales and Sofia Janeth Hernandez Herrera.

For a detailed description of certain of the corruption investigations and allegations involving current and former officials of the Republic, see "Transparency and Corruption." Further developments related to the scandals could have a significant effect on Guatemala's political, economic and social stability.

While the current administration has indicated that it 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 is a developing country that has been affected by certain social conditions, including, among others, trafficking of drugs, human trafficking, organized crime and high crime rates, and the need to implement economic and social reforms. In addition, 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. According to the Ministry of the Interior, the homicide rate per 100,000 inhabitants was 17.3 for 2022, as compared to 16.6 for 2021. In 2018, the criminal incidence rate was 126.6%, in 2019 it was 100.7%, in 2020 it was 82.8%, in 2021 it was 89.2%, and in 2022 it was 93.6%.

The indigenous regions of the western highlands of Guatemala have very low levels of violence, with some places showing consistently single digit rates. Violence is concentrated in the metropolitan area of Guatemala City and its surrounding municipalities. Although only a fifth of the population lives in the metropolitan area of Guatemala City, one third of the homicides occur in that area.

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 public bus drivers. 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. Additionally, in 2022 the Guatemalan police arrested members of gangs from El Salvador, who were conducting criminal activities in Guatemala.

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.

As of the date of this offering memorandum, Congress has not elected the judges of the Supreme Court or the Appellate Courts for the 2019-2024 period, although their terms expired in 2019. The election process was suspended twice due to technical deficiencies in evaluating candidates and influence peddling scandals in the process. The Constitutional Court temporarily suspended the process and ordered Congress to exclude from the process the candidates whose integrity was compromised, and also ordered the election to be carried out by voice.

However, Congress has refused to comply with such instructions, and in the interim, the judges of the Supreme Court and the Appellate Courts have continued to act in such roles.

Through October 2022, there were reports of the persecution of and criminalization against judges, prosecutors and lawyers who worked at the International Commission against Impunity in Guatemala (the "CICIG"), and criminalization cases against judges and prosecutors in charge of transitional justice processes; and cases against people who have denounced corruption. As a result of the foregoing, 24 officials and judges have gone into exile, eight former FECI prosecutors are facing criminal proceedings in Guatemala, and two prosecutors are in prison.

Guatemala's judicial system is not as stable as that of developed countries. Failure to implement reforms to strengthen the judiciary and the rule of law generally may delay enforceability of general obligations and limit the ability of holders of the Notes to obtain payment on the Notes through domestic judicial proceedings.

Public health crises and epidemics/pandemics, such as the COVID-19 pandemic, are likely to adversely affect Guatemala's economy.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China, and went on to spread to over 175 countries. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In 2020, The COVID-19 pandemic caused a global economic recession, and Guatemala's GDP contracted at a real rate of 1.8%. In the same year, government expenditure was 15.6% of GDP, an increase of 2.2 percentage points compared to expenditure of 13.4% of GDP registered in 2019, as a result of the public spending incurred by the Government to cope with the effects of the COVID-19 pandemic. In 2021, public spending decreased to 13.5% of GDP, as the social and economic programs implemented by the Government in 2020 in response to the COVID-19 pandemic were phased out.

However, given the rapid development and fluidity of the COVID-19 pandemic in 2020, the magnitude and duration of the pandemic and the effects of new variants that have continued to emerge from time to time, any future effects on Guatemala of such new variants or any future public health crisis, including epidemics/pandemics remain uncertain, and may have an adverse effect on the economy of Guatemala and, as a result, could have an adverse effect on Guatemala's ability to perform its obligations under the Notes.

Inflation rates in Guatemala may be adversely affected by geopolitical developments, including increases in prices of certain commodities and other inflationary pressures as a result of the COVID-19 pandemic and the war in Ukraine, and any Government measures enacted 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 stood at 2.3%, 3.4%, 4.8%, 3.1% and 9.2% in 2018, 2019, 2020, 2021 and 2022, respectively. During 2022, average inflation increased as a result of increases in energy prices (gasoline, diesel, propane, and electricity) and food prices explained by supply factors. Additionally the global supply chain disruptions caused by the COVID-19 pandemic that have resulted in heightened inflationary pressures around the globe and the recent increases in international commodity prices may affect Guatemala's price dynamics. Further, the Russia-Ukraine conflict has raised the international costs of energy, wheat, and corn, which led to an increase in prices in Guatemala, primarily in the transportation and food sectors. As a result, the inflation rate increased to 9.2% in 2022, above the upper limit of the inflation target (4.0% +/- 1 percent point). 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 may have a material adverse effect on the Republic's economic results and, as a result, could have an adverse effect on Guatemala's ability to perform its obligations under the Notes.

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, together with livestock, forestry and fishing, for approximately 9.3% of Guatemala's GDP in 2022. 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.

While the Guatemalan economy expanded by 4.1% in 2022 and 8.0% in 2021, it registered a contraction of 1.8% in 2020 due to the COVID-19 pandemic. The Republic cannot assure investors that its economy will 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 in the future 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. In particular, the Bank of Guatemala has the ability to purchase and sell currency in order to offset unusual volatility in the *quetzal*/U.S. dollar exchange rate, and to call for auctions for the purchase or sale of U.S. dollars if the *quetzal*/U.S. dollar exchange rate significantly fluctuates. However, 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. In 2020, the *quetzal* depreciated by 1.2% against the U.S. dollar, mainly as a result of the effects of the COVID-19 pandemic and a deceleration in the growth of remittances, while in 2021, the *quetzal* depreciated by 1.0%, and in 2022 it appreciated by 1.0%, mainly due to a recovery in the growth of remittances.

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.

The depreciation of the currencies of one or more of Guatemala's trade partners (including, in particular, the United States 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.

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.

In the face of persistent inflationary pressures, the U.S. Federal Reserve has increased its benchmark interest rate from 0.25% prior March 17, 2022 to 5.25% as of May 3, 2023. If the U.S. Federal Reserve and/or other major central banks continue to increase interest rates, Guatemala and its 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, which, in 2022, represented 16.5% of Guatemala's total public sector external debt. 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.

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 for any other reason. In the past, the United States implemented policies that threatened to 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. In addition, the global economic slowdown generated by the COVID-19 pandemic had a negative effect on the flow of remittances to Guatemala in 2020. Further, the return to pre-pandemic immigration laws is expected to reduce the number of repeat border crossings over time, which increased significantly during the pandemic. And, in addition, the implementation of new policies and measures restricting immigration could reduce the flow of remittances to Guatemala.

On April 27, 2023, the U.S. Department of State and Department of Homeland Security announced sweeping new measures to further reduce unlawful migration across the Western Hemisphere, significantly expand lawful pathways for protection, and facilitate the safe, orderly, and humane processing of migrants. These measures are expected to be implemented in close coordination with regional partners, including the governments of Mexico, Canada, Spain, Colombia, and Guatemala. These measures could not have an effect on remittances provided by Guatemalans living abroad, since these measures are directed at those who arrive at the U.S. border and attempt to enter illegally.

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 change 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 economic and other information presented in this offering memorandum 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 memorandum. 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.

The budget for a specific year may not be approved.

The General Budget of Revenues and Expenditures for a specific year may not be approved within the term established by the Political Constitution of the Republic of Guatemala, as it was the case in 2020 and 2021. As a result, the budget approved for the previous year may remain in force for the following year. Without an approved budget for a specific year, certain government programs could be underfunded or not funded at all, which in turn could affect the Guatemalan economy.

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.

Although Guatemala has met its debt obligations for at least 20 years, 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. As of the date of this offering memorandum, Guatemala has been able to obtain financing on satisfactory terms. However, in the future, including if Guatemala defaults on its debt instruments, Guatemala 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.

Risk Factors Relating to the Notes

The Notes will contain provisions that permit Guatemala to amend 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 under which the Notes will be issued, with the consent of the holders of: (1) with respect to the debt securities of a series (including the Notes), more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities (including any 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 Notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including 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 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 applied to list the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Notes will be new issues 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 it does develop. If the Notes are traded after their initial issuance, they may trade at prices 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 prices 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

Guatemalans 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 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. According to the last census of 2018, Guatemala's population was estimated to be 17.4 million in 2022 and is estimated to be 17.6 million in 2023. It is estimated that in 2022, 50.8% of the population was female and 61.07% of the population was younger than 30. The rate of growth of the population decreased slightly from 1.6% in 2018 to approximately 1.5% in 2022.

Guatemala is a free, independent and sovereign republic having gained independence from Spain in 1821. The administration is decentralized and as of December 31, 2022, it is organized into eight regions (Metropolitan, North, Northwest, Southwest, Central, Southeast, Northeast and Petén), 22 Departments, and 340 Municipalities. Approximately 50.2% of the population lives in five of 22 departments: Guatemala (20.7%), Huehuetenango (8.2%), Alta Verapaz (8.0%), San Marcos (6.9%) and Quiché (6.3%).

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 in 1983. Electoral laws were enacted and congressional elections scheduled. On May 31, 1985, after nine months of debate, a new constitution was adopted, and in November 1985, 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-January 14, 2020). President Alejandro Eduardo Giammattei was inaugurated on January 14, 2020 for a term of four years.

Former President Otto Pérez Molina became embroiled in a corruption scandal involving the former Vice President Roxana Baldetti, and the director of the SAT. As a result, President Pérez, among others, resigned from office. Most of the accused conspirators are in prison awaiting trial. See "Transparency and Corruption—Certain Corruption Cases Relating to Former President Otto Pérez Molina and Former Vice President Roxana Baldetti—"La Línea" Case." Vice President Roxana Baldetti resigned from office on May 8, 2015, and Congress designated Alejandro Maldonado Aguirre as Vice President by Congress on May 14, 2015. Following the resignation of President Pérez on September 3, 2015, Alejandro Maldonado Aguirre was appointed President by Congress as required by the Constitution to complete the presidential term which concluded on January 14, 2016. Alejandro Maldonado Aguirre was the forty-ninth president of Guatemala. In elections held in 2015, Jimmy Morales won the presidency, and on January 14, 2016, he took office for a four-year term. In the general elections held in 2019, Alejandro Eduardo Giammattei advanced to runoff elections with 13.0% of valid votes. He won the elections in the runoff obtaining 58.0% of valid votes.

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 from 2001 until 2019 (average of 1.9%), though in 2020 the deficit increased to 4.9% due to the attention of the health emergency of COVID-19 before decreasing to 1.7% in 2022, continuous reduction in incurrence of foreign currency-denominated debt and public sector 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.

General government plan 2020-2024

The General Government Policy 2020-2024 proposes five strategic pillars that seek to address social, political, economic and environmental concerns. The Government seeks to achieve the strategic goals established by these pillars by 2023. The list below sets out some of the strategic goals.

1. *Economy, competitiveness and prosperity*. To achieve greater economic growth and significantly increase the sources of sustainable employment by:

   - increasing real GDP growth;
   - improving Guatemala's ranking in the Global Competitiveness Index;
   - improving Guatemala's ranking in the Doing Business ranking; and
   - reducing the rate of informal employment.

2. *Social development*. To directly and effectively serve the poorest through targeted and effective social actions by:

   - increasing attendance rates at elementary schools;
   - increasing attendance at middle schools (*nivel secundario* - grades 7th to 9th)
   - increasing the attendance at high schools (*nivel diversificado* - grades 10th to 12th/13th);
   - reducing the percentage of illiterate population;
   - reducing overall poverty;
   - reducing extreme poverty;
   - increasing the hospital network through the development of new facilities;
   - increase the number of type A and B health centers; and
   - reduce the chronic malnutrition rate.

3. *Governance and security in development*. Seeks to improve the country's governance for peaceful and harmonious coexistence, which allows adequate investment conditions:

   - reducing the crime rate;
   - reducing the homicide rate;

- increasing the number of prison facilities to alleviate over-crowding; and
- increasing the number of National Civil Police (*Policía Nacional Civil*, or the "PNC") officers.

4. *Responsible, transparent and effective government*. Seeks to manage in an effective and transparent way the institutions at the service of citizens:

   - establishing the Electronic Government program throughout the 14 government ministries;
   - decentralizing public management;
   - implementing land use plans in all municipalities; and
   - increasing the area covered by forests.

5. Relations with the world with the purpose of guaranteeing the use of international relations so that, in addition to maintaining good diplomatic ties, it improves the order of international trade, tourism, investment and the treatment of our migrants.

   - implementing strategies for the attention of migrants in the United States;
   - increasing the number of consulates in the United States;
   - promoting the country brand; and
   - improving the rating of the Tourist Competitiveness Index.

The General Government Policy 2020-2024 transversally includes an environmental component that spans the entire Government, which seeks to promote the sustainable management of the environment, natural resources, land use and climate change.

Government Response to the COVID-19 Pandemic

At the end of December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. COVID-19 has since spread to more than 175 countries and the World Health Organization declared COVID-19 a global pandemic. In an effort to address the COVID-19 outbreak, the Government focused on a plan divided in three phases: (1) prevention; (2) containment; and (3) mitigation. As part of its containment efforts, pursuant to Government Decree No. 5-2020, the Government declared a state of national public emergency on March 6, 2020, which was later extended to April 12, 2020 through Government Decree No. 7-2020 ratified by Congress on March 24, 2020. This decree limited the freedom to travel (*derecho de locomoción*), prohibited public events and meetings, implemented a daily curfew from 4:00 pm to 4:00 am, limited social contact, and cancelled sports and religious activities. In addition, certain measures restricting operation of public transportation, visits to prisons, access to hospitals for certain elective procedures and contact with the elderly or infirm were implemented. The decree prohibited hoarding of basic goods and medicines and closed air, sea and land borders throughout the national territory. On April 12, 2020, additional measures were put in place including a mask mandate with fines imposed for non-compliance, new limitations on alcohol consumption in public spaces, and limitations on the freedom to travel for the elderly, cancer patients and pregnant women.

In order to continue implementing public health measures, during the months of April, May, June, July and August 2020, the Government decreed extensions to maintain the state of national public emergency in force (Government Decree Nos. 8, 9, 12, 15 and 17, respectively) which were ratified by Congress of Guatemala (Decree Nos. 21, 22, 27, 28 and 29, respectively). During this period, various presidential provisions remained in force, such as public and occupational health recommendations, mask mandates, social distancing requirements, restrictions on free movement, night curfews, and the creation of a COVID-19 alert board to address the behavior of the disease locally, as well as the modification of working hours for the institutions of the Republic.

Pursuant to the last extension of the state of national public emergency and Presidential Provisions on September 11, 2020, it was announced that air, land and maritime borders would be opened as of September 18, 2020 under established protocols. In addition, by means of a presidential announcement, it was announced that the state of national public emergency would effectively cease on October 5, 2020.

The COVID-19 Emergency Care Plan was formulated as an instrument of institutional organization and management of economic resources for the social and economic protection of the population. As a result, several decrees were issued for the creation of programs and provision of funds to implement this plan. The plan defines actions to reduce the impact of the pandemic on the health, economy, social, environmental and security sectors.

Several social and economic programs were derived from the COVID-19 Emergency Care Plan*,* which have a legal basis on Decree Nos. 12-2020, 13-2020, 20-2020 and 25-2020. The Ministry of Public Finance, together with the SEGEPLAN, designed a monitoring board for social programs, which is available for online consultation.

Below is a description of the budget execution for the social and economic programs derived from the COVID-19 Emergency Care Plan in 2020 (this information can be located on the website of the Ministry of Public Finance).

By means of Decree No. 12-2020, Emergency Law to Protect Guatemalans from the Effects of the COVID-19 Pandemic*,* the 2020 budget was expanded by Q3,667.5 million, to be funded by external loans. Of this amount, Q2,239.13 million was directed to several programs that achieved a total implementation of 82%, including:

- Fund for Micro, Small and Medium Enterprises (Q400.0 million). This program was used to strengthen the entrepreneurship of small and medium-sized entrepreneurs, and it reached 100% implementation.

- Capital Protection Fund administered by the National Mortgage Credit (CHN) (Q250.0 million). This program was intended to grant credit to individual merchants, professionals, businesses and credit unions, and it reached 100% implementation.

- Senior Citizen Program (Q50.0 million). This program was used to expand the coverage of an existing program, and it reached 46% implementation.

- Remodeling and Infrastructure Program of Hospitals and Health Centers (Q800.0 million). This program was used for infrastructure and equipment, and it reached 84% implementation.

- Food Endowment Program (Q700.0 million). This program was used to provide support to families in situations of high vulnerability, including older adults, and consisted of redeemable vouchers and in-kind deliveries. This program was implemented through the World Food Programme (WFP), and it reached 100% implementation.

Decree No. 13-2020, Law for Economic Rescue of Families from the Effects Caused by COVID-19*,* also expanded the 2020 budget by Q11.000.0 million, to be funded from the issuance of treasury bonds that were acquired by the Bank of Guatemala, in accordance with Article 133 of the Constitution of the Republic of Guatemala. The programs served by this expansion of the budget achieved, as a whole, a level of implementation of 96%, including:

- Family Bonus (Q6,000.0 million). This program consisted of economic support of up to Q1,000.0 to the population most economically affected by the emergency measures stemming from the COVID-19 pandemic. It was delivered to households with electricity consumption of less than 200 kWh/month, and priority was given to people in poverty, single mothers or single-parent households, the elderly, people with disabilities, people with chronic or degenerative diseases and families with children in a state of malnutrition, and it reached 100% implementation.

- Employment Protection Fund (Q1,850.0 million). This program was used to support workers whose contracts were subject to suspension, duly authorized by the Ministry of Labor and Social Welfare (*Ministerio de Trabajo y Previsión Social*), through a benefit of Q75.00 per day per worker, and it reached 100% implementation. It should be noted that only Q150.0 million was transferred from the Employment Protection Fund (Decree No. 13-2020) to the State Pensioners and Retired Persons Allowance Law, according to Decree No. 25-2020.

- Working Capital Credit Fund, transferred to *Crédito Hipotecario Nacional* (Q2,730.0 million). This program was intended to finance working capital with soft conditions to maintain productive capacity and continuity of operations for individual or social traders, and it reached 84% implementation.

- Electricity Subsidy (Q270.0 million). This program consisted on a contribution to the National Institute of Electrification (INDE) for consumers of electrical energy up to 300 kw / month, and it reached 100% implementation.

Decree No. 20-2020 expanded the 2020 budget by Q5,138.9 million, to be funded mainly from the issuance of treasury bonds (94.2%), with the remainder to be funded by external loans (5.8%). Q1,360.0 million of this expansion was directed to several programs with a total implementation of 83%, including:

- Acquisition of ventilators, COVID-19 tests and personal protective equipment, suits and materials (Q370.0 million). This program reached 74% implementation.

- Projects for economic activation (Q600.0 million). This program was intended to make possible new works to reactivate the economy, and it reached 82% implementation.

- Electricity subsidy (Q360.0 million), which was fully distributed to disadvantaged families by means of the mechanisms set forth in Decree No. 96-2000 approving the Law for Tariffs on the Distribution of Electricity (*Ley de Tarifa Social para el Suministro de Energía Eléctrica*).

The budget for Decree No. 25-2020, the State Pensioners and Retired Allowance Law, was Q150.0 million, and provided payments to support state pensioners and retired persons in the face of the economic crisis resulting from the COVID-19 pandemic. The level of implementation of this program was 100%.

In addition to the above, respiratory care centers and temporary isolation centers have been created, and contact tracing programs strengthened. By the end of 2020, twelve respiratory care centers had been installed in the departments of Totonicapán, Huehuetenango, Quiché, Sololá, Jutiapa, Baja Verapaz, Quetzaltenango and San Marcos. In line with the evolution of the pandemic in Guatemala, some of the respiratory care centers were phased out, and as of May 15, 2023, only one remained in operation.

The Ministry of Public Health and Welfare (the "MSPAS") established the National Coordination Committee for Vaccination against COVID-19 (CNVCOVID) through Ministerial Agreement No. 262-2020, with the purpose of developing and implementing the national strategic plan for vaccination against COVID-19.

During 2021, the Government launched a vaccination process in order to prevent the spread of the COVID-19 and foster the reactivation of the country's economy. Congress issued Decree No. 1-2021, Law for the Financing and Acquisition of Vaccines Against the Coronavirus, which declares the vaccination of the Guatemalan population against COVID-19 to be of national interest, for which the Ministry of Public Finance was authorized to readjust the 2021 budget up to Q1,500.0 million in order to increase the budget of the MSPAS to acquire vaccines. Additionally, the MSPAS and the IGSS were authorized by means of Decree No. 1-2021 enacted in January 2021 and Decree No. 16-2021, enacted in December 2021, to purchase COVID-19 vaccines, and the equipment and services for their preservation and direct transportation from the manufacturers to the vaccination centers. As of May 15, 2023, the MSPAS and IGSS had purchased over 33.9 million COVID-19 vaccines and continued making purchases to satisfy their demand. The MSPAS was commissioned to prepare the National Vaccination Plan.

The National Vaccination Plan was aimed to program, coordinate and ensure the financing, acquisition, provision and use of COVID-19 vaccines to reduce the morbidity and mortality generated by COVID-19, within the vaccination strategy four phases were defined according to the following objectives: (1) maintain the integration of the health system, (2) decrease mortality and severe disease burden, (3) reduce the socio-economic impact and protect the continuity of basic services, and (4) decrease the transmission of the COVID-19 virus in the general population.

Given a lack of legal certainty surrounding the formalization of negotiations for the acquisition (by purchase or donations) of more COVID-19 vaccines, Congress approved Decree No. 8-2021, the Law of Exemption from Liability and Creation of the Compensation Mechanism for the Use of Vaccines against COVID-19 that have authorization for emergency use due to the COVID-19 pandemic (*Ley de Exención de Responsabilidad y de Creación del Mecanismo de Compensación por el Uso de Vacunas contra la COVID-19 que Posean Autorización de Uso de Emergencia por la Pandemia del virus SARS-Cov-2*), under which the Government assumes the responsibility and defines the compensation mechanism for serious adverse reactions to COVID-19 vaccines purchased by or donated to the Government within 24 months of the approval of the decree. This decree, which does not apply retroactively, sets forth three forms of compensation in addition to the compensation set forth in the regulations of the IGSS, which apply if the victim is a social security beneficiary:

a) Hospitalized persons will be provided the necessary care and medicines during the hospitalization period, and compensation in the amount of the non-agricultural minimum wage (equal to Q97.29 as of the date of this offering memorandum) for each day of hospitalization, recovery and rehabilitation.

b) Persons affected by a persistent or significant disability or incapacity will be compensated with a payment in the amount of ten non-agricultural minimum monthly salaries.

c) In the case of death related to a COVID-19 vaccine, the claimant will be compensated with a payment in the amount of fifteen non-agricultural minimum monthly salaries.

Additionally, Decree No. 8-2021 created the COVID-19 Vaccine Economic Compensation Fund (*Fondo de Compensación Económica Vacuna COVID-19*) with an allocation of Q20 million to make payments in connection with claims arising from serious adverse reactions to COVID-19 vaccines, and authorized the Ministry of Public Finance to make the necessary budgetary readjustments for the operation of such fund.

In September 2021, Congress approved Decree No. 11-2021, Law of National Emergency for the COVID-19 Pandemic (*Ley de Emergencia Nacional para la Atención de la Pandemia COVID-19*), which creates a temporary mechanism for the extraordinary acquisition of medicines, supplies, surgical material and patient care services by the MSPAS and the IGSS. Under this decree, these acquisitions must be published in and managed through the procurement and contracting information system administered by the Ministry of Finance, and be made at the best available prices and in a timely manner. This decree also exempts health supplies purchased by the Government under agreements with agencies of the United Nations from value added tax ("VAT") and all donations directly related to the prevention and care of COVID-19 from all import taxes, VAT and customs duties. Additionally, this decree provided for a Q1,878.0 million increase to the budget of the MSPAS and for a one-time Q2,000 monetary benefit for all the personnel of the MSPAS.

In addition to these policy measures, Guatemala's success in fighting the COVID-19 pandemic while minimizing the impact to its economy was a result of (1) region-specific mobility restrictions and frequent contagion level reports prepared by the MSPAS; (2) five temporary hospitals exclusively dedicated to treat COVID-19 patients and a total capacity of approximately 2,779 beds to treat COVID-19 patients; (3) the adoption and implementation of improved technologies and protocols that provided for better treatment of COVID-19 patients; (4) the Government's effort to expand laboratory capacity throughout the country; and (5) an effective contact tracing strategy.

The first COVID-19 vaccines were administered in Guatemala in February 2021. According to Our World in Data, as of May 15, 2023, the percentage of the Guatemalan population that had received at least one dose of a COVID-19 vaccine was the lowest in Central America (50%). This is a result of the refusal to get vaccinated from an important part of the Guatemalan population. The availability of COVID-19 vaccines in Guatemala has been partly driven by distributions under the COVID-19 Vaccines Global Access ("COVAX") program. The COVAX program is an international initiative aimed at enabling equitable access to COVID-19 vaccines for low- and middle-income countries. Guatemala expects to continue to receive vaccine donations as well as to purchase vaccines under the COVAX program, which will be used to maintain vaccination efforts. As of the date of this offering memorandum, the MSPAS has approved a fourth doses for healthcare personnel, persons over 50 years of age, and persons over 6 years of age suffering from chronic or autoimmune diseases.

Additionally, as a mitigation, containment and control measure, an epidemiological information board was created, which allows a rapid assessment of the state of the country at the municipal level, as well as the daily evaluation of the number of confirmed, screened and deceased cases by sex and age groups.

Likewise, a Health Alert System was created for the monitoring of the epidemic caused by COVID-19. This system calculates health alerts based on the level of risk to the population through the use of three indicators that are evaluated and updated every 14 days. The score obtained by each municipality determines the alert color of said municipality for the following 14 days, which in turn dictates the measures that each social and economic sector must follow to contain the pandemic, in particular, the capacity of individuals allowed in public and private places.

As of the date of this offering memorandum, the only pandemic-related measures and regulations that remain in force are those under Decree No. 1-2021.

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 TSE, 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. As of the date of this offering memorandum, 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 Republic and is elected in direct universal national elections by secret ballot for a four-year term, without possibility of re-election. The President can propose legislation to 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. Congress has oversight powers over the executive branch.

Legislative Branch

Congress is the legislative branch and is a unicameral body of 160 deputies elected through universal vote in national elections by secret ballot. 128 members are elected from geographical districts and 32 are elected by the national list system and constitute 20% of the total number of district deputies. 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 composed 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 composed of 13 justices, all appointed by Congress from a list of 26 candidates submitted by a commission made up of representatives of the General Assembly of the Guatemalan Bar Association, law school deans, the rector of the national university, the *Universidad de San Carlos*, and judges on the Court of Appeals.

The Constitutional Court

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 an alternate justice, who serve a five-year term. Each one of the following institutions appoints one principal justice: the Supreme Court of Justice, Congress, the Government through the Ministry Council, the Superior Council of the *Universidad de 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 June 16, 2019. In the first round of the presidential contest, the two candidates to obtain the largest number of votes were Sandra Julieta Torres Casanova of UNE, and Alejandro Eduardo Giammattei of VAMOS, with 22.0% and 13.0%, respectively. In the runoff election held on August 11, 2019, Alejandro Eduardo Giammattei was elected President, receiving 1,907,801 votes, which represented the 58.0% of the 3,291,913 valid votes cast.

As of May 22, 2023, the main parties in Congress were UNE with 51 members and VAMOS with 17 members, out of 160 total seats. As no political party has a majority of the congressional seats, there is a potential for gridlock in Congress which, in turn, may create further political uncertainty.

The following table shows the composition of Congress by political party or affiliation as of May 22, 2023:

	Congressional Seats	**%**
Unidad Nacional de la Esperanza – UNE	51	31.9
Vamos por una Guatemala Diferente – VAMOS	17	10.6
Unión del Cambio Nacional – UCN	12	7.5
Valor – VALOR	9	5.6
*Frente de Convergencia Nacional (*FCN *Nación)*	8	5.0
Bienestar Nacional – BIEN	8	5.0
Movimiento Semilla – SEMILLA	7	4.4
Partido Político Visión con Valores – VIVA	7	4.4
TODOS	6	3.8
Partido Humanista de Guatemala – PHG	6	3.8
Independiente	6	3.8
Compromiso, Renovación y Órden – CREO	5	3.1
WINAQ	4	2.5
Others	14	8.7
Total	160	100.0

Source: Guatemalan Congress.

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 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.

The TSE, being the highest authority in electoral matters in Guatemala and in compliance with the mandate contained in Article 256 Bis. of the Electoral Law of Political Parties, approved in Agreement No. 625-2019, dated October 15, 2019, the establishment of the Electoral Updating and Modernization Commission (CAME), where

1,044 proposals, motions and recommendations were received from different organizations on which was defined the Matrix of Strategic Proposals, which constituted inputs for the design of the initiative of Reforms to the Electoral and Political Parties Law, which were grouped into six thematic axes:

1. Electoral System
2. System of Political Organizations
3. Electoral Process
4. Political financing, oversight, and media regime
5. Electoral Justice
6. Strengthening of the electoral body

The main proposals included: the institution of the right to vote abroad for the election of the President and Vice-President of the Republic, the right to vote abroad, the right to vote in elections for President and Vice-President of the Republic, the right to vote against political parties and the right to political financing.

On February 18, 2021, the TSE presented to Congress a bill that proposes reforms to Decree No. 1-85, Electoral and Political Parties Law, which would strengthen the electoral processes and improve the organization of political groups.

At the beginning of August 2022, the Electoral Affairs Commission issued a favorable opinion on initiative 5886, presented by the Honorable Plenary of Magistrates of the TSE, proposing reforms to Decree No. 1-85, Electoral and Political Parties Law. The opinion with modifications contemplated reforms to 50 articles of the current Law, among which were the elimination of penal sanctions to the media and responsibility of the secretaries of the political groups.

The Plenary of Magistrates of the TSE determined the need to reform the rules contained in the current regulations, to make the effective application of the Law. In 2022, modifications were made to the Regulations of the Electoral and Political Parties Law, contained in Agreement 600-2022; reforms to the Regulations of Overseas Voting in Agreement 601-2022; reforms to the Regulations of Control and Auditing of the Finances of Political Organizations, contained in Agreement 602-2022; and reforms to the Regulations of the Specialized Unit on Communication Media and Opinion Studies, in Agreement 603-2022. Likewise, because of the analysis carried out and to strengthen the norms contained in the aforementioned regulations and its reforms, the TSE agreed to issue specific reforms that would be approved in 2023.

The main thematic axes of the reforms carried out consist of harmonizing the regulatory norms with the Electoral and Political Parties Law and the Political Constitution of Guatemala; guaranteeing the administrative sanctioning procedure in electoral matters; a greater development of the provisions of the political organizations; the electoral process; and the security of the results records.

The reforms do not modify voting procedures, which continue to be by physical ballot, nor do they change the provisions of the chain of custody of the vote, which continues to be overseen by citizens through the Voting Boards. In total, the 2022 reforms consist of: 73 articles of the regulation, one article reformed, 10 articles suppressed, and one article added.

Within the framework of the 2023 electoral process, the TSE held meetings with certain international organizations and diplomatic bodies accredited in the country, where the work carried out by the Plenary of Magistrates was highlighted, as a peace-building entity that reaffirms its will and institutional commitment to guarantee integral, plural, safe and participative electoral processes, in accordance with the regulations in force.

2023 General Elections

On June 25, 2023, Guatemala will hold general elections, which include President and Vicepresident, members of the Congress, mayors and members of the Central American Parliament. The TSE has been preparing for this electoral process for more than a year.

The electoral process is divided into three phases, the first of which comprises the nomination and registration of candidates. The registration of political organizations and electoral civic committees will be made one day after the call for general elections and ends one day before the start of the second phase of the electoral process. The second phase relates to the electoral campaign, which will start 90 days before the voting date (June 25, 2023). The third phase, comprises the day of the elections, counting and qualification of the votes cast. According to projections, it is estimated that there will be 17,000 national observers; 1,000 international observers; and 3,000 independent observers, for both the first and the second rounds of voting.

The TSE has the power to accept or reject the registration of candidates for the various positions of popular election and, in fact, it has already denied the participation of certain purported candidates in the popular election and revoked the participation of others for various reasons, including because the applicant was unsuitable under Article 13 of the Constitution of the Republic. Other potential candidates have been removed in other ways, such as the case of the purported presidential candidate, Carlos Pineda, who led the vote intention polls, who was excluded as the result of an *amparo* filed by a rival political group, in a contentious-administrative court.

In the history of Guatemala, no political party has ever achieved the required half of the votes plus one to win the Presidency in the first round, and the second round of voting for the election of the President is expected to be held on August 27, 2023.

The elected authorities will take office on January 14, 2024.

Legal Proceedings Relating to the 2019 Elections

Mario Estrada Case

Mario Estrada was 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 TSE 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 TSE 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 crimes: 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. On February 11, 2020, Mr. Estrada was sentenced to 15 years in prison by the United States District Court for the Southern District of New York, in addition to four years' probation and US$40,000 bail. Juan Pablo González Mayorga received a sentence of two years in prison.

On December 10, 2019, the political group UCN was cancelled for violating norms related to electoral financing.

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 Head 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 TSE, since criminal charges were filed against her. 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 TSE ruled that the document she presented was invalid (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 as a candidate on March 19, 2019. However, following three challenges to her registration by *TODOS, Fundación Contra el Terrorismo* and *Guatemala Inmortal*, her registration 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. On February 24, 2020, the United States granted Ms. Aldana political asylum, where she has been living since 2019.

On January 16, 2023, the Special Prosecutor's Office Against Impunity issued arrest warrants for three individuals, including Ms. Aldana, for allegedly allowing anomalous cooperation agreements with Brazilian Odebrecht executives in 2017.

Petition before the Inter-American Commission on Human Rights

On May 24, 2019, a former presidential candidate (the "Petitioner") filed a petition against Guatemala before the Inter-American Commission on Human Rights ("IACHR") on the grounds that the rulings of the TSE and Constitutional Court that resulted in the annulment of the Petitioner's and her running mate's candidacy for the 2019 presidential elections violated their (and their descendants') human right to political participation. The Petitioner argued that the decisions of the TSE and the Constitutional Court, which were based on a provision of the Constitution of Guatemala that prohibits persons within the fourth degree of consanguinity and second degree of affinity of individuals who illicitly became Guatemalan heads of state from running for office, resulted from an deviation from constitutional interpretive precedent to limit their political participation.

On May 21, 2021, the Petitioner expressed her interest in initiating an amicable settlement process, and on July 6, 2021, Guatemala stated its willingness to engage in a negotiation process. Under the friendly settlement agreement signed by the parties on December 28, 2021, Guatemala agreed to (i) acknowledge the Petitioner's human right to political participation and that such right should have not been restricted, (ii) conduct two campaigns to raise awareness regarding gender equality in political participation rights, and (iii) host two events with relevant education institutions on the topic of gender equality in political participation rights. The IACHR accepted the agreement on April 24, 2022 and will monitor the parties' compliance with their commitments, and the actions described in items (i) to (iii) above were scheduled to take place between July and October 2022.

Currently, the Petitioner is registered in the citizens registry of the TSE, despite having been challenged before the Constitutional Court (the country's highest). In addition, progress has been made in terms of gender equality and political participation, since on March 8, 2023, the TSE and representatives of the women's commission of the Congress signed a letter of understanding to promote political participation of women, as well as training workshops on the electoral process and the role of women in political participation and popular elections.

The Peace Agreements

Following the objectives of *Esquipulas II*, a Central American summit held on August 7, 1987 where the heads of state participated in peace negotiations, and pursuant to the Oslo Agreements on March 30, 1990, the Government 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 MINUGUA trained professionals as verifiers and promoters of the Peace Agreements. In addition, the MINUGUA 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, 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 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.

The CICIG Agreement

On December 12, 2006, the United Nations and the Government 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.

Since 2015, the CICIG was 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 expired on September 3, 2019 after a series of extensions. As a result, as of the date of this offering memorandum, the CICIG is no longer operational in Guatemala.

The agreement that established the CICIG contemplated as one of its functions the strengthening of the Public Prosecutor's Office, and the transferring of capacities from the CICIG to the Public Prosecutor's Office. According to the Government, the Public Prosecutor's Office, which has closely worked with the CICIG in high profile cases in recent years, strengthened with the support of the CICIG. The transfer of capacities from the CICIG was carried out through the Special Office of the FECI.

The Environment

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 and to promote environmental protection and the rational use of natural resources to support sustainable development, 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. 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.

Guatemala is a signatory to and has ratified the Paris accord, in connection with which the country has a nationally determined contributions ("NDC") plan. Under the NDC plan, Guatemala committed to (i) unconditionally reduce its greenhouse gas emissions by 11.2% and (ii) reduce its greenhouse gas emissions by 22.6% conditioned on receiving assistance from the international community, in each case, from business as usual levels by 2030. Additionally, as of the date of this offering memorandum, Guatemala has successfully registered 18 clean development mechanism projects, as determined under the Kyoto Protocol, with the Secretariat of the United Nations Framework Convention on Climate Change, which will result in an estimated annual decrease of 11,883.36 carbon dioxide equivalent tons.

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 "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 "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 since their inception.

During 2018, the PROBOSQUE program (a government program that seeks to promote the Republic's forestry development through sustainable forest management, reducing deforestation of forested lands, promoting reforestation of forest areas currently without forest, and increasing their productivity) 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*).

In 2019, forestry incentives were established for 224,313 hectares, which represented 106,688 hectares from PINPEP and 117,625 hectares from PROBOSQUE. These programs were of direct benefit for 82,361 families from rural areas, creating an approximate of 489,223 labor days in 2019.

In 2020, the strategic action related to the conservation of natural forests with forest incentives in connection with the PROBOSQUE and PINPEP programs implemented actions such as the protection, production and maintenance of 260,342.3 hectares of natural forests. The interventions represented an outlay of Q308.9 million invested in the PINPEP program and Q227.2 million in the PROBOSQUE program.

In 2021, forestry incentives were established for 265,587.37 hectares of natural forests in connection with the PROBOSQUE and PINPEP programs. The interventions represented an outlay of Q310.7 million invested in the PINPEP program and Q244.9 million in the PROBOSQUE program.

In 2022, forestry incentives were established for 290,312.85 hectares, which represented 134,233.07 hectares from PINPEP and 156,079.78 hectares from PROBOSQUE, these programs were of direct benefit for 61,118 families from rural areas, creating an approximate of 6,725,845 labor days in 2022. The interventions represented an outlay of Q350.0 million invested in the PINPEP program and Q280.4 million in the PROBOSQUE program.

In June 2022, Guatemala was affected by heavy rains that resulted in severe landslides, causing 28 fatalities and damage to infrastructure, including the collapse of a section of the Pacific highway in Villa Nueva.

San Rafael Mine

On September 3, 2018, the Constitutional Court suspended two projects in the San Rafael Mine, which holds the world's second largest silver reserves. It instructed the General Directorate of Mining of the Ministry of Energy and Mines to suspend the extension of the Juan Bosco exploration license. The Constitutional Court ruled that before issuing a new license, the Ministry of Energy and Mines must require that an Environmental Impact Study is submitted and a consultation in accordance to Convention 169 of the International Labor Organization is conducted with the communities settled in the area of influence of the exploration project.

As a result, in compliance with the ruling issued by the Constitutional Court, the Minister of Energy and Mines, MEM, participated, on behalf of the Government, in the second meeting with 54 of 59 authorities of the Parliament of the *Xinka* People of Guatemala, in December 2020. At that meeting, jointly, they conducted a review of compliance with the commitments made by both parties during the meeting held on October 14, 2020, The MEM authorities emphasized that the pre-consultation and consultation phases will be ruled under the principles of good faith, mutual respect, and transparency, without pressure or conditioning of the parties and maintaining respect for the *Xinka cosmovisión* and culture.

The Ministry of Energy and Mines launched on April 4, 2021 the call to hold the first meeting of the pre-consultation roundtable related to *El Escobal* project, owned by Minera San Rafael, on April 20, 2021, in compliance with the ruling issued by the Constitutional Court.

The Ministry of Energy and Mines reported that the first pre-consultation meeting with the *Xinka* indigenous people had been rescheduled for May 21, 2021, due to measures taken by the Government to contain the COVID-19 pandemic affecting the country. The consultation will be held at the headquarters of the Parliament of the *Xinka* People of Guatemala, in Santa Rosa. This will be the first official meeting of the pre-consultation process, it is expected that the consultation process, together with the phase of information delivery and intercultural dialogue can be carried out in a period of four to six months. On June 30, 2021, the Ministry of Energy and Mines informed that the pre-consultation process was advancing as expected.

On October 12, 2021, the third pre-consultation meeting was held with the *Xinka* people in San Rafael Las Flores, Santa Rosa.

On November 10, 2021, the Ministry of Energy and Mines held a meeting with the authorities of the Parliament of the *Xinka* People, at its headquarters in Cuilapa, Santa Rosa, during which the parties discussed the proposed methodology transmit information to the communities subject to consultation.

On January 23, 2022, the fourth pre-consultation meeting was held at the headquarters of the Parliament of the *Xinka* People. During the meeting, and after a day of discussion and analysis, the parties agreed to redefine the path moving forward with respect to the consultation process.

On July 20, 2022, the eighth meeting of the first phase of the consultation process with the Xinka People was held between authorities from the Ministry of Energy and Mines and representatives of the Parliament of the Xinka People of Guatemala. This concludes the first phase of the consultation process for the Escobal mining right, in San Rafael Las Flores, Santa Rosa.

Transparency

According to Transparency International, Guatemala ranked 150 out of 180 countries in 2022, with a corruption perception index score of 24 points. The corruption perception index ranks countries based on how corrupt the public sector is perceived to be by the population, and 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 signed in December 1996, 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 peacetime.
- Refine and reform the prison system towards a focus on rehabilitation.

The Police Academy, inaugurated in 1998, has contributed to improving professionalism of officers. According to statistics of the Ministry of Governance, there has been a significant reduction in crime rates, especially in homicide and property crimes. Between 2018 and 2022, the homicide rate decreased by 6.5 per 100,000 inhabitants, from 23.8 per 100,000 inhabitants to approximately 17.3 per 100,000 inhabitants by the end of 2022. However, compared to 2021, the homicide rate per 100,000 inhabitants increased by 0.7, and Guatemala has the third highest homicide rate in Central America after Honduras and El Salvador. For property crimes, the rate has been reduced from 67.3 per 100,000 inhabitants in 2018 to 54.8 per 100,000 inhabitants in 2022, a decrease of 12.5 per 100,000 inhabitants.

Foreign Affairs and Memberships in International Organizations

Guatemala maintains diplomatic relations with approximately 160 countries. 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 ("OAS"), the Central American Integration System, the Association of Caribbean States ("ACS"), the International Monetary Fund, the Inter-American Development Bank (the "IADB"), the World Bank, the Central American Bank for Economic Integration ("CABEI") and the International Fund for Agricultural Development, among others. As a result of Guatemala's relationship with international financial institutions, Guatemala has access both to technical assistance and development-oriented loans from these institutions.

As a founding member of the United Nations in 1945, 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/UNOPS (in 2001 and 2015), 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 2012-2013 period, filling the seat allocated to the Latin American and Caribbean group, of which Guatemala also held the Presidency in October 2012.

Likewise, the country has been part of important political spaces such as United Nations Population Fund ("UNFPA"), United Nations Office for Project Services ("UNOPS") (in 2001 and 2015); Vice-presidency of the United Nations Children's Fund (in 2008 and 2019); and Presidency of the Executive Board of the World Food Programme ("WFP") (in 2016).

Currently, Guatemala holds important memberships in multilateral organizations, namely:

No.	Office	Tenure
1	Presidency of the Executive Board of the WFP for the year 2021; member of the Executive Board of the WFP for the year 2023.	2021-2023
2	Member of the Executive Council of the Organization for the Prohibition of Chemical Weapons	2022-2024
3	Member of the Social Development Commission	2019-2023
4	Mr. Edgar Stuardo Ralón Orellana, as member of the Inter-American Commission on Human Rights	2022-2023
5	Ambassador Pablo César García Saénz, Member of the Committee on the Protection of the Rights of All Migrant Workers and Members of their Families	2020-2023
6	Member of the Executive Committee of the World Tourism Organization	2020-2023
7	Ambassador José Francisco Calí, United Nations Human Rights Council Special Rapporteur on the Rights of Indigenous Peoples	2020-2023
8	Member of the United Nations Economic and Social Council ("ECOSOC")	2021-2023

No.	Office	Tenure
9	Member of the Council of the Food and Agriculture Organization of the United Nations	2021-2023
10	Member of the Executive Board of the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and United Nations Office for Project Services (UNOPS)	2021-2023
11	Incumbent member of the Governing Body of the International Labour Organization	2021-2024

Guatemala is also a member of the WTO and, as a country, has a strong commitment to the free flow of capital and international trade, and has encouraged the full compliance with all trade agreements as a mean for achieving its development goals. Guatemala ratified the Association Agreement between the European Union and Central America ("AdA"), in effect since December 1, 2013 (Decree No. 2-2013). This agreement includes 28 developed economies (25 out of 34 OECD countries). Guatemala hopes that agreements such as the aforementioned will increase trade in goods and services with the European Union, which is the third largest export market after North America and Central America.

During 2019, negotiations were held for the Association Agreement between Central America and the United Kingdom, which was signed on July 18, 2019 in Managua, Nicaragua and entered into force on January 1, 2021. The agreement, which replaces the AdA, guarantees the continuity of trade between the region and the United Kingdom, which amounts to more than US$1 billion. The agreement maintains tariff preferences for 100 Guatemalan products with all legal guarantees. It also provides a platform for further liberalization of trade between the parties.

In addition to these AdAs and a Treaty for 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 22, 2009); Guatemala- Republic of China (Taiwan) Free Trade Agreement (July 1, 2006); Colombia-Guatemala-El Salvador-Honduras Free Trade Agreement (November 13, 2009); Chile-Central America Free Trade Agreement (March 23, 2010); and the Mexico-Central America Free Trade Agreement (September 1, 2013). These agreements, many of which are regional (signed jointly among Central American countries with third countries) help Guatemala to integrate itself into the global economy and improve its competitiveness and development. These agreements also 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.

In March 2022, Congress approved Decree No. 15-2022 to ratify the Treaty on the Prohibition of Nuclear Weapons, which was adopted during a United Nations conference in New York on July 7, 2017.

In March 2022, Congress approved the Basic Agreement on Technical and Scientific Cooperation between the Republic of Guatemala and the Republic of Peru by means of Decree No. 26-2022.

On June 6, 2022, the Executive Board of the IMF concluded the Article IV consultation with the Republic. The IMF staff highlighted the resiliency of the Republic's economy during the pandemic as a result of an effective policy response, an early reopening of the economy and favorable external conditions, including remittances. The IMF staff concluded that the outlook for the Guatemalan economy remains favorable. Additionally, the IMF Executive Directors encouraged Guatemala to continue to address social issues.

On June 7, 2022, the Vice President of the United States, Kamala Harris, announced new U.S. government initiatives and private sector investment commitments for Guatemala, Honduras and El Salvador (the "Northern Triangle" of Central America). Vice President Harris stated that private companies have committed to invest more than US$1.9 billion in the Northern Triangle, which, together with the US$1.2 billion in investments announced in

December 2021, would bring the amount of committed investment in the region to US$3.2 billion. Additionally, Vice President Harris announced the creation of the Central American Service Corps (CASC), which will provide young people in the Northern Triangle with paid community service opportunities, and an initiative to support economic empowerment of women of the Northern Triangle and the Western Hemisphere.

In May 2023, Vice President Harris and President Giammattei discussed joint efforts to manage migration in a humane and orderly fashion, including creating new opportunities for legal pathways. Vice President Harris highlihgted progress made to address the drivers of migration through the implementation of the U.S. Strategy to Address the Root Causes of Migration from Central America, which she leads. The implementation of the Strategy included the announcement in May 2023 of US$44.5 million in U.S. Government funding to combat gender-based violence in the region. Additionally, Vice President Harris and President Giammattei discussed updates regarding the efforts to create economic opportunities in Guatemala through the partnership with the private sector that Vice President Harris has led, which has generated more than US$4.2 billion in private sector investments in northern Central America, and is helping to create jobs, connect people to the internet, and bring more people into the formal financial system.

Relations with Belize

Guatemala has a long-standing territorial, insular and maritime claim against Belize, which is a significant subject of Guatemala's national foreign policy. In 1991, Guatemala recognized the independence of Belize and established diplomatic relations, but reaffirmed its territorial dispute, which yet has to be resolved.

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 Confidence Building Measures" was signed as an 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 Confidence Building Measures for benefiting the inhabitants of the Adjacency Zone were reaffirmed. As contemplated in the Framework Agreement, if an agreement cannot be reached, the Secretary General of the OAS could recommend that the dispute be brought before the International Court of Justice or the Court of International Arbitration. Both countries accepted the recommendation of the Secretary General.

- *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 Adjacency Zone established as "buffer area," the OAS Office at the zone, in addition to the Commission of High Level 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. On August 22, 2018, the International Court of Justice was notified of Guatemala's decision to submit the dispute to the International Court of Justice.

- *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 was submitted to the International Court of Justice by Belize on July 7, 2019.

- *June 2019.* On June 18, 2019, the International Court of Justice issued a resolution in which it accepted jurisdiction.

- *December 2020*. Guatemala submitted its Memorial on December 8, 2020, and the International Court of Justice established June 8, 2022 as the date for the delivery of the Counter-Memorial by Belize.

- *June 8, 2022*. Belize delivered its Counter-Memorial.

- *December 8, 2022.* Guatemala submitted its reply.

Legal Proceedings

1. Active investment arbitrations against Guatemala

1.1. *Daniel Kappes and Kappes, Cassiday & Associates v. The Republic of Guatemala (ICSID Case No. ARB/18/43)*

In 2012, Mr. Daniel W. Kappes and Kappes, Cassiday & Associates, both U.S. nationals, owners of Minerales KC, acquired through the latter entity 41 shares of Exploraciones Mineras de Guatemala, S.A. ("Exmingua") and Mr. Kappes acquired the remaining 42 shares directly. As a result of such acquisition, they acquired the legal rights, title and interest in two mining projects located in the Regional Gold Belt ("El Tambor"), these being Progreso VII Derivada and Santa Margarita, located in the municipalities of San José del Golfo and San Pedro Ayampuc.

On September 30, 2011, the Ministry of Energy and Mines (*Ministerio de Energía y Minas*) granted a 25-year Derivative Project VII Exploitation License to Exmingua. On August 28, 2014, the non-governmental organization Centro de Acción Legal-Ambiental y Social de Guatemala ("CALAS") filed an *amparo* action against the Ministry of Energy and Mines, alleging that the operating license for the Progreso VII Project was granted without compliance with the provisions of ILO Convention 169 on Community Consultation. On November 11, 2015, the Supreme Court of Justice granted the provisional *amparo*, suspending the granting of the license. That decision was challenged by Exmingua on February 23, 2016. The Constitutional Court confirmed the provisional *amparo* on May 5, 2016.

The Supreme Court of Justice granted the definitive *amparo* to CALAS on June 28, 2016, definitively suspending the operating license.

On July 21, 2020, the plaintiffs filed their statement of claim. In it, they alleged the violation of the standards of fair and equitable treatment, denial of justice, national treatment, most-favored-nation treatment, expropriation and full protection and security, for alleged damages caused by the Republic to its local entity, Exploraciones Mineras de Guatemala, S.A., in relation to its mining exploitation projects, Derivative Progreso VII, and exploration Santa Margarita, as well as a seizure of gold concentrate of the entity by the Republic. The amount of the claim ranges between US$403 million and US$450 million, plus interest.

On December 8, 2020, Guatemala filed a defense motion raising different objections to jurisdiction and admissibility, developing different arguments that sought to demonstrate the absence of international responsibility of the Republic for the alleged violations alleged by the plaintiffs and filing a counterclaim against the plaintiffs, for the environmental damage caused to Guatemala as a result of the Derivative Progreso VII mining project.

From February 22 to April 12, 2021, the document discovery phase took place, during which the parties provided documents on a voluntary basis and presented arguments for the court to decide on the production of documents.

The parties presented their arguments on the merits of the dispute, objections to jurisdiction and counterclaim to the court at a hearing held from February 28 to March 11, 2022. On May 23, 2022, the parties filed a post-hearing brief, and the proceedings remain pending as of the date of this offering memorandum. The Republic of Guatemala is awaiting the issuance of the arbitration award.

1.2. *Grupo Energía Bogotá S.A. E.S.P. and Transportadora de Energía de Centroamérica S.A. (ICSID Case No. ARB/20/48 and ICSID Case No. ARB/21/59)*

Grupo Energía Bogotá S.A. E.S.P. ("GEB") and Transportadora de Energía de Centroamérica S.A. (together with GEB, the "plaintiffs") submitted a first communication of dispute, dated October 11, 2019, to the Republic ("Communication of Dispute No. 1"), under the Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras (the "FTA").

This arbitration process is related to the Third Amendment (of October 2019) of the "Contract of Authorization of Execution of the Works of Transmission of the Lots A, B, C, D, E and F Awarded as a result of the Open Bidding Process for the Provision of the Electric Energy Transport Service for the Value of the Annual Fee" (the "2019 Contract") of the PET Project of the National Program of Expansion of the Electric Power Transmission System.

The entities filed a Request for Arbitration with the International Center for Settlement of Investment Disputes (the "ICSID").

In the assessment of the plaintiffs, there was a violation of the following standards under the Treaty: (i) Investment Protection, which implies fair and equitable treatment and full protection and security (Article 12.4); (ii) Most Favored Nation Treatment (Article 12.6); and (iii) Expropriation and Compensation (Article 12.8).

On November 3, 2020, the ICSID notified the act of registration of the case, assigning it ICSID Case No. ARB/20/48 and on November 6, 2020, the parties to the dispute (the Republic, through the Ministry of Economy and the plaintiffs) submitted a joint communication to the ICSID confirming an agreement to temporarily suspend the proceedings. The purpose of the agreement is to continue the process of consultations and negotiations to reach an amicable settlement of the dispute. On November 10, 2020, the ICSID temporarily suspended the proceedings until one of the parties filed a motion to resume such proceedings. On October 14, 2021, the process was resumed at the request of the plaintiffs.

On June 14, 2021, the plaintiffs filed their second Notice of Intent in which they argued that Guatemala violated several investment protection standards under the FTA: Investment Protection (Article 12.4 of the FTA), including fair and equitable treatment and full protection and security, National Treatment (Article 12.5 of the FTA), Most Favored Nation Treatment (Article 12.6 of the FTA) and Expropriation Compensation (Article 12.8 of the FTA). Additionally, the plaintiffs base their claim on the denial or lack of response by the Ministry of Energy and Mines to (i) their Request for Additional Costs and Expenses of Easements filed on September 24, 2019, as amended or supplemented on December 19, 2019; (ii) their Requests for Additional Costs and Expenses for Force

Majeure or Fortuitous Event filed on December 27, 2019 and December 14, 2020; and (iii) their Request for Adjustment of the Annual Fee of September 10, 2019.

In particular, the plaintiffs base their new claim on the fact that Guatemala allegedly: (i) has not recognized the additional costs incurred as a consequence of events of force majeure or fortuitous event, including actions or omissions attributable to Guatemala; (ii) refused to accept the additional costs related to the constitution of easements, allegedly imposing arbitrary requirements for their proceeding; (iii) did not consult the indigenous peoples as required by the Constitutional Court; (iv) failed to comply with its duty under the 2019 Contract and the FTA, with arbitrary and late actions, resolutions and communications that have prevented the completion of the PET Project, affecting the alleged investors; and (v) it has treated the OXEC and PETNAC projects more favorably. The entities claim US$375 million in damages.

On December 9, 2021, the ICSID General Secretariat registered the second arbitration as ICSID Case No. ARB/21/59. Subsequently, on December 10, 2021, the plaintiffs requested the joinder of the proceedings in ICSID Case Nos. ARB/20/48 and ARB/21/59, pursuant to Article 12.28 of the FTA. Guatemala objected to the request on the grounds that the aforementioned article refers to the possibility of consolidating two or more arbitrations initiated by different claimants and not to proceedings initiated by the same claimant or claimants under the same treaty.

On January 10, 2022, the ICSID General Secretariat, based on Article 12.28(3) of the FTA, decided that a consolidation tribunal should be constituted in order for this collegiate body to hear and resolve the plaintiffs' request to consolidate both arbitrations.

On September 27, 2022, the above-referenced tribunal issued Procedural Order No. 1 regarding the consolidation of ICSID Cases Grupo Energía Bogotá S.A. E.S.P. and Transportadora de Energía de Centroamérica S.A. v. Republic of Guatemala (ICSID Case No. ARB/20/48) and Grupo Energía Bogotá S.A. E.S.P. and Transportadora de Energía de Centroamérica S.A. v. Republic of Guatemala (ICSID Case No. ARB/21/59), including an order taking note of the discontinuance of the proceeding in Grupo Energía Bogotá S.A. E.S.P. and Transportadora de Energía de Centroamérica S.A. v. Republic of Guatemala (ICS ID Case No. ARB/21/59) pursuant to ICSID Arbitration Rule 43(1).

1.3. Energía y Renovación Holding, S.A. (ICSID Case No. ARB/20/48)

Energía y Renovación Holding, S.A. filed on behalf of Generadora San Mateo, S.A., Generadora San Andrés, S.A. and Empresa de Transmisión del Norte, S.A. a lawsuit against the Republic of Guatemala, in which the plaintiffs allege violations of principles contained in the Free Trade Agreement between Central America and Panama relating to the inability to operate hydroelectric projects located in San Mateo Ixtatan, Huehuetenango. The arbitration process was ongoing as of the date of this offering memorandum, and is confidential.

Northern Triangle Alliance for Prosperity

El Salvador, Guatemala and Honduras developed the "Plan of the Alliance for Prosperity in the Northern Triangle." This plan identified medium-term priorities to accelerate the development of these countries and their economies. This plan was backed by financial commitments of each government and by grants from the United States, the IADB and the World Bank, intended to develop employment opportunities and improve the wellbeing of the population. In addition, this plan aimed to consolidate the commitment to integration and development of the Northern Triangle, attract tourists, and promote the entire region as an attractive destination.

The strategic aims of this plan included:

- 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.

The Northern Triangle Alliance for the Prosperity plan was designed for a period of five years (2015-2019), concluding during 2019 with limited progress in reducing migration. The plan lost some of its momentum after the Trump Administration focused its efforts on the "Safe Third Country Agreement." However, new initiatives have arisen that seek to generate economic development in the region, create economic opportunities and strengthen ties with the United States, such as the "*Plan de Desarrollo Integral (PDI)*" or "*América Crece*." The progress of these initiatives was slowed during 2020 due to the COVID-19 pandemic. However, since the beginning of 2021, with a new administration elected in the United States, these issues are being prioritized again and during 2021 these initiatives could be accelerated given changes in immigration policy announced by President Joseph Biden.

Northern Triangle Customs Union

The Northern Triangle Customs Union is one of the Government's development priorities, which encourages employment and investment. Deep integration between Guatemala and Honduras eliminates unnecessary barriers and facilitates trade processes at border crossings between the countries involved, achieving benefits for merchants in general (micro, small, medium, and large entrepreneurs) and service providers (carriers and consolidators of loads).

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. With the incorporation of El Salvador, the Customs Union will have nine integrated border posts and 12 peripheral customs stations.

Important progress was made in the improvement of integrated border crossings, particularly regarding the treatment procedures for goods with free movement that cover the Central American Single Declaration and Invoice (*Factura y Declaración Única Centroamericana (FYDUCA)*), which is currently in force and serves for documenting the exports and imports of goods between Guatemala and Honduras. Other border crossing procedures in which progress has been made include the organization of the modules that enable streamlined border processing from a customs perspective, internet hotspots that improve communication, the enrollment of means of transport for the use of radio frequency identification technology (*tecnología de identificación por medio de radiofrecuencia*), and the enablement of a new trade facilitation module that will serve both goods with free movement like those that must pass through customs controls and that is expected to double the customer service capacity and streamline the border crossing. On May 20, 2021, Guatemala and Honduras started complementary works on their modules located in Corinto, El Florido and Agua Caliente in order to foster the customs union between both countries.

The main objective of the negotiations in this process was the full incorporation of El Salvador to the degree of integration that Honduras and Guatemala have already achieved, implementing the "*Declaracion y Factura Unica Centroamericana*" (Central American Single Declaration). This integration entails having a list of goods that can be freely circulated across borders, as well as minimal customs control between the three countries, streamlined invoicing and integrated border crossings that include the infrastructure necessary for the free movement of goods and tourists. In addition, the integration includes the implementation of updated technology into border crossing procedures that enable streamlined border processing from a customs perspective, internet hotspots that improve communication, the use of radio frequency identification technology, and the enablement of a new trade facilitation that is expected to double the customer service capacity and streamline the border crossing.

TRANSPARENCY AND CORRUPTION

Guatemala is a developing country that has historically experienced perceived significant 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 CICIG

In December 2006, the United Nations and the Government signed the agreement to establish the International Commission against Impunity in Guatemala (the "CICIG"). The CICIG was an international and independent organization created to support, strengthen and provide assistance to institutions in Guatemala to investigate and prosecute illegal and clandestine security forces groups engaged in counterinsurgency that were formed during the Republic's armed conflict that took place during the second half of the 20th century.

The CICIG worked together with several institutions in the fight against impunity and collaborated with the Ministry of Interior in the fight against organized crime and with the Public Prosecutor's Office in some of its investigations. Additionally, the CICIG collaborated with the Supreme Court of Justice to create the First Court of High Risk "C", which resulted in more efficient high-impact criminal proceedings. The CICIG also worked with civil society actors, academics and think tanks, the business sector, donors and international agencies to better understand the different aspects relevant to the fight against impunity.

From 2015, the CICIG was involved in the investigations of certain high profile public corruption cases, such as the investigation of former President Morales and a number of investigations relating to former President Otto Pérez Molina and former Vice President Roxana Baldetti, the most significant of which are described below. On August 30, 2018, the Government announced its decision not to renew the term of the CICIG when it expired on September 3, 2019, after a series of extensions and, accordingly, the CICIG is no longer operational in Guatemala.

Upon the expiration of its mandate, the CICIG transferred its capacities to the Public Prosecutor's Office through the implementation of technology and work methodologies and the incorporation of the FECI as a permanent prosecutors office within the structure of the Public Prosecutor's Office. The CICIG withdrew as prosecutor from the criminal proceedings it was participating in, according to the procedural stage of each case, which are now are carried out by the Public Prosecutor's Office, mostly through the FECI.

Certain Corruption Cases Relating to Former President Otto Pérez Molina and Former Vice President Roxana Baldetti

"La Línea" Case

This case involved allegations of conspiracy, fraud and customs fraud against former President Otto Perez Molina and Vice President Roxana Baldetti. As a result of an investigation by the CICIG and the Public Prosecutor's Office in 2015, several government officials, including Ms. Baldetti, resigned from their respective offices due to accusations of corruption and Ms. Baldetti was subsequently arrested on charges of conspiracy, fraud and customs fraud. In addition, the Public Prosecutor's Office, together with the CICIG, filed a request for impeachment against Mr. Perez Molina over his alleged involvement in the same activities, and Mr. Perez Molina resigned from office following the approval by the Guatemalan Congress to strip him of immunity, and an arrest warrant for Perez Molina was issued on the same day, which led to his arrest.

Subsequently, Mr. Perez Molina, Ms. Baldetti and a number of other individuals were remanded for trial in the Court of High Risk "B" and, on December 7, 2022, of the 29 individuals accused in this case, 11 were acquitted and 18 were convicted. Included in the convictions, Mr. Molina and Ms. Baldetti were sentenced to terms of imprisonment of eight years for the crimes of illicit association and customs fraud, as well as a fine of Q8.7 million each. In early 2023, Mr. Perez Molina and Ms. Baldetti appealed their sentences, which appeals remain pending as of the date of this offering memorandum.

Co-option of the State Case

In the context of the "*La Línea*" case described above, 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, led mainly by former President Otto Pérez Molina and former Vice President Roxana Baldetti, using financial schemes that appeared to be legal to commit fraud by taking advantage of the finances of several public entities.

In this case, 53 persons were investigated for fraud as members of this criminal network, including Mr. Pérez Molina, Ms. Baldetti, Juan Carlos Monzón Rojas, Ms. Baldetti's private secretary, former Communications Minister Alejandro Sinibaldi, a former Minister of the Interior, a former Minister of National Defense, among other government officials and businessmen. In 2016, the Minister of the Interior was arrested and prosecuted in connection with this case and, in 2020, Mr. Sinibaldi was indicted in connection with this case by the Court of High Risk "B." As of the date of this offering memorandum, the proceedings in this case are ongoing.

TCQ Cases

In 2015, the CICIG and the Public Prosecutor's Office commenced an investigation into illicit association, influence peddling, money laundering and fraud in connection with the award of a US$255.0 million contract to Terminal de Contenedores Quetzal, S.A. ("TCQ") for the construction and operation for a 25-year period of a new terminal of close to 34 hectares in Puerto Quetzal. Former President Otto Pérez Molina, then Vice President Roxana Baldetti and Juan Carlos Monzón Rojas, Ms. Baldetti's private secretary were implicated in this investigation. In 2018, the Court of High Risk "B" remanded six individuals for trial in connection with this case. The former representative of TCQ submitted himself to the court in connection with this case, pled guilty was convicted of active bribery and illicit association, and was given a sentence for both crimes of eight years.

Recently, the government of Spain approved the extradition to Guatemala of a businessman implicated in the bribery forming part of this case, who had been arrested in February 2023, in Madrid, at Guatemala's request. In early 2023, the Public Prosecutor's Office presented the evidence that the investigating entity plans to present. As of the date of this offering memorandum, the proceedings in this case are ongoing.

Conspiracy Charges in the United States

On February 24, 2017, the United States Embassy in Guatemala issued a statement announcing that former Vice President Roxana Baldetti and former Minister of the Interior, Mauricio López Bonilla had been charged before the U.S. 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 Ms. Baldetti submitted by the U.S. District Court for the District of Columbia in connection with this case. In June 2017, the Public Prosecutor's Office filed a request for the extradition of Ms. Baldetti and Mr. López Bonilla. Both Ms. Baldetti and Mr. López Bonilla face other criminal proceedings in Guatemala and may be transferred to the United States when they clear their status in these cases and/or serve the sentences imposed on them in connection therewith.

Certain Other Corruption Cases

Odebrecht Corruption Case

Between 2013 and 2015, Brazilian construction company Odebrecht S.A. (together with is subsidiaries and affiliates, "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.

In 2018, the Public Prosecutor's Office obtained the first conviction in the Odebrecht case, against a Guatemalan businessman and the brother-in-law of a former Communications Minister Alejandro Sinibaldi, who was convicted of money laundering and sentenced to three years in prison and a fine of US$100,000.

In 2019, the Court of High Risk "A" sentenced three people linked to Mr. Sinibaldi and former presidential candidate Manuel Baldizón, who was linked to criminal proceedings for illicit association, active bribery and money laundering, to between six and 14 years in prison for their involvement in the Odebrecht case. This case also involves a businessman, accused of accepting bribes from Odebrecht, who acted as private secretary to the then Vice President Roxana Baldetti. In 2021, such businessman surrendered himself to the Court of High Risk "D" under an outstanding arrest warrant.

In 2023, Mr. Baldizón was deported to the United States, and was being held there on charges relating to this case, and arrest warrants were issued for the president of the Guatemalan-American Chamber of Commerce, Juan Pablo Carrasco de Groote, the former attorney general of the Public Prosecutor's Office, Thelma Aldana, as well as the former secretary general of the investigative body, Mayra Johana Véliz López, and the former president of the CICIG, Luis David Gaitán Arana, accusing them of committing the crimes of obstruction of justice, conspiracy and abuse of authority in the Odebrecht case.

In February 2023, the Court of High Risk "D" began hearings relating to the Odebrecht case. The FECI informed that seven persons linked by the Public Prosecutor's Office have been linked to the process, and the charges include illicit association, ideological falsehood, money and other asset laundering and concealment. A judgment in this case is expected in October 2023.

Influence Trafficking Case

Guatemala's 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.

According to the criminal and financial analysis carried out at the time by the Public Prosecutor's Office and the CICIG, based on the documents and information provided by commercial banks, it was established that the structure linked to bribes for expediting the processing of tax credit refund files included other external factors, such as client recruiters.

On December 13, 2022, it was announced that the Court of High Risk "A" had revoked the preventive detention of three persons linked to this case, for which they must remain under house arrest, considering that the Public Prosecutor's Office has concluded its investigation relating to this case.

As of the date of this offering memorandum, this case remains pending until an intermediate stage hearing due to pending challenges is held.

Transurbano Case

Former president Álvaro Colom and part of his cabinet were subject to a criminal proceeding regarding the alleged authorization of 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. This case was brought by the FECI, and supported by investigations by the CICIG.

In October 2022, Manuel Baldizón was indicted for the crime of "illicit electoral financing", one of the four crimes he was charged with, in this case. As former president Colom passed away in January 2023, the prosecution against him was extinguished.

As of the date of this offering memorandum, this case remains pending until an intermediate stage hearing due to pending challenges is held.

Investigation of the 2020 Election of Court Magistrates

On February 19, 2020, the Public Prosecutor's Office announced its investigation into the process through which magistrates of the Supreme Court of Justice and judges of Courts of Appeals are selected. The investigation was prompted by allegations that Gustavo Alejos, a political operator who was involved in five corruption cases, was visited by officials and candidates for magistrate positions during the time on which the shortlist of candidates to the various national courts was being selected. Preliminary investigations revealed that Mr. Alejos violated an injunction imposed on November 15, 2019 by Eva Recinos, a judge who is also a candidate for magistrate, by holding meetings during his stay in a private hospital.

On May 6, 2020, the Constitutional Court announced that a judgment was issued and granted a safeguard in the provisional action, indicating that the standards requested under the Political Constitution of the Republic of Guatemala must be complied with (the persons appointed must be capable and suitable for the position). The Constitutional Court requested that Congress continue with the election process of the Supreme Court and the Court of Appeals magistrates, and others of the same rank, according to applicable law, urging Congress to make viable the constitutional reform process that allows the establishment of an adequate process for the selection and appointment of magistrates.

As a result, Congress approved the "Procedure for the election of Magistrates of the Court of Appeals and other Collegiate Courts of the same category, and of Magistrates of the Supreme Court of Justice, applicable for this one time only," by means of Agreement No. 14-2020, which was published and entered into effect on February 3, 2021.

On February 23, 2021, the Plenary of Congress resumed the election process of magistrates of courts of appeals and other collegiate courts of equal category during the fourteenth ordinary session. However, beginning on October 13, 2021, there was a two-year delay in the election of magistrates of the Supreme Court of Justice and the Courts of Appeals due to the fact that the Congress refuses to comply with the ruling of the Constitutional Court of May 6, 2019.

On July 13, 2022, it became known that the Central American Federation of Judges and Judges for Democracy presented a report in which they made a diagnosis of the judicial system in Guatemala, highlighting the delay in the renewal of the Supreme Court of Justice and the Court of Appeals since 2019.

In April 2023, commencement of the intermediate stage of the case was delayed after the defense lawyers argued that there was no valid jurisdiction, after the conclusion of the preparatory investigation for *amparo* pending resolution, derived from the fact that the connection of the case was not justified. A decision regarding the charges will be made at this stage of the proceedings.

Allegations of Bribery Regarding President Alejandro Eduardo Giammattei and Inclusion of the Head of the Public Prosecutor's Office on the U.S. Undemocratic and Corrupt Actors List

Certain international and national media publications and social media accounts have reported allegations, made by Juan Francisco Sandoval Alfaro, the former head of the FECI, that Russian businessmen with mining interests in Guatemala paid a bribe to President Alejandro Eduardo Giammattei with the aim of obtaining a lease of land located in Puerto Santo Tomás de Castilla. President Giammattei has denied these allegations. Mr. Sandoval was removed from his position by the Head of the Public Prosecutor's Office on July 23, 2021. See "Transparency and Corruption—Changes in the FECI."

On August 30, 2021, Guatemala's Attorney General (*Procurador General de la Nación*) advised Empresa Portuaria Nacional Santo Tómas de Castilla ("EMPORNAC"), the port authority of Puerto Santo Tomás de Castilla, to analyze the appropriateness of the lease requested by the company linked to the Russian businessmen. By means of its Agreement No. 02-A/59-2021, dated as of August 30, 2021, EMPORNAC unanimously rejected the authorization for the lease, which rejection was publicly announced by EMPORNAC on September 1, 2021.

In June 2021, the Vice President of the United States, Kamala Harris, visited Guatemala to address the topics of migration, human trafficking, economic development and corruption. Vice President Harris announced the creation of a taskforce to contribute to the fight against corruption and human trafficking with the objective of further attracting foreign investment to Guatemala. Additionally, Vice President Harris stated that Guatemala and the United States would continue to work together in connection with security matters and to achieve a comprehensive response to the issues causing irregular migration flows between both countries.

On September 20, 2021, the U.S. Department of State announced through a statement by Secretary of State Antony J. Blinken that María Consuelo Porras Argueta, the Head of the Public Prosecutor's Office, and Angel Arnoldo Pineda Ávila, Secretary General of the Public Prosecutor's Office, had been included to the Section 353 Undemocratic and Corrupt Actors list, which, among other things, prevents their travel to the United States. The announcement stated that Ms. Porras Argueta has been included on the list since she has allegedly obstructed investigations into acts of corruption by interfering with criminal investigations in order to protect political allies and gain personal political favor, including by firing Mr. Sandoval. On May 16, 2022, President Giammattei reappointed Ms. Porras Argueta as Head of the Public Prosecutor's Office for the 2022-2026 term. The President appointed the Attorney General from a list of six candidates nominated by the Commission for the Election of the Attorney General. The Commission is comprised by the Deans of the Law Schools of Guatemala, the President of the Bar Association, the President of the Honor Tribunal of the Bar Association, and the President of the Supreme Court.

On July 20, 2022, the U.S. Department of State announced that the current chief of the FECI, Rafael Curruchiche, had been included to the Section 353 Undemocratic and Corrupt Actors list for allegedly obstructing investigations into acts of corruption. As of the latest publication, the list also included former President Colom, former Minister of Communications, Infrastructure and Housing Sinbaldi Aparicio, former Minister of Communications and Infrastructure José Luis Benito Ruiz, former Minister of Culture de Jesús Súchite Vargas, former Vice Minister of Communications de Jesús Sosa Rodríguez, Mayor of Joyabaj Carrascoza Gamez, Supreme Court judges Duarte Barrera, Vásquez Pimentel, Nery Oswaldo Medina Mendez and Vitalina Orellana y Orellana and legislators España Cáceres, Vargas Morales and Sofia Janeth Hernandez Herrera.

As of the date of this offering memorandum, no formal accusations have been brought against President Giammattei, nor has any evidence of any such allegations been presented formally in any proceeding. However, the Public Prosecutor's Office has announced that anti-corruption prosecutors have opened an investigation of these allegations, without naming any specific targets of the investigation. If the Public Prosecutor's Office were to initiate formal accusations against the President, an impeachment petition of the President would need to be submitted to the Supreme Court by the Public Prosecutor, which would then be submitted to Congress, given that he is protected from prosecution by presidential immunity. If at any point after such a petition is presented Congress were to determine that there was enough merit and evidence under such impeachment request, a motion would be put forward by Congress with the approval of two-thirds majority of Congress to strip the President of immunity and to allow for the filing of a formal accusation and commencement of the corresponding judicial proceeding. If any such formal accusation were initiated, the President would be entitled, pursuant to the rights afforded to all persons under the Constitution of the Republic of Guatemala, to defend himself in a proceeding conducted in accordance with due process of law and the protection of civil rights.

ASODEFIR Case

On May 12, 2022, the Public Prosecutor's Office, through the FECI, requested that Minister of Agriculture, Livestock and Food, José Ángel López Camposeco, be stripped of his constitutional right to pre-trial in connection with an alleged self-defrauding and money laundering corruption case denounced in 2019 by the Homeland Security Investigations ("HSI") unit of the United States. On July 18, 2022, the FECI's request was unanimously granted by the Supreme Court.

According to HSI, the Association for the Development of Rural Finance (*Asociación para el Desarrollo de las Finanzas Rurales*, or "ASODEFIR") made an improper use of the funds donated by the United States Agency for International Development in the amount of approximately US$217 thousand. While the donation was made with the purpose of improving financial inclusion in Guatemala, part of the money was allegedly used to finance the purchase by ASODEFIR of an equity interest in a Guatemalan bank at a time when Minister López Camposeco was both a partner at ASODEFIR and a board member of such bank.

In August 2022, three individuals were indicted for the crimes of fraud, laundering of money or other assets and illicit association, and the intermediate stage hearing was set for January 9, 2023. In December 2022, the FECI initiated the investigation against the former Minister of Agriculture, Livestock and Food.

As of the date of this offering memorandum, the proceedings in this case are ongoing.

Certain Other Proceedings

Alleged Human Rights Violations

In March 2022, the IACHR held a technical working group in virtual format with representatives of the Government, in order to contribute to the strengthening of the follow-up processes of the decisions and recommendations issued through various mechanisms for the protection of human rights, in which the Government's willingness was appreciated and the importance of these working spaces was positively valued. In this activity, the Government expressed its interest and good faith in complying with and following up on the recommendations issued to the different agreements reached during this period.

In April 2022, the IACHR published a report indicating that, according to them, serious human rights violations and attacks on democratic institutions have been observed in Guatemala. In November 2021, the IACHR sent a preliminary copy of this report to Guatemala and, in December 2021, Guatemala sent a response to the IACHR expressing its disagreement with the IACHR's conclusions, denying the existence of structural situations that seriously and gravely affected fundamental human rights in Guatemala and rejecting the allegations of systematic non-compliance by Guatemala with its obligation to combat impunity and a lack of manifest will in this regard. Guatemala has proposed a working plan with the IACHR to address its concerns. As of the date of this offering memorandum, the IACHR had not yet accepted Guatemala's plan.

Judge Mynor Mauricio Moto Morataya

On January 15, 2021, the Constitutional Court ordered that the General Assembly of the College Association of Lawyers and Notaries of Guatemala hold a meeting to elect the incumbent magistrate of the Constitutional Court, who would serve for the 2016-2021 constitutional term.

On January 19, 2021, the College Association of Lawyers and Notaries of Guatemala elected Judge Mynor Mauricio Moto Morataya as magistrate of the Constitutional Court. He was sworn in with the vote of 82 deputies of Congress on January 26, 2021; however, several organizations and individuals filed legal actions against such election. On January 28, 2021, the Constitutional Court announced that a total of 11 complaints had been filed in relation to the election process of Judge Moto as the incumbent magistrate of the Constitutional Court. As a result, the Public Prosecutor's Office requested the removal of Judge Moto's immunity due to his potential connection with the cases *Bufete de la Impunidad, Libramiento de Chimaltenango* and *Comisiones Paralelas 2020*. On February 4, 2021, the Constitutional Court announced that it had annulled Decree No. 6-2021 through which Congress had sworn in Judge Moto.

According to the FECI, the Court of High Risk "D," which heard the case *Comisiones Paralelas 2020*, granted an arrest warrant against Judge Moto. Judge Moto filed actions to cancel such arrest warrant, however, it remained in force. Former Judge Moto is currently a fugitive who has lost the judicial immunity that is granted to judicial officers, as the Supreme Court of Justice has resolved. This resolution was reached after considering the conclusions set forth in the reports that were submitted by the Judicial Career Council.

On March 17, 2021, the *Comisiones Paralelas 2020* case was resumed by the Court of High Risk "D" with the hearing of the first declaration, in which the FECI determined the potential manipulation of the election process of the magistrates of the Courts of Justice, which would allegedly involve the President of the Supreme Court.

On July 8, 2021, the Judicial Career Council confirmed that it definitively excluded former Judge Moto as a member of the Judicial Career as a result of his failure to show up at the Third Criminal Court to take possession of the position of judge on April 14, 2021, one day after the expiration of the leave of absence granted to him to retire from the position.

On December 6, 2022, the Tenth Court of First Criminal Instance annulled the arrest warrant that had been issued against former Judge Moto. On December 19, 2022, the Constitutional Court rejected an appeal filed by the Public Prosecutor's Office against the resolution that annulled the arrest warrant of former Judge Moto.

On February 17, 2023, the Fourth Court of Appeals confirmed the annulment of the arrest warrant against former Judge Moto for the case of the Libramiento de Chimaltenango.

As of the date of this offering memorandum, the FECI continues carrying out the necessary actions to enforce the arrest warrant against former Judge Moto. The judicial records are kept by the Court of High Risk "D."

Climate, Corruption and Power Case

On November 4, 2021, the Prosecutor's Office Against Corruption informed the public about this case, which resulted from an allegation filed in November 2020 of irregular purchases of equipment for the National Institute of Seismology, Volcanology, Meteorology and Hydrology ("INSIVUMEH") in the amount of Q30 million. On November 30, 2021, the Prosecutor's Office Against Corruption indicted 16 individuals, of which four were subject to pre-trial detention and 12 were subject to house arrest. The crimes charged include fraud, illicit enrichment and illicit association, money laundering and acting as a front. Additionally, the individuals are accused of making use of their political power and taking advantage of the COVID-19 emergency to obtain a budget modification through Decree No. 20-2020 in order to effect the irregular purchases.

According to judicial sources, the Fifth Court "B", granted freedom to the former director of INSIVUMEH, who had been linked to criminal proceedings in November 2021 for the crimes of fraud, illicit enrichment and illicit association, awarding him a fine of Q300,000.

On January 27, 2023, a hearing was scheduled in which the Public Prosecutor's Office would announce an indictment against 28 suspects in the Climate, Corruption and Power case; however, the Fifth Criminal Judge, due to health reasons of two of the accused and lack of defense attorneys, decided to suspend the hearing and reschedule it for February 28, 2023. The hearing was suspended for a second time, due to the non-attendance of the defense of one of the defendants, so the hearing was rescheduled for April 28, 2023.

Changes in the FECI

Special Prosecutor Juan Francisco Sandoval Alfaro was appointed as head of the FECI before his departure from the CICIG and was responsible for the investigation and prosecution of several high-profile corruption-related cases. He was removed from his position on July 23, 2021 by the Head of the Public Prosecutor's Office, María Consuelo Porras Argueta. As a result, Carla Isidra Valenzuela was temporarily named as head of the FECI, and on August 3, 2021, the Head of the Public Prosecutor's Office named Rafael Curruchiche as the definite head of the FECI. Rafael Curruchiche is currently included in the Section 353 Undemocratic and Corrupt Actors list issued by the U.S. Department of State for allegedly obstructing investigations into acts of corruption.

Mr. Sandoval filed a constitutional challenge against his removal alleging that internal procedures and guarantees had been violated. Additionally, another constitutional challenge was filed against the directive that incorporated the FECI as a permanent prosecutor's office and, as of the date of this offering memorandum, it is pending resolution. There have been significant disagreements and public opposition regarding the removal and subsequent appointment of substitute prosecutors. As a result, some backlash continues as of the date of this offering memorandum. Furthermore, on July 27, 2021, the United States, through the deputy spokeswoman for the U.S. State Department, announced that it would pause cooperation with the Guatemalan Public Prosecutors Office as a result of Mr. Sandoval's dismissal as head of the FECI.

On September 3, 2021, the Seventh Pluripersonal Court of First Criminal Instance of the department of Guatemala issued an arrest warrant against former prosecutor Juan Francisco Sandoval, who fled Guatemala for the United States. So far, although the former prosecutor is wanted for the crimes of breach of duty and hindering criminal prosecution, the charges underlying the warrant have not been disclosed.

The Tenth Criminal Court decided to accept a criminal complaint to initiate an investigation against the prosecutor of the FECI, for the crimes of ideological falsehood, disclosure of secrets and collusion, who requested an arrest warrant against Juan Francisco Sandoval and Leily Santizo, for the case of Judicial Cooptation and Corruption.

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 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.

For example, as part of the modernization of public management, progress has been made in respect of (a) the institutionalization of the topic of open government, (b) reporting of specific tax risks, (c) an open data portal and fiscal transparency of the Ministry of Public Finance, (d) the improvement of Guatemala's ranking on the Open Budget Index, (e) the institutionalization of the fiscal transparency agenda within the ministry of public finance, (f) the implementation of the system of transfers, subsidies and subsidies, (g) the implementation of the system of quality management and (h) the coordination of an anti-bribery management system through the fiscal transparency department.

In January 2019, the Fiscal Transparency Strategy of the Ministry of Public Finance was presented and approved in February of the same year, through the Ministerial Agreement 82-2019. This strategy corresponds to the referential framework for the generation and dissemination of information on fiscal matters, through which accountability is promoted through fiscal transparency for the public sector, pursuing: (a) promoting transparency and surrender of accounts through the implementation of good practices; (b) make available to people understandable, timely information, in open formats, with quality and relevance; (c) promote a rapprochement with citizens; (d) boost the tax culture; and (e) comply with various international commitments.

In addition, the Government is working 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;
- 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 economic 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.

On October 16, 2020, the Ministry of Public Finance announced that the Vice-Ministry of Fiscal Transparency and State Procurement, through the Vice-Ministry of Fiscal Transparency and State Procurement, would conduct an Institutional Diploma Course called "Good Governance for a Culture of Transparency."

In March 2021, the Ministry of Public Finance reported on the implementation of new transparency portals focusing on External Loans and Trusts, as well as the renovation and strengthening of the Budget Transparency and NGO portals.

In September 2021, the Ministry of Public Finance finalized the redesign of the Budget Transparency Portal. Additionally, the Ministry of Public Finance counts with transparency portals in connection with external loans, NGOs, government trusts, open data and local governments, which are all aimed at improving the access by the public to fiscal sector information.

Fifth National Action Plan for Open Government 2021-2023

Central Government and civil society authorities presented the Fifth National Action Plan for Open Government for the 2021-2023 period in January 2022. This plan, which is centered on public management and budget transparency, includes 12 public institution compliance commitments and is aimed at addressing the core areas of digital government and public management modernization; education, health, food and nutritional security; environment and climate change; poverty reduction and migration; social inclusion and vulnerable populations; and management and monitoring of initiatives, treaties and international agreements on transparency, anti-corruption and accountability.

The axis of the fifth National Action Plan for Open Government 2021-2023 corresponds to "Transparency in Public Management and State Budget," based on following six areas:

1. Digital Government and Modernization of Public Administration
2. Education, Health, Food and Nutrition Security
3. Environment, Climate Change
4. Poverty Reduction and Migration
5. Social Inclusion and Populations in Conditions of Vulnerability
6. Management and Follow-up of Initiatives, Treaties and International Agreements on Transparency, Anti-Corruption and Accountability

The Open Government Guatemala portal, through the Compliance Dashboard, shows the following status of compliance with milestones as of March 2023:

1. Non-initiated milestones: 15
2. Initiated milestones: 18
3. Substantial milestones: 11
4. Complete milestones: 5

Likewise, the progress of the commitments initiated, and their averages, according to their schedule, are:

1. Commitment 01: 10%.
2. Commitment 02: 42.5%.
3. Commitment 03: 83.33%.
4. Commitment 04: 34.2%.
5. Commitment 05: 49%.
6. Commitment 06: 76.7%.
7. Commitment 08: 33.3%.
8. Commitment 09: 50%.
9. Commitment 10: 26.7%
10. Commitment 11: 55%.
11. Commitment 12: 48.3%

THE GUATEMALAN ECONOMY

The Guatemalan economy is the largest in Central America, with a preliminary nominal GDP of US$94,996.0 million for the year ended December 31, 2022.

The economy had expanded in 2018 and 2019, with real GDP growing at a rate of 3.4% and 4.0% , respectively. In 2020, due to the social and economic effects of the COVID-19 pandemic, real GDP decreased 1.8%. In 2021, the economy recovered from the previous year's downturn, surpassing the pre-pandemic levels, with GDP increasing by 8.0%, the highest growth rate in the last 20 years. According to preliminary data, the Guatemalan economy grew at a rate of 4.1% in 2022. The three largest sectors of the economy as a percentage of GDP were wholesale and retail trade and repair of motor vehicles, accounting for 20.7% of GDP, manufacturing, accounting for 14.1%, and agriculture, livestock, forestry and fishing, accounting for 9.3%.

Economic activity in Guatemala has been mainly driven by the private sector. The Government has historically played a limited role in the economy, with Government consumption expenditures accounting for approximately 11.5% of GDP in 2022.

Recent Economic Developments

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

- continued growth, with the exception of 2020 given the impact of the COVID-19 pandemic;
- stable rates of inflation consistent with the Bank of Guatemala's target, except for recent increases outside of the target as a result of inflation resulting from higher fuel and food prices as a result of the war between Russia and Ukraine, which are expected to have only a temporary effect;
- a stable foreign exchange rate, in the context of a flexible exchange rate regime;
- high levels of net international reserves;
- growing and resilient flows of remittances from Guatemalans living abroad, which in 2022 amounted to 19.0% of GDP.
- low levels of public debt; and,
- moderate fiscal deficits.

Gross Domestic Product and Structure of the Economy

According to preliminary data, the Guatemalan economy grew by 4.1% in 2022, primarily as a result of the following:

- higher spending in private consumption;
- increased investment;
- larger export growth (both good and services); and
- increased public consumption.

All economic sectors, except mining and quarrying and human health, showed growth in 2022. Approximately 79% of GDP growth in 2022 was attributable to the following activities: wholesale and retail trade and repair of motor vehicles; manufacturing; construction; real estate activities; accommodation and food service activities; financial and insurance activities; administrative and support service activities; and agriculture, livestock, forestry and fishing activities.

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 a % of total GDP)

	For the year ended December 31,									
	2018		2019		2020[(1)]		2021[(1)]		2022[(1)]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Private expenditure:										
Private consumption	62,888.8	85.8	65,471.2	84.9	64,870.4	83.5	73,899.0	85.9	84,034.1	88.5
Private investment	8,940.0	12.2	9,632.6	12.5	9,650.1	12.4	12,624.6	14.7	14,448.9	15.2
Change in inventory	69.3	0.1	(38.2)	(0.0)	(152.1)	(0.2)	569.1	0.7	(96.3)	(0.1)
Total private expenditure	**71,898.1**	**98.0**	**75,065.6**	**97.3**	**74,368.4**	**95.7**	**87,092.7**	**101.2**	**98,386.7**	**103.6**
Public expenditure:										
Public consumption	8,154.4	11.1	8,569.7	11.1	8,912.0	11.5	9,733.4	11.3	10,942.2	11.5
Public investment	1,103.1	1.5	1,461.9	1.9	998.6	1.3	1,314.9	1.5	1,473.4	1.6
Total public expenditure	**9,257.5**	**12.6**	**10,031.6**	**13.0**	**9,910.6**	**12.8**	**11,048.3**	**12.8**	**12,415.6**	**13.1**
Gross national expenditures	81,155.6	110.7	85,097.2	110.3	84,279.0	108.5	98,140.9	114.1	110,802.3	116.6
Exports of goods and services	13,323.4	18.2	13,588.7	17.6	12,701.2	16.3	15,239.1	17.7	18,064.0	19.0
Imports of goods and services	(21,149.9)	(28.8)	(21,530.1)	(27.9)	(19,270.8)	(24.8)	(27,342.3)	(31.8)	(33,870.3)	(35.7)
Gross domestic product	**73,329.2**	**100.0**	**77,155.8**	**100.0**	**77,709.4**	**100.0**	**86,037.7**	**100.0**	**94,996.0**	**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.

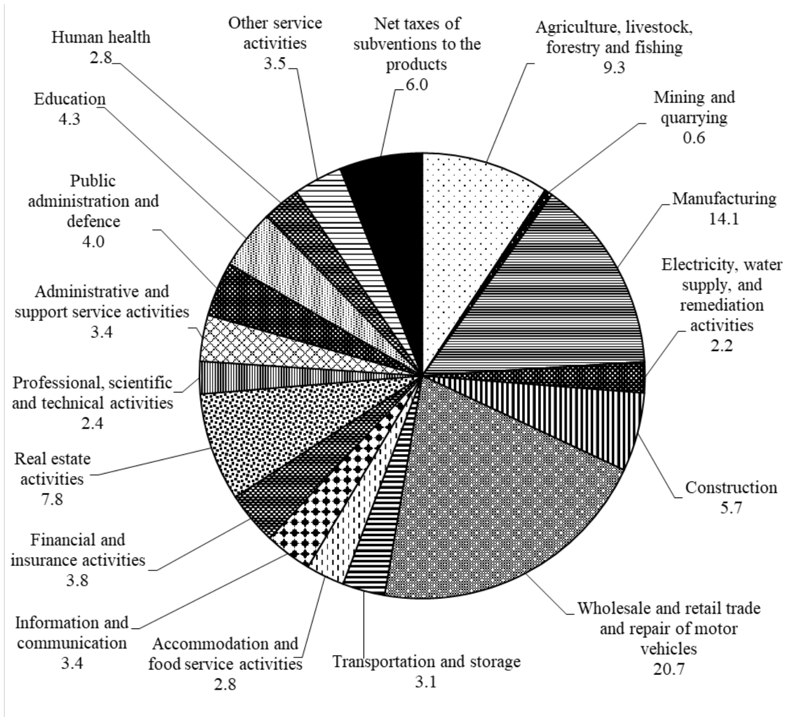
Investment and Savings
(as a % of GDP)

	As of or for the year ended December 31,				
	2018	2019	2020[(1)]	2021[(1)]	2022[(1)]
Gross domestic investments	13.8	14.3	13.5	16.9	16.7
Domestic savings:					
Public savings	1.0	0.5	(2.3)	0.1	—
Private savings	13.7	16.1	20.8	18.9	18.0
Total domestic savings	14.7	16.6	18.5	19.0	18.0
External savings	(0.9)	(2.3)	(5.0)	(2.1)	(1.4)
Total savings	**13.8**	**14.3**	**13.5**	**16.9**	**16.7**

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

Main Economic Activities

During 2022, the main economic activities in Guatemala were wholesale and retail trade and repair of motor vehicles; manufacturing; agriculture, livestock, forestry, and fishing; real estate activities; construction; education; and public administration and defense. The following chart presents the contribution of each sector of the Guatemalan economy to GDP in 2022 (based upon preliminary data).



FISIM = Financial Intermediation Services Indirectly Measured

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

Gross Domestic Product by Economic Sector
(as a % of GDP at current prices)

	For the year ended December 31,				
	2018	**2019**	**2020[(1)]**	**2021[(1)]**	**2022[(1)]**
Primary sectors:					
Agriculture, livestock, forestry and fishing	9.4	9.4	9.9	9.3	9.3
Mining and quarrying	0.5	0.5	0.5	0.6	0.6
Total primary sector	**10.0**	**9.9**	**10.4**	**9.9**	**9.9**
Secondary sectors:					
Manufacturing	14.0	13.8	14.1	14.0	14.1
Electricity, water supply, and remediation activities	2.2	2.4	2.4	2.3	2.2
Construction	4.7	5.2	5.3	5.5	5.7
Total secondary sector	**20.9**	**21.4**	**21.8**	**21.8**	**22.1**
Services:					
Wholesale and retail trade and repair of motor vehicles	19.2	19.2	19.6	20.0	20.7
Transportation and storage	3.1	3.0	2.8	2.9	3.1
Accommodation and food service activities	3.1	3.1	2.4	2.6	2.8
Information and communication	4.0	3.9	3.8	3.7	3.4
Financial and insurance activities	3.7	3.9	3.9	3.9	3.8
Real estate activities	8.5	8.3	8.5	8.1	7.8
Professional, scientific and technical activities	2.5	2.4	2.4	2.4	2.4
Administrative and support service activities	3.3	3.2	3.1	3.3	3.4
Public administration and defense	4.4	4.2	4.4	4.1	4.0
Education	4.6	4.7	4.8	4.5	4.3
Human health	2.5	2.6	2.7	3.0	2.8
Other service activities	4.1	4.0	3.6	3.6	3.5
Total services	**63.1**	**62.5**	**62.0**	**62.2**	**62.0**
Net taxes (on subsidies to products)	6.1	6.1	5.7	6.2	6.0
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Preliminary data.

Source: Bank of Guatemala.

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

	For the year ended December 31,				
	2018	2019	2020[(1)]	2021[(1)]	2022[(1)]
Primary sectors:					
Agriculture, livestock, forestry and fishing	2.5	1.7	(0.1)	4.3	2.6
Mining and quarrying	(31.1)	3.4	(1.7)	8.8	(3.8)
Total primary sector	**0.2**	**1.8**	**(0.2)**	**4.5**	**2.2**
Secondary sectors:					
Manufacturing	3.3	3.2	(0.6)	8.1	3.6
Electricity, water supply, and remediation activities	3.1	(1.2)	1.7	5.7	6.3
Construction	5.3	9.8	(2.4)	11.1	7.3
Total secondary sector	**3.7**	**4.3**	**(0.8)**	**8.6**	**4.9**
Services:					
Wholesale and retail trade and repair of motor vehicles	2.7	3.8	0.4	8.3	3.4
Transportation and storage	3.6	2.9	(12.8)	11.3	7.9
Accommodation and food service activities	4.6	7.0	(23.8)	21.3	14.9
Information and communication	4.3	5.3	1.6	5.1	0.4
Financial and insurance activities	6.0	7.7	3.4	7.9	8.6
Real estate activities	4.2	4.4	2.6	5.1	5.0
Professional, scientific and technical activities	6.0	3.6	(3.2)	9.3	4.9
Administrative and support service activities	3.5	3.2	(2.8)	11.8	8.5
Public administration and defense	4.4	2.9	1.2	2.1	2.8
Education	1.9	1.3	(2.7)	3.8	2.7
Human health	5.3	3.3	(0.3)	18.5	(0.1)
Other service activities	2.4	2.8	(11.0)	7.5	4.6
Total services	**3.6**	**4.0**	**(2.1)**	**8.1**	**4.6**
Net taxes (on subsidies to products)	5.7	7.5	(4.4)	11.4	(0.2)
Total GDP	**3.4**	**4.0**	**(1.8)**	**8.0**	**4.1**

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

Primary Sectors

Agriculture, Livestock, Forestry and Fishing

Guatemala's favorable weather conditions and its wide range of altitudes and microclimates permit the production of a great variety of raw materials and feedstock. Approximately 26.0% of Guatemala's territory (108,889 square kilometers) is suitable for crops such as coffee, bananas, African palm, cardamom, sugarcane, 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. Between 2018 and 2022, primary production has represented on average 10.0% of GDP, and the export of primary agriculture products has accounted for 23.0% on average (sugar, coffee, bananas, and cardamom) of total earnings from foreign exchange. Combined with other agricultural products (fruits, flowers, vegetables, sesame, honey, etc.), primary agriculture products have represented approximately 32.5% of total exports between 2018 and 2022. According to preliminary data, the agriculture, livestock, fishing, and forestry sector represented approximately 9.2% of GDP in 2022.

The agriculture, livestock, fishing, and forestry sector grew at an average compounded annual rate of 2.2% between 2018 and 2022.

In 2018 and 2019, this sector grew by 2.5% and 1.7%, respectively, as a result of the increased production of vegetables, cardamom, banana and coffee, resulting from greater internal and external demand both internally and externally, as well as favorable climatic conditions. Similarly, production of African palm and livestock, forestry and fishing increased as a result of greater external demand.

In 2020, the agriculture, livestock, fishing, and forestry decreased by 0.1%, due to the reduction in the coffee-growing area, and the decrease in cereal production due to damage caused by tropical storms, as well as a lower domestic demand for African palm. In 2021, this sector grew by 4.3%, due to an increased production of vegetables, melons, and cardamom, as a result of greater external demand, as well as the increase in the production of cereals for domestic consumption, and the improvement in poultry farming and forestry because of the increase in intermediate demand.

According to preliminary data, in 2022, the agriculture, livestock, fishing, and forestry grew by 2.7%, due to the increase in the production of cardamom and bananas, as a result of greater external demand and better agricultural practices, as well as the increase in the production of African palm, poultry and cattle breeding and forestry, which is explained by the increase in intermediate 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,				
	2018	2019	2020(1)	2021(1)	2022(1)
Cereals	0.2	1.7	(0.8)	4.0	2.0
Legumes, seeds and oleaginous fruits	5.7	2.2	(0.4)	8.7	5.0
Vegetables and melons, roots and tubers	3.2	(0.8)	0.8	6.4	0.4
Sugar cane	0.6	1.9	(2.2)	(3.7)	2.7
Other crops	2.3	1.9	(0.4)	14.9	(2.8)
Banana	1.4	2.2	(0.6)	(0.4)	3.7
Other fruits and nuts	(0.2)	1.7	0.8	2.4	1.4
Coffee	1.6	2.4	(2.3)	3.7	0.3
Cardamom	4.4	0.4	0.1	6.4	18.6
Livestock, forestry and fishing	3.1	2.5	0.1	3.6	2.0

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

Coffee

Guatemala is one of the world's leading producers of Arabica coffee, and almost all of its coffee exports are of this type of bean. In addition, 79% is strictly "hard," which means that it is a high-quality product harvested in plantations located at the highest elevations. The volume of coffee production has remained stable for the past five years at an average of 4.8 million *quintales* annually.

During 2018, coffee production increased as a result of higher external demand. In 2019, production was further increased due to increased demand in the local market and favorable weather conditions. During 2020, production decreased, in part, as a consequence of the low prices observed in 2019, as well as the reduction in the coffee-growing area. During 2021 and 2022, the production increased, driven by a recovery in the productivity of the plantations.

The following table shows coffee production, the value of coffee exports and the average price per *quintal* for the agricultural years referenced. Agricultural years are based on the production season for the applicable agricultural product. The agricultural year for coffee takes place from October to September of the following year.

Coffee Production and Prices

	For the year ended December 31,				
	2018	2019	2020(1)	2021(1)	2022(1)
Production(2)	4,639.7	4,947.7	4,691.7	4,966.6	4,952.3
Export volume(2)	4,536.4	4,762.7	4,149.3	4,971.3	4,259.3
Value of exports (in million US$)	679.9	662.4	650.6	926.0	1,112.7
Price per *quintal* (in US$)(3)	149.9	139.1	156.8	186.3	261.2

(1) Preliminary data.
(2) In thousands of *quintales*.

(3) Amounts reflect the average export price per *quintal* of coffee, not the average international price of coffee.
Source: Bank of Guatemala.

Bananas

Between 2018 and 2022, banana production has registered an average compounded annual growth rate of 1.3%. This production depends mainly on prevailing climatic conditions, which were favorable in 2018, 2019, 2021 and 2022. These conditions allowed for better yields in the existing plantations, and the expansion of cultivation areas. By contrast, production decreased in 2020, as a result of adverse climatic conditions in some of the main cultivation areas, and in 2021, given the persistence of damage in cultivation areas.

Cardamom

Guatemala is one of the leading producers of cardamom in the world. The majority of cardamom production is exported to the Middle East and in small quantities to the European Union.

Cardamom production increased at an average compound annual growth rate of 2.8% in the 2018-2021 period, as a result of higher international prices and favorable weather conditions. According to preliminary data, in 2022, production grew 18.6%, due to higher yields and increased production areas, as well as higher international prices.

Sugarcane

In 2018, production increased by 0.6%, after the crops recovered from droughts in the prior year and the introduction of stronger varieties increased production yields. Favorable weather conditions during 2019 allowed the production of sugarcane to continue to grow at a rate of 1.9%. However, in 2020 and 2021, production decreased by 2.2% and 3.7%, respectively, as a result of a reduction in planted areas because of a drop in international prices over the previous years. According to preliminary data, in 2022, sugarcane production grew 2.7% due to higher international prices for sugar.

Cereals

Cereal production increased at a compounded annual growth rate of 1.0% in the 2018-2019 period. Although prolonged heat and droughts in some areas, such as the "dry corridor," had an adverse effect on crops in Guatemala, improvements in agricultural practices mitigated those effects in these and other products. In 2020, cereal production decreased by 0.8%, due to the damage caused by the tropical storms Eta and Iota. During 2021 and 2022, cereal production grew by 4.0% and 2.0%, respectively, as a result of the recovery of the damages caused by the aforementioned tropical storms, as well as by an increase in demand.

Vegetables

Vegetables and melons, roots and tubers production grew by 3.2% in 2018, due to higher external and internal demand, as well as favorable weather conditions in those years. However, during 2019 production volume decreased by 0.8% due to the late blight that affected melon and watermelon crops, reducing the number of hectares planted, which led to a substantial reduction in exports of these products. In 2020 and 2021, the production grew by 0.8% and 6.4%, respectively, as a consequence of the increase in external demand and the planting in new pest free-areas. According to preliminary data, in 2022, production grew by 0.4% because of higher internal demand.

Other fruits and nuts

The production of fruits and nuts registered a slight contraction of 0.2% in 2018; while it increased at an average compounded annual growth rate of 1.6% between 2019 and 2022, as a result of higher domestic and external demand, as well as improvements in agricultural practices.

Mining and quarrying

For the period between 2018 and 2019 production in this sector contracted by 13.9%, mainly due to decreased extraction of metallic minerals due to lower external demand, the scheduled closure of Mina Marlin and the suspension of activities at Minera San Rafael, both in 2017. In 2020, mining production decreased 1.7%, due to lower levels of crude oil extraction, and lower production of oil derivatives as a result of a drop in international prices. In 2021, mining production grew 8.8%, reflecting the recovery in the extraction of stone, sand, and clay activities due to the increasing demand from construction activities and the manufacturing of construction materials, as well as higher levels of nickel ore production and exports, resulting from the increase in external demand for this mineral. According to preliminary data, in 2022, this sector decreased by 3.8%, as a result of the reduction in nickel ore and ferronickel exports by the Guatemalan Nickel Company and the Izabal Nickel Processing Company, respectively, due to sanctions imposed by the U.S. Department of the Treasury relating to the war between Ukraine and Russia.

Secondary Sectors

Manufacturing

In 2018, this sector grew 3.3% mainly as a result of increased production of textiles, clothing, leather, and footwear, driven by an increase in external demand for these products, particularly for spinning, weaving, and finishing of textiles and manufacturing of garments for export. In 2019, this sector grew at a rate of 3.2% due to increased sugar production and a higher demand for food and alcoholic and non-alcoholic beverages, as well as common metals. In 2020, this sector contracted by 0.6%, primarily due to a slowdown in the manufacturing of clothing, leather goods and footwear, which, in turn, was in part due to a decrease in the domestic demand for this type of goods, as well as in the external demand for garment manufacturing. Sugar production also decreased primarily as a result of a reduction in the harvested area and adverse climatic conditions.

In 2021, this sector grew 8.1% as a result of the recovery in the manufacturing of clothing, leather goods, and footwear, which was due to an increase in domestic and external demand. The growth of the sector was also led by the increase in the production of materials used in construction activities, driven by a higher internal demand of cement, lime, plaster, common metals, refractory and non-refractory products, and articles of concrete, cement and plaster.

According to preliminary data, in 2022, this sector grew 3.6%, due to a higher production of food and beverages, specifically, oils and fats of vegetable and animal origin, poultry meat, grain mill products, sugar and non-alcoholic beverages. Additionally, there was an increase in the manufacture of clothing, as a result of a greater internal demand; as well as an increase in external demand for the garment manufacturing service. The increased production also reflected the increase in other manufactured products, in the domestic consumption of soaps and cleaning preparations, cement, paper and paper products, plastic products and furniture.

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

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

	As of or for the year ended December 31,				
	2018	2019	2020(1)	2021(1)	2022(1)
Food products and beverages	3.6	3.1	(0.3)	4.7	4.1
Manufacture of textiles, clothing, leather and footwear	4.3	0.8	(11.3)	14.1	4.0
Other manufactured products	2.5	4.3	2.5	10.4	3.0

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

Electricity, water supply, and remediation activities

During 2018 and 2019, this sector grew at an average compounded annual rate of 1.0%, primarily as a result of a decrease in the generation of renewable power and the contraction of the generation of electric power in 2019, driven by the increase in imports and the decrease in exports of energy. In 2020, the sector grew 1.7%, primarily as a result of the increase in the generation of renewable power. In 2021, the sector grew 5.7%, due to the increased demand of the National Interconnected System, driven by domestic economic activity.

According to preliminary data, in 2022, the sector grew 6.3%, due to an increase in the generation of renewable power, which resulted in a reduction in operating cost and, in turn, an increase in the added value of the activity. Likewise, growth reflected the increase in the demand of the National Interconnected System, because of the higher internal demand.

Construction

Between 2018 and 2019, construction showed an average compounded annual growth rate of 7.6% as a result of the increased authorization of construction licenses for large-scale construction, both for residential and non-residential buildings, as well as greater expenditures by the Government on civil engineering projects.

In 2020, the construction sector contracted by 2.4%, primarily as a result of the restrictions imposed by the Government to prevent the spread of COVID-19, the decrease in the number of construction licenses authorized and decreased government spending on infrastructure. In 2021 and 2022, the construction sector grew 11.1% and 7.3%, respectively, due to the increase in the number of construction licenses authorized, as well as the increase in public investment in infrastructure and maintenance.

Services Sectors

Wholesale and retail trade and repair of motor vehicles

Wholesale trade grew at an average compounded annual rate of 3.7% between 2018 and 2022, primarily as a result of an increase in the commercialization of imported goods and commercialization margins in national agricultural and manufacturing goods.

Transportation and storage

Transportation and storage activity grew at an average compound annual rate of 3.3% during the 2018-2019 period, mainly influenced by the performance of land transportation, which, in turn, was driven by the demand generated by agricultural, industrial and commercial activities. In 2020, this sector contracted by 12.8%, associated with a lower demand in passenger transportation, as a consequence of the mobility restrictions imposed by the Government to reduce the spread of COVID-19, as well as the lower volume of cargo transported, mainly of imported origin.

In 2021, this sector increased 11.3%, mainly explained by the greater demand for freight transport of national and imported origin, as well as by the growth observed in the passenger transport service, driven by a greater household demand. According to preliminary information, in 2022 this sector grew 7.9%, as a result of the increased demand for land freight transport services, which, in turn, was driven by the demand generated by agricultural, industrial and commercial activities; as well as the growth in storage and transportation support activities, due to the increase in management, handling and storage services. This behavior contributed to the recovery of the activity to levels observed before the pandemic.

Accommodation and food service activities

Accommodation and food service activity grew at an average compound annual rate of 5.8% during the 2018-2019 period, mainly influenced by an increase in food and beverage service activity, explained by an increased household consumption of food services. In 2020, this sector contracted by 23.8%, due to the decrease in demand, as a result of the mobility restrictions implemented by the Government to reduce the spread of COVID-19.

In 2021, this sector grew 21.3%, driven by the relaxation of the mobility restrictions relating to the COVID-19 pandemic. In this context, food and beverage service activities were favored by greater demand from households, while the increase in the demand for accommodation services was driven by a greater flow of both national and foreign tourists. According to preliminary data for 2022, this sector grew 14.9%, mainly associated with the expansion of restaurant services, as well as an increase in the demand for accommodation services, as a result of the greater flow of national and foreign tourists. This dynamism made it possible to recover the levels observed before the pandemic.

Information and communication

The information and communications activity showed an average compounded annual growth rate of 3.3% in the 2018-2022 period, primarily as a result of the dynamism in the telecommunications activity due to a higher demand for data services on the mobile platform and the increase in broadband access, as well as an increment in the intermediate demand for information technology design and development services.

Financial and insurance activities

In 2018, these activities grew by 6.0%, due to the increase in credit to the private sector and the performance of auxiliary activities, particularly because of the commissions received by credit card operators. In 2019, the sector increased 7.7%, as a result of higher interest earned and commissions received. In 2020, these activities grew by 3.4% due to the positive evolution of financial intermediation activity, mainly in banks. In 2021, financial and insurance activities increased 7.9%, driven by the increase in interest received by banking institutions, as well as in insurance premiums. According to preliminary data, in 2022, this sector grew 8.6%, due to the increase in interest received by banks and financial corporations, as well as the better performance of auxiliary activities, mainly due to the increase in commissions received by credit card operators.

Real estate activities

During the 2018-2022 period, real estate activities registered an average compounded annual growth rate of 4.3% due to the higher volume of rental of owner-occupied dwellings and rental of market homes. This was primarily a result of the increase in the number of finished homes that become part of the country's stock.

Professional, scientific and technical activities

Professional, scientific and technical activities showed an average compounded annual growth rate of 4.1% during the 2018-2022 period, primarily due to growth in the following sectors: management consulting activities; legal and accounting activities; and advertising activities and market research.

Administrative and support service activities

These activities grew an average compounded annual rate of 4.8% during the 2018-2022 period. This growth was mainly associated with the growth of call center activities, recruitment activities, security and investigation activities and rental and leasing activities, and security and investigation activities, which, in turn, was primarily due to increased domestic and external demand.

Public administration and defense

The economic growth of public administration and defense relies, mainly, on the increases of payments of salaries to public employees each year and the hiring of new staff. In the 2018-2022 period, the average compounded annual growth rate was 2.7%.

Education

Education grew an average compounded annual rate of 1.4%, during the 2018-2022 period, mainly as a result of a better performance in both public and private education services. According to preliminary data, in 2022, this sector grew 2.7%, driven by the stronger performance of private education services, as well as sports, recreational and cultural education. In addition, public education showed a positive behavior, associated with the increase in the hiring of personnel by the Ministry of Education and the continuity of the "I learn at home" strategy, for distance learning and under hybrid education system (that is, a combination of in-person and online teaching).

Human health

These activities show an average compounded annual growth rate of 9.0% for the years 2018, 2019 and 2021, due to the positive trend of private and public human health activities. In 2020 and 2022, health activities decreased by 0.3% and 0.1%, respectively, as a result of a lower household demand for these services.

Human Development

The Human Development report published by the United Nations in 2021/2022 presented the Human Development Index ("HDI") ranking 191 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 (2017 PPP in U.S. dollars)	HDI value
1990	62.3	6.5	3.1	5,417	0.481
2021	69.2	10.6	5.7	8,723	0.627
Difference 2021-1990	6.9	4.1	2.6	3,306	0.146
% change	11.1%	63.1%	83.9%	61.0%	30.4%

Source: Human Development Report 2021/2022.

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 1990 and 2021, life expectancy at birth increased by 6.9 years from 62.3 to 79.2 years (11.1%), while expected schooling years for children increased by 4.1 years (63.1%) and schooling years for people age 25 increased by 3.5 years (83.9%) and GNI per capita increased from US$5,417.00 to US$8,723.00 (61.0%).

The following table presents general and extreme poverty statistics for the years indicated based on the most recently available information.

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, SEGEPLAN, INE and the Center for Distributive, Labor and Social Studies (CEDLAS) and La Plata University.

The proportion of the population living in extreme poverty (less than US$1.00 per day) was 23.4% in 2014 compared to 18.1% in 1989. The proportion of the population living in poverty decreased from 62.8% in 1989 to 59.3% in 2014.

In 2021 and 2022, Congress passed a series of measures aimed at protecting the Guatemalans that are in a disadvantaged economic position. With respect to increased energy and fuel prices, Congress approved Decree Nos. 15-2021 and 17-2022, both titled "Temporary Social Support Law for Propane Gas Consumers" (*Ley de Apoyo Social Temporal a los Consumidores de Gas Propano*), Decree No. 20-2022, "Temporary Social Support Law for Diesel and Regular Gasoline Consumers" (*Ley de Apoyo Social Temporal a los Consumidores de Diésel y Gasolina Regular*), and Decree No. 25-2022, "Law to Strengthen the Electricity Coverage for Low-Income Families" (*Ley de Fortalecimiento al Aporte Social de la Tarifa Eléctrica*). Additionally, Congress approved Decree No. 22-2022, which grants an economic benefit of Q3,000 to the approximately 23,500 midwives in the country, as a dignification for their ancestral work in maternal and neonatal care in rural communities.

There have been substantial improvements in education. According to the National Committee for Literacy (*Comité Nacional de Alfabetización*), the illiteracy rate among people aged 15 and older decreased from 29.3% in 2002 to 16.62% in 2022. The following table sets for the population served in the literacy process.

Population served in the literacy process

	As of December 31,				
	2018	2019	2020	2021	2022
Enrolled	149,128	147,871	136,275	131,910	115,669
Promoted	125,084	123,271	117,845	115,951	100,238
Promoted (%)	83.9	83.4	86.5	87.9	86.7

Source: *Comité Nacional de Alfabetización*.

According to the Ministry of Education, the net school enrollment rate and the rate of students promoted are as shown in the following table.

School Indicators, Primary and Secondary Education (%)

	As of December 31,									
	2018		2019		2020(1)		2021(1)		2022(1)	
School level	School enrollment (% net)	Students promoted (%)	School enrollment (% net)	Students promoted (%)	School enrollment (% net)	Students promoted (%)	School enrollment (% net)	Students promoted (%)	School enrollment (% net)	Students promoted (%)
Elementary School	93.2	88.6	93.4	89.0	93.7	98.0	95.0	89.2	98.4	87.4
Middle School	49.3	75.6	49.1	76.4	49.2	86.7	47.9	74.7	47.9	79.8
High School	25.6	84.4	25.7	84.6	26.2	87.3	25.2	79.7	24.1	84.1

(1) Preliminary data.
Source: Ministry of Education.

By 2022, elementary school enrollment was 98.4%. The percentage of elementary school students promoted decreased from 88.6% in 2018 to 87.4% in 2022. The school enrollment indicator for middle school decreased from 49.3% in 2018 to 47.9% in 2022, while the percentage of students promoted increased from 75.6% in 2018 to 79.8% in 2022. Net school enrollment for high school education decreased from 25.6% in 2018 to 24.1% in 2022. The percentage of high school students promoted decreased from 84.4% in 2018 to 84.1% in 2022.

Most elementary education is provided in public schools. However, middle school education has significant private sector participation. In 2022, there were 19,395 elementary schools (*nivel primario*, grades 1st to 6th), 8,493 middle schools (*nivel secundario*, grades 7th to 9th) and 5,010 high schools (*nivel diversificado*, grades 10th to 12th/13th). In 2022, approximately 14.6% of elementary schools, 48.0% of middle schools and 80.9% 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 middle school (Art. 74).

For higher education, the Constitution mandates that the *Universidad de 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.

In March 2022, Congress approved Decree No. 19-2022, which declares May 2 “National Day Against Bullying and Cyberbullying” and provides that the Government must adopt measures to prevent and eradicate these issues.

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 MSPAS, benefiting in 2018 approximately 4,205,047 girls and boys under five years of age with vaccination services, growth monitoring, micronutrient supplementation and deworming services, among others. As October 31, 2018, 1,995 additional children under one year of age had been vaccinated, as compared to the same date in 2017. Similarly, as of October 31, 2018, 1,552 additional boys and girls between one and five years of age had been vaccinated, as compared to the same date in 2017.

In 2019, 457,318 boys and girls under one year of age were vaccinated according to their current vaccination schedule, 1,281,038 boys and girls under two years of age were checked for weight and height measurements; and 498,999 boys and girls under two years of age received vitamin and mineral supplements.

In 2020, actions were taken to reduce chronic malnutrition by monitoring the growth of 1,048,066 boys and girls under two years of age.

In 2021, 366,431 boys and girls were vaccinated with a complete vaccination scheme; 1,547,409 boys and girls under five years of age were subject to growth monitoring; and 960,540 boys and girls received micronutrient supplements.

In 2022, 1,271,155 boys and girls under five years of age were subject to growth monitoring and 884, 341 boys and girls received micronutrient supplements.

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.

In 2016, the Zero Hunger Pact (*El Pacto Hambre Cero*) was renamed the Annual Operational Plan for Food and Nutritional Security ("POASAN") whose intervention was at the national level. The MSPAS had an annual budget allocation in POASAN that amounted to Q1,029,116,471 (US$132.0 million) in 2020 and Q1,029,255,132 (US$133.3 million) in 2021. At the end of 2022, the budget report of the POASAN was Q2,289,875,549 (US$291.6 million).

As part of the implementation of the "Window of a Thousand Days" (*Ventana de los Mil Días*) program, 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 1,523,963 women of childbearing age in 2018, and 324,928 pregnant women.

In 2020, the MSPAS provided iron and folic acid supplements to 377,715 pregnant women and to 1,812,864 women of childbearing age. In 2021, the MSPAS provided iron and folic acid supplements to 348,865 pregnant women and to 1,869,755 women of childbearing age. In 2022, the MSPAS supplied iron and folic acid supplements to 351,465 pregnant women and to 2,155,008 women of childbearing age.

The MALF carries out programs that promote the development of rural areas to improve productivity and/or food security, such as: the Family Agriculture Program for the Strengthening of the Rural Economy, whose purpose is to contribute to the national effort to eradicate hunger and malnutrition in the country. The MALF 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. The MALF 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.

In 2020, MALF, in coordination with the Secretariat of Food and Nutritional Security (SESAN), planned, coordinated and managed food assistance for 107,978 families with high vulnerability to food insecurity and affected by emergencies.

In 2021, MALF, in coordination with the SESAN, planned, coordinated and managed food assistance to benefit 164,732 families with high vulnerability to food insecurity and affected by emergencies.

In September 2021, Congress approved Decree No. 12-2021, which amended the "School Feeding Law" (*Ley de Alimentación Escolar*) to expand its coverage.

In 2022, MALF, in coordination with the SESAN, planned, coordinated and managed food assistance to benefit 511,805 families with high vulnerability to food insecurity and affected by emergencies.

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.

- 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 CONADUR plan also focuses on properly developing natural resources for today and for the future. The CONADUR 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 CONADUR 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.

Conditional Monetary Transfers

The Ministry of Social Development (*Ministerio de Desarrollo Social*, or the "MIDES")makes current monetary transfers through three social programs: Social Bonus (*Bono Social*), Social Shopping Bag (*Bolsa Social*), and Social Scholarship (*Beca Social*) through targeted interventions.

The following table sets forth the information regarding monetary transfers made and the corresponding transfer beneficiaries for the years indicated.

Monetary transfers from social programs(1)
(Monetary transfers in millions of US$)

	2018		2019		2020		2021		2022(2)	
	Beneficiaries	Monetary transfers	Beneficiaries	Monetary transfers	Beneficiaries	Monetary transfers	Beneficiaries	Monetary transfers	Beneficiaries	Monetary transfers
Education	138,826	28.3	119,657	28.4	75,054	23.3	84,183	28.4	56,037	32.7
Health	14,596	5.4	8,379	3.0	51,455	17.3	44,281	15.3	27,572	14.3
Food	25,775	7.4	26,740	6.9	23,556	6.7	21,296	5.9	20,190	7.2
Middle school scholarship	6,068	1.8	5,842	1.9	5,514	1.8	5,916	1.8	5,800	1.8
Higher education scholarship	632	0.3	1,000	0.4	1,498	0.4	1,498	0.3	1,512	0.5
First job scholarship	325	0.5	538	0.8	555	0.1	528	0.7	—	0.1
Artisan scholarship	7,680	1.2	4,094	0.7	4,034	0.7	4,093	0.7	4,677	0.9
Total	**193,902**	**44.9**	**166,250**	**41.9**	**161,666**	**50.3**	**161,795**	**53.0**	**115,788**	**57.4**

(1) Beneficiaries as of December of the corresponding year.
(2) Preliminary data.
Source: MIDES.

In 2020, a strategy to combat malnutrition was defined through the Great National Crusade that identifies the Guatemalan population as a target, with emphasis on children under five years of age, preschool and school children, women, rural and indigenous population, in the departments with the highest prevalence of chronic malnutrition, poverty and extreme poverty. This strategy involves different public institutions under the coordination of SESAN.

With the actions and interventions of the Social Programs of the MIDES, from 2018 to 2022, several families in poverty and extreme poverty have been supported through links to the Strategic Country Results (RED), the Health Bonus with 146,283 beneficiaries, Conditional Cash Transfers for Food with 117,557 beneficiaries, among other programs. The Budget assigned to the MIDES for 2023 amounts to approximately US$181.9 million.

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 24, 2019, Guatemala ranked fourth in Doing Business in Central America (96th position in the overall ranking, compared to Costa Rica 74th, Panama 86th, El Salvador 91st Honduras 133rd, Belize 135th, and Nicaragua 142nd). In the report published on October 31, 2018, Guatemala had ranked in 98th position in the overall ranking.

The Global Competitiveness Report published by the World Economic Forum in 2019, which is the latest report in the series including competitiveness index rankings, ranked Guatemala 98th among 141 countries (two positions lower than the ranking in 2018).

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 2021, employment increased to 7.2 million from 7.0 million people in 2018 and the unemployment rate increased slightly from 2.0% in 2018 to 2.2% in 2021.

Labor Force Statistics

	2018(1)	2019(2)	2020(3)	2021(4)	2022(5)
Employed	7,003,398	7,274,114	N/A	7,242,822	6,952,417
Labor force (EAP)	7,145,191	7,419,943	N/A	7,407,379	7,165,870
Social Security affiliates	1,266,943	1,578,589	N/A	1,242,194	1,210,114
Unemployment rate (%)	2.0	2.0	N/A	2.2	3.0
Labor force participation (%)	60.9	59.1	N/A	63.0	60.2
Social security coverage of EAP (%)	17.7	21.3	N/A	16.8	16.9

(1) Based on the National Survey of Employment and Income (*Encuesta Nacional de Empleo e Ingresos*, or "ENEI"), ENEI 2-2018. December 2018.
(2) Based on ENEI 2-2019: November 2019.
(3) The ENEI was not conducted in 2020 due to the impact of the COVID-19 pandemic.
(4) Based on ENEI 1-2021: December 2021.
(5) Based on ENEI 1-2022: November 2022.

Source: INE/ENEI.

Based on ENEI data for 2021, 16.8% of the labor force or economically active population ("EAP") above 15 years of age received social security. According to the Ministry of Labor and Social Welfare, in 2023, the monthly minimum wage for the department of Guatemala is Q2,893.54 (US$368.50 at the exchange rate as of December 31, 2022) for the *maquila* industry (which has a lower minimum wage than other activities). The minimum wage varies by sector. For other private activities (agricultural and non-agricultural) the monthly minimum wage for 2023 is Q3,073.60 (US$355.1391.4) for agricultural and Q3,166.38 (US$403.5) for non-agricultural. The minimum wage for all departments except Guatemala is Q2,812.63 (US$358.20) for the maquiladora industry, Q2987.53 (US$380.5) for agricultural and Q3,077.56 (US$391.94) for non-agricultural. The monthly minimum bonus for all activities is Q250.00 (US$31.80). These salaries changed according to Government Agreement No. 353-2022, and came into effect as of January 1, 2023.

The Ministry of Labor and Social Welfare and the Ministry of Economy signed the National Policy for Decent Employment 2017-2032. This policy aims to increase the opportunities for women and men in Guatemala to have decent and productive employment, through an integrated effort of economic and social policy and the public and private sectors, which fosters sustained, inclusive and sustainable growth and reduction of poverty and inequality, especially of indigenous peoples, rural areas, women and youth.

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)

	2018	2019	2020	2021	2022[(1)]
Total employment	1,325,537	1,350,821	1,289,882	1,388,248	1,475,223
Agriculture, livestock, forestry and fishing (%)	10.2	9.2	7.1	6.6	6.3
Mining and quarrying (%)	0.2	0.1	0.2	0.2	0.2
Manufacturing (%)	12.1	12.3	13.8	14.4	14.5
Construction (%)	0.8	0.7	1.4	1.4	1.1
Electricity and water (%)	0.8	0.8	0.9	0.9	0.8
Wholesale and retail trade; repair of motor vehicles (%)	21.5	22.2	30.3	31.0	32.0
Transportation, storage and telecommunications (%)	3.5	3.6	3.9	4.0	3.9
Services (%)	50.8	51.0	42.4	41.6	41.2
Total	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.
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, which has been renovated and expanded to increase its capacity. There are also smaller airports for domestic flights, including the Puerto Barrios, San José and Retalhuleu airfields. These are classified as aerodromes, according to the definitions established in Government Agreement No. 384-2001 of the Presidency of the Republic, Regulation of the Civil Aviation Law and the International Civil Aviation Organization.

La Aurora International Airport and Mundo Maya International Airport are the only airports in the State of Guatemala, as the smaller airports mentioned in the previous paragraph are classified as aerodromes, according to the definitions established in Government Agreement number 384-2001 of the Presidency of the Republic, Regulation of the Civil Aviation Law and the International Civil Aviation Organization.

Road Infrastructure. As of the end of 2022, Guatemala had 11,283.9 miles (18,155.85 kilometers) of roads, of which 41.5% are paved, 32.6% are unpaved, and the rest (25.9%) are rural roads. During 2022, the country's road network grew by 58.6 miles (94.3 kilometers), representing an increase of 0.43% compared to 2021.

Electricity Sector. In 2022, total electricity consumption was approximately 12,411.40 GWh, while the total electricity production was 10,950.33 GWh, and the balance was imported through the Mexican Electricity Market. In the Regional Electricity Market, Guatemala has been a net exporter of electricity to the region, except from 2010 to 2012, when it was a net importer. In 2022 Guatemala exported 847 GWh and imported only 172 GWh.

The Ministry of Energy and Mines is promoting policies to transform the generation matrix so that by 2027 at least 80% of all electricity generated in Guatemala is generated through 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 of Electrification (*Instituto Nacional de Electrificación*). According to the most recent data available, estimates of electricity coverage went from 85.7% of the population in 2012 to 91.23% of the population in 2022.

Project Portfolio. Currently there are seven large scale infrastructure projects that are expected to be executed through the public-private partnerships program pursuant to Decree No. 16-2010 of the Congress and the Law of Partnerships for the Development of Economic Infrastructure. Among these, the project that is most advanced is the construction of the Escuintla to Puerto Quetzal Highway. This project is estimated to cost approximately US$118.0 million, and will have an impact on improving the roads referred to as the "port circuit," with the aim of optimizing fluidity and passability and the quality of service. In addition, this project will create an interconnection between the highways CA-09 Sur "A" and the CA-09 Sur, facilitating the transit of cargo vehicles outside the residential areas of Puerto de San José, Escuintla. On November 24, 2021, Congress awarded the contract for the rehabilitation, administration, operation, maintenance and complementary works of the highway to the Guatemalan Highway Consortium for a term of 25 years by means of Decree No. 18-2021.

In addition, the public-private partnerships program includes a number of other projects in earlier phases of development, such as the State Administrative Center project for an approximate amount of US$240.0 million, which is in the phase of updating feasibility studies and also updating investor prequalification. The *Metroriel* project, which consists of the construction of a passenger rail transport system connecting the northern (*Centra Norte*) and southern (*Centra Sur*) parts of the Guatemala City metropolitan area with the city center through the implementation of a 20.5 kilometer-long surface light rail, including 20 stations for loading and unloading of passengers. The *Metroriel* project, when completed, will contribute to the urban mobility of the Guatemala City metropolitan area and shorten the travel time of users from more than three hours to 49 minutes. The investment required for the *Metroriel* project is estimated to be US$772 million. The authorization of the Socio-Environmental Impact Study before SEGEPLAN for the *Metroriel* project is still in process.

The Ministry of Communications, Infrastructure and Housing (*Ministerio de Comunicaciones, Infraestructura y Vivienda*) is also undertaking feasibility studies for two additional projects in the field of public-private partnerships. The first involves the modernization of the *La Aurora* International Airport, which is expected to cost approximately US$158.0 million, providing the State of Guatemala with the opportunity to improve the competitiveness of the national aviation sector, optimizing efficiency by 62.5%, and generating approximately 6,000 direct jobs. The second involves the construction of the *Via Exprés Nororiente* highway, which has undergone pre-feasibility studies. Also within the portfolio of public-private partnership infrastructure projects is the construction of the *Puerto Seco Intermodal Tecún Umán II* port, and a proposed project for an underground mass public transport system in Guatemala City, for which feasibility studies are being undertaken. The investment required for the *Puerto Seco Intermodal Tecún Umán II* port project is estimated to be US$40 million.

Another project in the planning process is the construction of a new Belize Bridge with an estimated investment of US$75.0 million, plus the cost of complementary projects for its execution and start-up by 2023.

Several government-owned projects are also being developed under the public-private partnership program, including the *Carretera CA-9 Norte* highway, which runs from Sanarate to El Rancho and is being financed with national resources from Guatemala and external financing from Taiwan. In addition, the Republic is currently negotiating with Taiwan regarding the financing of certain other sections of the *Carretera CA-9* highway.

In 2019, the *Libramiento Cabecera Departamental de Chimaltenango,* which extends approximately 15 kilometers from the center of Chimaltenango to the center of El Tejar, was completed with a total investment of approximately Q657.1 million (US$85.4 million). It is intended to ease urban traffic congestion in these communities.

The highway CA-01 overpass is also being built, west of Cuatro Caminos in Totonicapán, with a length of 817.5 meters and a benefited population of 97,144.

An additional project within the portfolio is the *Sistema de Transporte Público Masivo del Corredor Rápido de Occidente*, which is a transport sector project that consists of evaluating, defining, building, operating, maintaining and transferring a mass public transport system for the metropolitan area of Guatemala, specifically on the east-west axis, being the optimal route for urban mobility. The pre-feasibility study was carried out, obtaining the definition of the line, technology, demand, economic and financial evaluation of capital and operating expenditures for an amount of approximately US$333.0 million. The feasibility study will continue when additional financing is obtained.

In 2021, Government expenditures in projects outside of the public-private partnerships program amounted to Q15,807.4 million (US$2,043.4 million), of which Q883.3 million (US$114.2 million) were financed using external sources (loans and bonds issued in the international capital market), and Q2,959.6 million (US$382.6 million) were financed from domestically-issued treasury bonds and the balance from different internal sources.

In March 2022, Congress approved Decree No. 21-2022, Law to Strengthen Strategic Infrastructure Maintenance and Construction (*Ley para Fortalecer el Mantenimiento y Construcción de Infraestructura Estratégica*), which increased the budget of the Ministry of Communications, Infrastructure and Housing by Q3,191 million for the construction and maintenance of roads, as well as authorizing works in connection with bridges, among other infrastructure projects.

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 composed of the current account and the capital account.

Current Account

The current account consists of:

- the trade balance (the difference in value of exports minus imports);
- net services;
- primary income; and
- secondary income.

From 2018 to 2022, the current account fluctuated between a surplus of 0.9% and a surplus of 5.0% of GDP, representing an average surplus of 2.4% of GDP during the period. In 2018, a surplus in the current account of 0.9% of GDP was reported, which was mainly due to growth in remittances (13.4%), partially offset by an increase in imports (7.2%). In 2019, a surplus in the current account of 2.4% of GDP was reported, which was due to growth in remittances (13.1%), partially offset by an increase in imports (1.5%). In 2020, a surplus in the current account of 5.0% of GDP was reported, which was due to a 7.9% growth in remittances and an 8.1% reduction of imports. In 2021, the current account registered a surplus of 2.2% of GDP, due to a 34.9% growth in remittances, and a 41.7% increase in imports. In 2022, the current account registered a surplus of 1.4% of GDP, due to a 17.9% growth in remittances and a 22.2% increase in imports.

The surplus in the net balance of services in 2018 and 2019 was caused mainly by the performance of manufacturing services, other services and travel, which grew as a result of increased tourist inflows. In 2020 and 2022, there was a deficit caused mainly by the contraction of transportation, insurance and pension services, and financial services.

The primary income 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.

Financial Account

Between 2018 and 2022, the balance of the financial account was driven mainly by inflows of both public and private capital, including public sector loans (to meet capital expenditures), foreign direct investment (mainly due to profit reinvestment, as a result of an improved business climate and, in 2021, by the acquisition of 45% of the shares of a telecommunications company for US$2.2 billion), and increases in the private sector's external liabilities (encouraged by greater liquidity abroad). Those flows provided resources to finance the current account.

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,				
	2018	**2019**	**2020[(1)]**	**2021[(1)]**	**2022[(1)]**
Current account:					
Trade balance:					
Exports (FOB):					
Traditional	2,675.1	2,937.0	2,813.1	2,864.1	3,338.4
Non-traditional	6,969.0	6,981.5	7,313.5	9,497.4	10,943.3
Total exports	9,644.1	9,918.5	10,126.6	12,361.5	14,281.7
Imports (FOB)	(17,628.8)	(17,885.4)	(16,440.8)	(23,289.1)	(28,467.7)
Trade balance	(7,984.8)	(7,966.9)	(6,314.2)	(10,927.6)	(14,186.0)
Services balance[(2)]	165.7	38.0	(236.1)	(1,169.5)	(1,603.2)
Primary income (net)	(1,502.2)	(1,404.1)	(1,403.8)	(2,126.1)	(1,852.6)
Current transfers:					
Remittances	9,314.5	10,536.4	11,290.1	15,263.3	18,050.2
Foreign aid	330.4	305.8	263.7	404.0	415.6
Other	326.0	312.3	324.4	447.6	495.4
Total current transfers, net	9,970.8	11,154.5	11,878.2	16,114.9	18,961.2
Total current account	649.6	1,821.5	3,924.2	1,891.7	1,319.4
Capital and financial account[(3)]:					
Capital account	3.0	0.7	1.2	2.3	—
Financial account:					
Bank of Guatemala	(6.8)	(23.9)	9.1	(579.3)	4.9
Public sector	162.7	(714.0)	(1,223.7)	(247.7)	87.2
Bonds, net	125.4	(1,035.8)	(1,041.7)	(758.7)	311.8
Loans	37.2	321.8	(182.0)	511.0	(224.6)
Disbursements	100.1	16.1	(43.0)	185.4	(1.3)
Amortization	62.9	(305.7)	139.0	(325.6)	223.4
Private sector, net:					
Foreign direct investment, net	(780.1)	(796.3)	(785.7)	(2,985.6)	(963.3)
Portfolio investment, net	(31.4)	369.0	790.4	(896.5)	(802.5)
Other investment, net	52.0	764.3	1,285.5	3,273.1	2,504.3
Total financial account	(603.6)	(400.9)	75.6	(1,436.0)	830.4
Errors and omissions	(268.2)	(424.9)	(661.2)	(521.3)	(456.0)
Change in reserve assets	987.9	1,798.2	3,188.5	2,808.8	33.0
Current account balance (as a % of GDP)	0.9%	2.4%	5.0%	2.2%	1.4%

(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 a % of total exports)

	For the year ended December 31,									
	2018		2019		2020		2021		2022[2]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Traditional:										
Coffee	679.9	6.2	662.4	5.9	650.6	5.9	926.0	6.8	1,112.7	7.1
Sugar	632.9	5.8	694.6	6.2	576.9	5.2	507.9	3.7	788.3	5.0
Bananas	804.0	7.3	831.9	7.4	813.1	7.3	842.3	6.2	940.5	6.0
Oil	124.9	1.1	101.2	0.9	49.1	0.4	68.5	0.5	74.1	0.5
Cardamom	433.4	4.0	646.9	5.8	723.5	6.5	519.4	3.8	409.0	2.6
Total traditional	2,675.1	24.4	2,937.0	26.3	2,813.2	25.3	2,864.1	21.0	3,324.7	21.2
Non-traditional:										
Exports outside of Central America:										
Chemical products	330.0	3.0	335.6	3.0	349.2	3.1	457.4	3.4	541.8	3.5
Vegetables	275.5	2.5	266.6	2.4	291.4	2.6	328.0	2.4	331.3	2.1
Fruits and preparations	632.2	5.8	636.6	5.7	589.8	5.3	719.5	5.3	852.3	5.4
Natural rubber	133.2	1.2	129.7	1.2	133.2	1.2	202.4	1.5	191.2	1.2
Flowers and plants	115.5	1.1	115.1	1.0	111.8	1.0	138.6	1.0	136.1	0.9
Sesame seeds	32.7	0.3	33.7	0.3	35.6	0.3	52.7	0.4	50.6	0.3
Processed foods	714.8	6.5	650.3	5.8	774.6	7.0	1,087.0	8.0	1,368.7	8.7
Shrimp, fish and lobster	78.2	0.7	63.6	0.6	74.9	0.7	88.3	0.6	102.3	0.7
Other[3]	2,630.5	24.0	2,637.8	23.6	2,486.6	22.4	3,174.6	23.3	3,495.5	22.3
Total non-traditional exports to countries outside of Central America	4,942.6	45.1	4,869.0	43.6	4,847.1	43.7	6,248.5	45.9	7,069.8	45.2
Exports to Central America[4]	3,351.9	30.6	3,362.2	30.1	3,440.9	31.0	4,507.2	33.1	5,263.4	33.6
Total non-traditional	8,294.5	75.6	8,231.2	73.7	8,288.0	74.7	10,755.7	79.0	12,333.2	78.8
Total exports	10,969.6	100.0	11,168.2	100.0	11,101.2	100.0	13,619.8	100.0	15,657.8	100.00

(1) Total exports in the Balance of Payments differs from the total exports presented 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,				
	2018	2019	2020	2021[2]	2022[2]
Coffee export volume (thousands of *quintales*)	4,536.5	4,762.8	4,149.4	4,971.3	4,259.3
Coffee export price (US$/*quintal*)	149.88	139.08	156.79	186.26	261.25
Sugar export volume (thousands of *quintales*)	36,600.8	44,735.5	36,548.3	29,034.4	37,676.9
Sugar export price (US$/*quintal*)	17.29	15.53	15.78	17.49	20.92
Banana export volume (thousands of *quintales*)	52,350.6	53,015.6	52,154.7	51,557.0	54,555.6
Banana export price (US$/*quintal*)	15.36	15.69	15.59	16.34	17.24
Oil export volume (thousands of barrels per year)	2,260.0	1,964.6	1,399.7	1,121.7	869.1
Oil price (US$/barrel)	55.28	51.49	35.06	61.06	85.29
Cardamom export volume (thousands of *quintales*)	808.2	798.9	828.4	725.1	1,169.2
Cardamom export price (US$/*quintal*)	536.28	809.74	873.43	716.32	349.80

(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$ and as a % of total exports)

	For the year ended December 31,									
	2018		2019		2020		2021		2022(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	3,845.5	35.1	3,602.6	32.3	3,475.8	31.3	4,280.8	31.4	4,855.8	31.0
Mexico	507.6	4.6	553.2	5.0	461.2	4.2	592.8	4.4	689.1	4.4
Canada	164.2	1.5	224.1	2.0	199.2	1.8	181.8	1.3	192.0	1.2
Total North America	4,517.3	41.2	4,379.8	39.2	4,136.3	37.3	5,055.4	37.1	5,736.9	36.6
Central America:										
Costa Rica	429.4	3.9	429.5	3.8	447.7	4.0	540.8	4.0	635.0	4.1
El Salvador	1,335.1	12.2	1,384.0	12.4	1,314.1	11.8	1,731.0	12.7	2,051.7	13.1
Honduras	1,050.4	9.6	1,003.8	9.0	1,023.5	9.2	1,399.1	10.3	1,585.4	10.1
Nicaragua	540.5	4.9	549.8	4.9	662.3	6.0	843.9	6.2	998.0	6.4
Total Central America	3,355.4	30.6	3,367.1	30.1	3,447.7	31.1	4,514.8	33.1	5,270.2	33.7
South America:										
Argentina	3.9	—	2.6	—	1.8	—	3.9	—	3.6	—
Brazil	44.3	0.4	32.0	0.3	40.4	0.4	49.9	0.4	46.1	0.3
Colombia	35.9	0.3	42.5	0.4	43.2	0.4	57.4	0.4	106.6	0.7
Ecuador	53.5	0.5	52.2	0.5	46.9	0.4	72.7	0.5	96.9	0.6
Venezuela	42.5	0.4	23.2	0.2	12.3	0.1	13.0	0.1	32.7	0.2
Other South America	188.5	1.7	171.5	1.5	160.8	1.4	165.6	1.2	252.3	1.6
Total South America	368.5	3.4	324.0	2.9	305.4	2.8	362.5	2.7	538.1	3.4
Europe:										
France	33.2	0.3	29.5	0.3	29.8	0.3	24.9	0.2	35.1	0.2
Germany	110.8	1.0	105.7	0.9	116.9	1.1	135.7	1.0	140.7	0.9
Italy	147.7	1.3	204.9	1.8	201.4	1.8	294.6	2.2	205.7	1.3
Netherlands	356.6	3.3	297.0	2.7	342.0	3.1	395.4	2.9	641.2	4.1
Spain	151.2	1.4	158.5	1.4	197.7	1.8	266.6	2.0	307.3	2.0
United Kingdom	77.7	0.7	98.8	0.9	79.9	0.7	94.8	0.7	85.9	0.5
Other EU	127.3	1.2	143.7	1.3	116.5	1.0	217.3	1.6	204.7	1.3
Total EU	1,004.7	9.2	1,038.0	9.3	1,084.1	9.8	1,429.3	10.5	1,620.6	10.4
Other Europe	68.7	0.6	43.8	0.4	92.5	0.8	115.3	0.8	47.9	0.3
Total Europe	1,073.3	9.8	1,081.6	9.7	1,176.6	10.6	1,544.5	11.3	1,668.5	10.7
Asia:										
Japan	114.6	1.0	123.7	1.1	128.9	1.2	136.3	1.0	154.0	1.0
Saudi Arabia	124.9	1.1	191.1	1.7	273.4	2.5	157.1	1.2	106.9	0.7
South Korea	69.3	0.6	46.4	0.4	85.1	0.8	90.8	0.7	163.0	1.0
Taiwan	55.2	0.5	57.8	0.5	65.1	0.6	68.0	0.5	112.3	0.7
Other Asia	357.6	3.3	650.0	5.8	664.4	6.0	679.6	5.0	749.6	4.8
Total Asia	721.6	6.6	1,069.0	9.6	1,217.0	11.0	1,131.8	8.3	1,285.9	8.2
Africa:										
South Africa	5.1	—	5.7	0.1	4.9	—	5.7	—	5.7	—
Other Africa	148.1	1.4	193.9	1.7	116.5	1.0	157.9	1.2	188.8	1.2
Total Africa	153.2	1.4	199.6	1.8	121.4	1.1	163.5	1.2	194.5	1.2
Oceania:										
Australia	13.4	0.1	14.5	0.1	13.4	0.1	21.6	0.2	18.9	0.1
New Zealand	39.6	0.4	32.2	0.3	21.0	0.2	11.8	0.1	3.9	—
Total Oceania	53.0	0.5	46.7	0.4	34.4	0.3	33.4	0.2	22.8	0.1
Other(3)	727.5	6.6	702.2	6.3	662.3	6.0	813.8	6.0	940.8	6.0
Total	10,969.7	100.0	11,170.3	100.0	11,101.2	100.0	13,619.8	100.0	15,657.8	100.00

(1) Total exports in the Balance of Payments differs from the total exports in this table because these amounts do not include goods acquired in ports.
(2) Preliminary data.
(3) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

The country's 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

Guatemala's aggregate export volumes to Europe, also its relative importance as a destination for the country's export products has improved. In 2018, raw materials and intermediate goods accounted for 32.6% of imports, consumer goods accounted for 31.5%, capital goods accounted for 16.8%, and mineral fuels and lubricants accounted for 16.5%.

In 2019, exports were mainly destined for North America (39.2%), Central America (30.1%), Europe (9.7%), and Asia (9.6%). In 2019, consumer goods accounted for 32.3% of imports, raw materials and intermediate goods accounted for 31.3%, capital goods accounted for 17.6%, and mineral fuels and lubricants accounted for 16.3%.

In 2020, exports were mainly destined for North America (37.3%), Central America (31.1%), and Asia (11.0%) and Europe (10.6%). In 2020, consumer goods accounted for 33.3% of imports, raw materials and intermediate goods accounted for 34.0%, capital goods accounted for 18.3%, and mineral fuels and lubricants accounted for 11.7%.

In 2021, exports were mainly destined for North America (37.0%), Central America (33.2%), Europe (11.3%), and Asia (8.3%). In 2021, raw materials and intermediate goods accounted for 33.4% of imports, consumer goods accounted for 31.5%, capital goods accounted for 17.1%, and mineral fuels and lubricants accounted for 14.9%.

In 2022, exports were mainly destined for North America (36.6%), Central America (33.7%), Europe (10.7%), and Asia (8.2%). In 2022, consumer goods accounted for 30.3% of imports, raw materials and intermediate goods accounted for 32.9%, capital goods accounted for 16.4%, and mineral fuels and lubricants accounted for 17.6%.

The table below presents imports classified by type of product.

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

	For the year ended December 31,									
	2018		2019		2020		2021		2022(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Raw materials and intermediate goods:										
Agriculture	596.6	3.0	585.0	2.9	643.8	3.5	843.7	3.2	1,086.9	3.4
Manufacturing	5,822.7	29.6	5,637.1	28.4	5,539.7	30.4	8,055.8	30.3	9,477.0	29.5
Total raw materials and intermediate goods	6,419.3	32.6	6,222.1	31.3	6,183.5	34.0	8,899.5	33.4	10,563.9	32.9
Consumer goods:										
Durable(3)	2,668.1	13.6	2,732.9	13.7	2,291.2	12.6	3,558.2	13.4	3,983.9	12.4
Non-durable	3,533.3	18.0	3,682.0	18.5	3,780.5	20.8	4,812.1	18.1	5,753.2	17.9
Total consumer goods	6,201.4	31.5	6,414.9	32.3	6,071.7	33.3	8,370.3	31.5	9,737.1	30.3
Capital goods:										
Manufacturing, telecommunications and construction	2,636.8	13.4	2,798.7	14.1	2,686.6	14.8	3,549.0	13.3	4,149.7	12.9
Transportation	581.8	3.0	614.4	3.1	553.7	3.0	873.4	3.3	965.5	3.0
Agriculture	85.1	0.4	85.1	0.4	84.8	0.5	128.2	0.5	145.5	0.5
Total capital goods	3,303.7	16.8	3,498.2	17.6	3,325.2	18.3	4,550.6	17.1	5,260.8	16.4
Mineral fuels and lubricants	3,238.0	16.5	3,235.7	16.3	2,125.2	11.7	3,956.1	14.9	5,648.1	17.6
Construction materials	477.2	2.4	510.7	2.6	500.6	2.7	767.0	2.9	868.3	2.7
Other	34.7	0.2	0.6	—	0.5	—	64.4	0.2	45.4	0.1
Total imports	19,674.4	100.0	19,882.1	100.0	18,206.7	100.0	26,607.9	100.0	32,123.5	100.00

(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) Preliminary data.
(3) This category includes semi-durable products.
Source: Bank of Guatemala

The table below presents the geographic origin of imports.

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

	For the year ended December 31,									
	2018		2019		2020		2021		2022(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
North America:										
United States	7,466.1	37.9	7,361.8	37.0	6,275.9	34.5	9,052.1	34.0	11,233.4	35.0
Mexico	2,133.5	10.8	2,192.5	11.0	2,124.4	11.7	2,803.3	10.5	3,415.9	10.6
Canada	102.4	0.5	87.8	0.4	94.5	0.5	246.1	0.9	184.2	0.6
Total North America	9,702.0	49.3	9,642.1	48.5	8,494.7	46.7	12,101.5	45.5	14,833.5	46.2
Central America:										
Costa Rica	658.1	3.3	691.4	3.5	688.5	3.8	825.0	3.1	1,000.2	3.1
El Salvador	1,025.1	5.2	1,034.6	5.2	974.6	5.4	1,343.4	5.0	1,506.1	4.7
Honduras	448.4	2.3	479.3	2.4	492.3	2.7	736.6	2.8	866.1	2.7
Nicaragua	159.6	0.8	147.8	0.7	143.5	0.8	184.5	0.7	242.9	0.8
Total Central America	2,291.2	11.6	2,353.0	11.8	2,298.9	12.6	3,089.6	11.6	3,615.4	11.3
South America:										
Argentina	126.4	0.6	145.9	0.7	132.6	0.7	267.2	1.0	334.8	1.0
Brazil	267.4	1.4	321.8	1.6	293.5	1.6	419.8	1.6	706.1	2.2
Colombia	527.7	2.7	586.8	3.0	408.8	2.2	506.6	1.9	655.0	2.0
Ecuador	68.8	0.3	89.9	0.5	45.8	0.3	102.7	0.4	140.2	0.4
Venezuela	38.2	0.2	22.2	0.1	49.9	0.3	123.9	0.5	102.8	0.3
Other	334.8	1.7	335.9	1.7	344.2	1.9	393.4	1.5	536.8	1.7
Total South America	1,363.3	6.9	1,502.5	7.6	1,274.8	7.0	1,813.6	6.8	2,475.7	7.7
Europe:										
France	87.1	0.4	75.1	0.4	56.6	0.3	80.3	0.3	80.4	0.3
Germany	275.8	1.4	301.8	1.5	269.2	1.5	336.6	1.3	472.9	1.5
Italy	152.5	0.8	133.7	0.7	119.9	0.7	183.2	0.7	227.4	0.7
Netherlands	113.8	0.6	98.9	0.5	109.1	0.6	163.0	0.6	231.8	0.7
Spain	322.5	1.6	264.6	1.3	253.6	1.4	351.2	1.3	422.8	1.3
United Kingdom	45.7	0.2	94.0	0.5	40.0	0.2	48.2	0.2	73.0	0.2
Other EU	454.7	2.3	470.4	2.4	394.5	2.2	546.6	2.1	741.4	2.3
Total EU	1,452.2	7.4	1,438.6	7.2	1,242.9	6.8	1,709.1	6.4	2,249.7	7.0
Other Europe	159.9	0.8	156.8	0.8	141.9	0.8	338.9	1.3	298.0	0.9
Total Europe	1,612.2	8.2	1,595.3	8.0	1,384.9	7.6	2,048.0	7.7	2,547.6	7.9
Asia:										
Indonesia	48.9	0.2	47.6	0.2	56.0	0.3	76.4	0.3	148.5	0.5
Japan	264.8	1.3	303.5	1.5	247.9	1.4	373.1	1.4	369.3	1.1
South Korea	291.2	1.5	279.1	1.4	248.3	1.4	410.9	1.5	389.6	1.2
Taiwan	136.7	0.7	126.7	0.6	124.7	0.7	231.6	0.9	234.9	0.7
Other Asia	3,220.0	16.4	3,241.7	16.3	3,329.3	18.3	5,559.2	20.9	6,298.4	19.6
Total Asia	3,961.7	20.1	3,998.7	20.1	4,006.2	22.0	6,651.1	25.0	7,440.6	23.2
Africa:										
South Africa	4.8	—	4.8	—	5.5	—	12.4	—	8.5	—
Other Africa	27.4	0.1	27.7	0.1	18.0	0.1	45.9	0.2	72.2	0.2
Total Africa	32.2	0.2	32.5	0.2	23.5	0.1	58.3	0.2	80.7	0.3
Oceania:										
Australia	4.8	—	2.6	—	2.1	—	4.9	—	52.2	0.2
New Zealand	29.9	0.2	25.3	0.1	21.6	0.1	29.6	0.1	58.2	0.2
Total Oceania	34.7	0.2	27.9	0.1	23.7	0.1	34.5	0.1	110.4	0.3
Other(3):	677.1	3.4	730.2	3.7	700.1	3.8	811.3	3.0	1,019.6	3.2
Total	19,674.4	100.0	19,882.1	100.0	18,206.7	100.0	26,607.9	100.0	32,123.5	100.00

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

In 2018, North America was the most important source of imports (accounting for 49.3%), followed by Asia (accounting for 20.1%), and Central America (accounting for 11.7%). In 2019, North America was the most important source of imports (accounting for 48.5%), followed by Asia (accounting for 20.1%), and Central America (accounting for 11.8%). In 2020, North America was the most important source of imports (accounting for 46.7%), followed by Asia (accounting for 22.0%), and Central America (accounting for 12.6%). In 2021, North America was the most important source of imports (accounting for 45.4%), followed by Asia (accounting for 25.0%), and Central

America (accounting for 11.6%). In 2022, North America was the most important source of imports (accounting for 46.2%), followed by Asia (accounting for 23.2%), and Central America (accounting for 11.3%).

Traditional Exports

Coffee

In 2018, exports of coffee totaled US$679.9 million (9.1%). The volume exported in 2018 was 4.5 million *quintales*, registering minimal variation with respect to the previous year. Furthermore, the international price per *quintal* of coffee in 2018 was US$149.88. 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.

In 2019, exports of coffee totaled US$662.4 million, 2.6% lower than the US$679.9 million recorded in 2018. The volume exported reached 4.8 million *quintales*, representing an increase of 0.3 million *quintales* compared to 4.5 million *quintales* in 2018. Moreover, the international price per *quintal* in 2019 was US$139.08, equivalent to a 7.2% decrease compared to 2018 (US$149.88). The downward trend in international prices in 2019 was due to increased production volumes in Brazil, Colombia, Vietnam, and Ivory Coast, as well as by a decrease in global demand, product of geopolitical tensions between the United States and China.

In 2020, exports of coffee totaled US$650.6 million, 1.8% lower than the US$662.4 million recorded in 2019. The volume exported reached 4.1 million *quintales*, representing a decrease of 0.7 million *quintales* compared to 4.8 million *quintales* in 2019. Moreover, the international price per *quintal* in 2020 was US$156.79, equivalent to a 12.7% increase compared to 2019 (US$139.08). The increase of international prices in 2020 was primarily a result of a lower global supply due to adverse weather conditions in the main growing areas of Central America, Vietnam, and India, as well as drought conditions on growing areas in Brazil.

In 2021, exports of coffee totaled US$926.0 million, 42.3% higher than the US$650.6 million recorded in 2020. The volume exported reached 5.0 million *quintales*, representing an increase of 0.9 million *quintales* compared to 4.1 million *quintales* in 2020. Moreover, the international price per *quintal* in 2021 was US$186.26, equivalent to an 18.8% increase compared to 2020 (US$156.79). The increase of international prices in 2021 primarily resulted from the adverse weather conditions in Brazil (frosts and droughts) and Colombia (rains) that affected the harvests for the 2021/2022 season.

In 2022, exports of coffee totaled US$1,112.7 million, 20.2% higher than the US$926.0 million recorded in 2021. The volume exported reached 4.3 million *quintales*, representing a decrease of 0.7 million *quintales* compared to 5.0 million *quintales* in 2021. Moreover, the international price per *quintal* in 2022 was US$261.25, equivalent to a 40.3% increase compared to 2021 (US$186.26). The increase of international prices in 2022, was a result of a reduction in production in Brazil and Colombia, due to adverse weather conditions that negatively impacted the coffee harvests in those countries.

Sugar

In 2018, exports of sugar totaled US$632.9 million, 23.3%, or US$192.1 million. The volume exported in 2018 was 36.6 million *quintales*. For 2018, the average export price per *quintal* was US$17.29, resulting from increased sugar production in Brazil, combined with a decrease in ethanol production.

Exports of sugar in 2019 totaled approximately US$694.6 million, an increase of US$61.7 million or 9.7% compared to sugar exports of US$632.9 million in 2018. The volume of sugar exported in 2019 was 44.7 million *quintales*, 8.1 million *quintales* or 22.1% more than in 2018. Furthermore, the average price per *quintal* exported in 2019 was US$15.53, 10.2% lower than in 2018 as a result of increased sugar production in Brazil and India.

Exports of sugar in 2020 totaled US$576.9 million, a decrease of US$117.7 million or 16.9% compared to sugar exports in 2019, primarily as a result of a reduced planted area and adverse climate factors. The volume of sugar exported in 2020 was 36.5 million *quintales*, 8.2 million *quintales* or 18.3% lower than in 2019. Furthermore, the average price per *quintal* exported in 2020 was US$15.78, 1.6% higher than in 2019, as a result of higher exports to some Asian countries.

In 2021, exports of sugar totaled US$507.9 million, a decrease of US$69.0 million or 12.0% compared to sugar exports in 2020. The volume of sugar exported in 2021 was 29.0 million *quintales*, 7.5 million *quintales* or 20.5% lower than in 2021. Furthermore, the average price per *quintal* exported in 2021 was US$17.49, 10.8% higher than in 2020, as a result of the expectations of a lower sugar supply from Brazil, due to poorer harvests and reduced crop yields in some of the main producing areas.

In 2022, exports of sugar totaled US$788.3 million, an increase of US$280.4 million or 55.2% compared to sugar exports in 2021. The volume of sugar exported in 2022 was 37.7 million *quintales*, 8.6 million *quintales* or 29.8% higher than 2021. Furthermore, the average price per *quintal* exported in 2022 was US$20.92, 19.6% higher than 2021, as a result of the expectations of a lower sugar supply from India and Brazil, due to an expected decline in production.

Bananas

In 2018, banana exports totaled US$804.0 million, as a result of higher exports to the United States. The export volume in 2018 reached 52.4 million *quintales*. The average export price was US$15.36 per *quintal*.

Banana exports in 2019 totaled US$831.9 million, an increase of US$27.9 million or 3.5% compared to US$804.0 million in 2018, due to increased demand from the United States. The volume exported in 2019 reached 53.0 million *quintales*, representing an increase of 0.6 million *quintales* compared to 52.4 million *quintales* in 2018. The average export price in 2019 was US$15.69 per *quintal*, 2.1% higher than in 2018.

Banana exports in 2020 totaled US$813.1 million, a decrease of US$18.8 million or 2.3% compared to exports in 2019. The volume exported in 2020 reached 52.2 million *quintales*, representing a decrease of 0.8 million *quintales* compared to 53.0 million *quintales* in 2019. This was mainly due to damage from tropical storm Eta. The average export price in 2020 was US$15.59 per *quintal*, 0.6% lower than in 2019.

In 2021, banana exports totaled US$842.3 million, an increase of US$29.2 million or 3.6% compared to exports in 2020. The volume exported in 2021 reached 51.6 million *quintales*, representing a decrease of 0.6 million *quintales* compared to 52.2 million *quintales* in 2020. The average export price in 2021 was US$16.34 per *quintal*, 4.8% higher than in 2020, as a result of a shortage of refrigerated containers for the transportation of bananas and the lower temperatures that affected production in Central and South American countries.

In 2022, banana exports totaled US$940.5 million, an increase of US$98.2 million or 11.7% compared to exports in 2021. The volume exported in 2022 reached 54.6 million *quintales*, representing an increase of 3.0 million *quintales* compared to 51.6 million *quintales* in 2021. The average export price in 2022 was US$17.24 per *quintal*, 5.5% higher than 2021. In 2022, the increase in exports was driven by higher demand, due to the adverse weather conditions and logistical problems faced by other banana-producing countries, such as Ecuador.

Cardamom

Cardamom exports in 2018 totaled US$433.4 million. In terms of volume, cardamom exports totaled 0.8 million *quintales*. The average export price in 2018 was US$536.28 per *quintal*. The increase in the average export price was due to a decrease in the world supply, mainly due to adverse weather conditions in the cardamom producing regions in India.

In 2019, cardamom exports totaled US$646.9 million compared to US$433.4 million in 2018, representing an increase of US$213.5 million. In terms of volume, cardamom exports totaled 0.8 million *quintales*, equal to the volume exported in 2018. The average export price in 2019 was US$809.75 per *quintal*, 51.0% higher than the US$536.28 per *quintal* in 2018. The increase in the average export price was due to a reduction in the world supply, as adverse weather conditions hindered production capacity in the cardamom producing regions in India.

In 2020, cardamom exports totaled US$723.5 million compared to US$646.9 million in 2019, representing an increase of US$76.6 million, primarily as a result of excessive rains that affected the crop yields in the main producing regions in India, thus increasing demand for Guatemalan cardamom. In terms of volume, cardamom exports totaled 0.8 million *quintales*, the same volume as the previous year. The average export price in 2020 was US$873.44 per *quintal*, 7.9% higher than the US$809.75 per *quintal* in 2019.

Cardamom exports in 2021 totaled US$519.4 million compared to US$723.5 million in 2020, representing a decrease of US$204.1 million. In terms of volume, cardamom exports totaled 0.7 million *quintales*, representing a decrease of 0.1 million *quintales* compared to 0.8 million *quintales* in 2020. The average export price in 2021 was US$716.32 per *quintal*, 18.0% lower than the US$873.44 per *quintal* in 2020, as a result of the lower expected demand from Saudi Arabia, due to the introduction of stricter import controls over spices.

Cardamom exports in 2022 totaled US$409.0 million compared to US$519.4 million in 2021, representing a decrease of US$110.4 million. In terms of volume, cardamom exports totaled 1.2 million *quintales*, representing an increase of 0.5 million *quintales* compared to 0.7 million *quintales* in 2021. The export price in 2022 was US$349.80 per *quintal*, 51.2% lower than the US$716.32 per *quintal* in 2021. The reduction in the international price was driven by the expectations of an increase in supply given a favorable Guatemalan harvest for the 2022/2023 season.

Oil

In 2018, oil exports totaled US$124.9 millionand represented 2.3 million barrels. The average export price per barrel of oil in 2018 was US$55.28, due to production cuts by OPEC, a decrease in oil inventories in the United States and geopolitical tensions between Iran and the United States.

In 2019, oil exports totaled US$101.2 million, a US$23.7 million or 19.0% decrease compared to US$124.9 million in 2018. Export volumes decreased by 0.3 million barrels to 2.0 million from 2.3 million barrels in 2018. The average export price per barrel of oil in 2019 was US$51.49, compared to US$55.28 per barrel in 2018, mainly due to lower global demand and an increase in production in the United States and Brazil.

In 2020, oil exports totaled US$49.1 million, a US$52.1 million or 51.5% decrease compared to US$101.2 million in 2019. Export volumes decreased by 0.6 million barrels to 1.4 million from 2.0 million barrels in 2019. The average export price per barrel of oil in 2020 was US$35.06, compared to US$51.49 per barrel in 2019. In 2020, the world economic downturn due to the COVID-19 pandemic had a negative effect on global oil demand.

In 2021, oil exports totaled US$68.5 million, a US$19.4 million or 39.5% increase compared to US$49.1 million in 2020. Export volumes decreased by 0.3 million barrels to 1.1 million from 1.4 million barrels in 2020. The average export price per barrel of oil in 2021 was US$61.06, compared to US$35.06 per barrel in 2020. This due to the increase in global energy demand in the context of production cuts by OPEC and other important oil producers.

In 2022, oil exports totaled US$74.1 million, to US$5.6 million or 8.2% increase compared to US$68.5 million in 2021. Export volumes decreased by 0.2 million barrels to 0.9 million from 1.1 million barrels in 2021. The export price per barrel of oil in 2022 was US$85.29, compared to US$61.06 per barrel in 2021. The increase of the international price was a result of a reduction of the world supply due to the sanctions imposed on Russian oil exports.

Non-traditional Exports

In 2018, non-traditional exports totaled US$8,294.6 million, an increase of US$151.9 million or 1.9% compared to 2017, primarily due to an increase in exports of vegetables and chemical products. In 2019, non-traditional exports totaled US$8,233.3.6 million, a decrease of US$61.3 million or 0.7% compared to 2018, due mainly to lower sales of processed foods and shrimp, fish, and lobster. In 2020, non-traditional exports totaled US$8,288.0 million, an increase of US$54.8 million or 0.7% compared to 2019, mainly due to higher sales of processed foods and vegetables. In 2021, non-traditional exports totaled US$10,755.8 million, an increase of US$2,467.7 million or 29.8% compared to 2020, mainly as a result of higher sales of processed foods, as well as fruits and preparations. In 2022, non-traditional exports totaled US$12,333.2 million, an increase of US$1,577.4 million or 14.7% compared to 2021, mainly as a result of higher sales of processed foods and fruits.

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. Based on the 2018 census, approximately 41.7% of the population are Mayan descendants, and they speak 22 languages, which allows tourists to appreciate not only historical sites, but to see the living Mayan culture. 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.

Tourism was the economic sector most affected by the impact of the COVID-19 pandemic. Between March and September 2020, tourism activity was virtually paralyzed, which affected businesses and resulted in the loss of jobs in the sector. Tourism was further affected by tropical storms Eta and Iota in 2020, which caused damage in archeological and other touristic sites.

However, the vaccination efforts starting in early 2021, coupled with a Tourism Sector Reactivation Plan implemented by INGUAT centered on best practices for safe tourism during the pandemic, resulted in a tourist inflow of 1,844,739 international visitors in 2022, a 177.0% increase compared to 2021. Additionally, the Government engaged in efforts to promote both international and internal tourism, including initiatives to inform local communities about the positive effect of tourism on development, which contributed to the reactivation in the sector.

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,				
	2018	**2019**	**2020**	**2021**	**2022[(1)]**
Tourist arrivals....................................	2,405,902	2,559,599	593,990	666,017	1,844,739

(1) Preliminary data.
Source: INGUAT.

The main international airport is the Aurora Airport (*Aeropuerto La Aurora*) in Guatemala City. 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.

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 prior year)

	For the year ended December 31,				
	2018	**2019**	**2020**	**2021[(1)]**	**2022[(1)]**
Income from tourism	985.6	958.9	213.1	101.7	255.5
% change from prior year	1.7	(2.7)	(77.8)	(52.3)	151.2

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

Number of Foreign Visitors to Guatemala

Country or Region	For the year ended December 31, 2018	2019	2020	2021(1)	2022(1)
Unites States & Canada	475,169	492,404	130,664	240,296	469,909
Mexico	104,179	110,153	25,131	24,593	63,407
Belize	58,365	64,450	9,405	1,301	41,833
El Salvador	1,060,958	1,147,169	231,973	215,673	728,399
Honduras	133,346	185,194	45,422	57,357	155,359
Rest of Central America	135,463	147,430	35,831	43,766	108,652
South America	87,507	87,480	21,895	27,956	75,706
Europe	145,519	141,237	39,788	36,153	122,196
Rest of World(2)	55,004	53,293	11,889	15,014	53,248
Cruisers	150,392	130,789	41,992	3,908	26,030
Total	**2,405,902**	**2,559,599**	**593,990**	**666,017**	**1,844,739**

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

In 2018 and 2019, tourism growth was primarily due to the promotion of the attractiveness of Guatemala as a tourism destination and improved air travel connectivity from 2014 onwards. In 2020, tourism was severely affected by the COVID-19 pandemic, given the travel restrictions imposed around the world (including Guatemala, where borders were closed from March to September). In 2021, tourism showed signs of a slight recovery, as restrictions were gradually lifted. In 2022, tourism recovered to a certain extent, with arrivals reaching 72.1% of pre-pandemic levels, due to the lifting of travel restrictions, which prompted an increase in the number of visitors arriving to the country from the Central American countries (56.1%), the United States (24.2%) and Europe (6.6%).

Foreign Direct Investment by Country
(in millions of US$)

	2018		2019(1)		2020(1)		2021(1)		2022(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
By Country:										
Central America and Dominican Republic:										
Panama	52.2	5.3	23.8	2.4	178.0	19.0	209.1	6.0	138.6	10.3
Honduras	33.8	3.4	34.8	3.6	25.5	2.7	41.3	1.2	57.8	4.3
Costa Rica	29.3	3.0	5.5	0.6	11.5	1.2	15.8	0.5	8.5	0.6
El Salvador	27.9	2.8	11.8	0.2	24.4	2.6	(9.5)	(0.3)	5.4	0.4
Dominican Republic	1.3	0.1	0.2	0.0	1.8	0.2	(0.1)	0.0	1.1	0.1
Nicaragua	1.6	0.2	0.4	0.0	0.2	0.0	0.3	0.0	0.4	0.0
Total Central America and Dominican Republic	**146.1**	**14.9**	**76.5**	**7.8**	**241.5**	**25.8**	**256.9**	**7.4**	**211.8**	**15.7**
Rest of world:										
United States	292.0	29.8	235.5	24.1	96.1	10.3	120.8	3.5	261.3	19.3
Colombia	154.0	15.7	175.8	18.0	228.4	24.4	337.1	9.7	254.2	18.8
Luxembourg	22.7	2.3	31.1	3.2	41.4	4.4	2,248.4	64.9	221.1	16.3
Mexico	102.0	10.4	107.7	11.0	(12.8)	(1.4)	166.8	4.8	193.4	14.3
South Korea	39.5	4.0	26.3	2.7	14.9	1.6	(21.5)	(0.6)	41.0	3.0
Italy	7.7	0.8	28.0	2.9	15.2	1.6	11.1	0.3	35.4	2.6
Germany	25.3	2.6	4.7	0.5	8.8	0.9	37.2	1.1	30.0	2.2
Switzerland	42.3	4.3	(53.6)	(5.5)	32.8	3.5	37.4	1.1	28.4	2.1
Spain	29.8	3.0	10.7	1.1	(0.3)	0.0	35.9	1.0	28.1	2.1
Netherlands	5.1	0.5	68.9	7.1	42.5	4.5	114.1	3.3	21.3	1.6
Canada	(17.7)	(1.8)	(26.7)	(2.7)	(10.0)	(1.1)	(10.5)	(0.3)	20.5	1.5
Israel	19.1	2.0	9.8	1.0	6.9	0.7	16.5	0.5	8.0	0.6
Sweden	3.2	0.3	0.5	0.1	(1.0)	(0.1)	(3.8)	(0.1)	1.8	0.1
England	(12.1)	(1.2)	18.6	1.9	24.9	2.7	13.4	0.4	(4.0)	(0.3)
Peru	33.4	3.4	33.0	3.4	27.3	2.9	(78.2)	(2.3)	(8.3)	(0.6)
Russia	(63.4)	(6.5)	126.1	12.9	80.9	8.7	110.6	3.2	(102.6)	(7.6)
Total rest of world	**683.0**	**69.6**	**796.4**	**81.6**	**596.0**	**63.8**	**3,135.1**	**90.6**	**1,029.5**	**76.1**
Others	151.6	15.5	103.3	10.6	97.4	10.4	69.8	2.0	111.1	8.2
Total	**980.7**	**100.0**	**976.1**	**100.0**	**934.9**	**100.0**	**3,461.8**	**100.0**	**1,352.4**	**100.0**

(1) Preliminary data.
Source: Bank of Guatemala

Foreign Direct Invest Income by International Standard Industrial Classification of All Economic Activities, Rev. 4 (ISIC 4) (in millions of US$)

		2018		2019(1)		2020(1)		2021(1)		2022(1)	
		US$	%	US$	%	US$	%	US$	%	US$	%
By Economic Activity:											
A.	Agriculture, forestry and fishing	13.8	1.4	4.8	0.5	(6.3)	(0.7)	(2.6)	(0.1)	29.3	2.2
B.	Mining and quarrying	(112.1)	(11.4)	58.7	6.0	22.7	2.4	23.0	0.7	63.1	4.7
C.	Manufacturing	273.9	27.9	227.0	23.3	263.1	28.1	284.9	8.2	157.4	11.6
D-E.	Electricity, water supply and waste management	113.2	11.5	115.0	11.8	140.2	15.0	244.2	7.1	66.0	4.9
F.	Construction	14.3	1.5	(7.5)	(0.8)	2.8	0.3	11.9	0.3	18.8	1.4
G.	Trade and vehicle repair	222.2	22.7	140.1	14.4	123.6	13.2	264.1	7.6	388.8	28.7
H.	Transportation and storage	26.0	2.6	3.9	0.4	(3.1)	(0.3)	30.9	0.9	33.3	2.5
I.	Accommodation and food service activities	5.0	0.5	9.9	1.0	(5.7)	(0.6)	0.6	—	6.1	0.5
J.	Information and communication	31.3	3.2	58.1	5.9	(27.8)	(3.0)	2,249.2	65.0	255.5	18.9
K.	Financial and insurance activities	301.3	30.7	340.6	34.9	341.3	36.5	309.2	8.9	266.8	19.7
L-U.	Other activities	91.8	9.4	25.5	2.6	84.0	9.0	46.6	1.3	67.3	5.0
Total		**980.7**	**100.0**	**976.1**	**100.0**	**934.9**	**100.0**	**3,470.6**	**100.0**	**1,352.4**	**100.0**

(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 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 22.9% in the period from 2010 to 2022. However, 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 temporally suspended and the Constitutional Court upheld such suspensions). In 2018 and 2019, foreign direct investment decreased 13.2% and 0.5%, respectively. In 2020, according to preliminary data, foreign direct investment decreased 4.2%. In 2021, the foreign direct investment increased by 270.3%, due to the acquisition of 45.0% of the shares of a telecommunications company for US$2.2 billion by Millicom. In 2022, foreign direct investment decreased by 60.9% on a comparative basis due to the above-mentioned acquisition by Millicom. Removing that effect, foreign direct investment recorded high levels, mainly in trade and vehicle repair, financial and insurance activities and information and communication sectors, as a result of the ongoing reinvestment of profits.

Remittances

Workers' remittances in the period from 2018 to 2022 grew at an average annual rate of 17.5%. In 2019, inflows of workers' remittances were US$10,508.3 million, 13.1% higher than in 2018. In 2020, inflows of workers' remittances were US$11,340.4 million a 7.9% increase from 2019. The COVID-19 pandemic had a muted impact on remittances in 2020, primarily due to the recovery of the labor market in the United States from job losses in the second quarter, in particular, among the foreign-born Hispanic population. In 2021, inflows of workers' remittances were US$15,295.7 million, 34.9% higher than in 2020. This increase was mainly due to further improvements in labor market conditions in the United States, as restrictions aimed at stopping the spread of COVID-19 were gradually lifted. In 2022, inflows of workers' remittances were US$18,040.3, a 17.9% increase from 2021. Approximately 99.7% of all workers' remittances in 2022 originated in the United States. According to the "Survey on Guatemalan International Migration and Remittances 2016" published by the International Organization for Migration, an estimated 2.3 million Guatemalan migrants were living abroad in 2016.

Exchange Rate Policy and Foreign Exchange Rates

The exchange rate is allowed to float freely and is determined by the 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 2018, the *quetzal* depreciated 5.3% against the U.S. dollar. In 2019, the *quetzal* appreciated by 0.5% as a result of the increase in remittances and the deceleration in exports and imports. In 2020, the *quetzal* depreciated 1.2% against the U.S. dollar. In 2021, the *quetzal* appreciated by 1.0% against the U.S. dollar. At December 31, 2022, the *quetzal* had depreciated by 1.7% as compared to December 31, 2021, as a result of an increase in imports, which was partially offset by increases in remittances and exports.

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. 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, and again in 2011 through Resolution No. JM-171-2011 of the Monetary Board. Said intervention rule was last modified pursuant to Resolution No. JM-140-2022 of the Monetary Board, which amended Resolution No. JM-171-2011. Through this amendment, the Bank of Guatemala has the ability to call for auctions for the purchase or sale of U.S. dollars if the *quetzal*/U.S. dollar exchange rate fluctuates outside of the limits set forth in such resolution.

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,		
2018	7.73695	7.51908
2019	7.69884	7.69835
2020	7.79382	7.72222
2021	7.71912	7.73577
2022	7.85222	7.74884
2023:		
January	7.84855	7.84897
February	7.81493	7.83165
March	7.80335	7.80498
April	7.80826	7.79932
May	7.83014	7.80926

Source: Bank of Guatemala.

MONETARY AND FINANCIAL SYSTEM

Financial System

The financial system of Guatemala is composed 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 composed 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 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 *Universidad de San Carlos*. The President of the Bank of Guatemala is appointed by the President of the Republic of Guatemala for a four-year term that overlaps with two successive government terms. The President of the Bank of Guatemala reports to Congress twice a year and may be removed by a two-thirds majority vote of Congress after the presentation of the report. Additionally, the President of the Bank of Guatemala may be removed by the President of the Republic if they commit a crime, are found responsible for fraudulent or illegal activities, or become ineligible for the position.

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 a national emergency, and then only upon the request of the President of the Republic and with the approval of a 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.

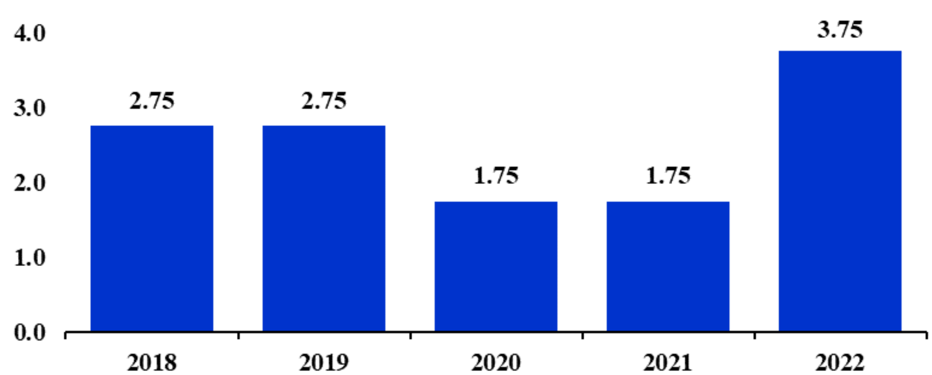
Beginning in 2013, the Monetary Board's medium-term inflation target has been to maintain the inflation rate within a target range of 4.0%, plus or minus 1%, and to achieve the following goals:

- 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 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. After the reduction in the monetary policy lending rate aimed at contributing to reinforce the economic recovery from the crisis caused by the COVID-19 pandemic, monetary policy began to move towards a neutral stance in May 2022. Consequently, the monetary policy lending rate has gradually increased since then, in order to offset the direct and indirect effects of external inflationary pressures, strengthen the anchoring of inflation expectations and reinforce the convergence of inflation rate to the target range, thus ensuring price stability over the medium term. As of the date of this offering memorandum, the monetary policy lending rate stood at 5.00%.

The graph below shows the monetary policy lending rate for the years presented.

Monetary Policy Lending Rate (%)



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, 2022, these operations registered a volume of Q42,193.2 million (approximately US$5,373.4 million) or 5.7% of GDP.

Financial Sector

Significant improvements have been made in the last two decades 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 commercial banks and fostering market discipline and competition among financial intermediaries.

Congress enacted the following laws to implement current international standards:

- Congressional Decree No. 67-2001, the Anti-Money or Other Assets Laundering Law (*Ley Contra el Lavado de Dinero u Otros Activos*), enacted in December 2001 with the aim of preventing, controling, monitoring and sanctioning the laundering of money or other assets. This law criminalizes the laundering of money and other assets in accordance with the provisions of the 1988 United Nations Convention (Vienna Convention) against illicit trafficking of narcotic drugs and other psychotropic substances, the 2000 United Nations Convention against Transnational Organized Crime (Palermo Convention), the 2003 United Nations Convention against Corruption, and the international standards of the Financial Action Task Force ("FATF") and its assessment methodology. The Anti-Money or Other Assets Laundering Law also establishes the general legal framework that persons subject to such law (as defined therein) must prevent money and other assets from being used for illegal means. The law was developed and complemented by complementary regulations passed by the Government and by the prudential measures issued by Guatemala's Financial Intelligence Unit. Such regulations establish administrative sanctions to be applied in cases of non-compliance in the implementation and execution of anti-money laundering policies. This law also regulates matters related to extradition, mutual legal assistance and other forms of international cooperation.

- Congressional Decree No. 16-2002, the Bank of Guatemala's Organic Law (*Ley Orgánica del Banco de 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 the 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.

- Congressional Decree No. 17-2002, the Monetary Law (*Ley Monetaria*), 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 gives legal certainty for foreign exchange operations. In addition, the Monetary Law provides that the Bank of Guatemala is the only entity that can issue domestic currency.

- Congressional Decree No. 19-2002, the Banking and Financial Groups Law (*Ley de Bancos y Grupos Financieros*), 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 commercial banks and financial groups, streamlines mechanisms for the restructuring and disposition of insolvent institutions, and provides for transparency of information.

- Congressional Decree No. 18-2002, the Banking Supervision Law (*Ley de Supervisión Financiera*), 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.

- 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.

- Congressional Decree No. 58-2005, the Law to Prevent and Suppress the Financing of Terrorism (*Ley para Prevenir y Reprimir el Financiamiento al Terrorismo*) issued in September 2005 and its regulation, aims to establish measures for the prevention and repression of terrorist financing, which is considered a crime against humanity and against international law. The law also covers other related aspects such as reporting entities, suspicious transaction reports, extradition and mutual legal assistance, as well as transfers of funds and cross-border cash transportation.

- The Presidential Commission for the Coordination of Anti-Money Laundering and Terrorism Financing and the Proliferation of Weapons of Mass Destruction in Guatemala (*Comisión Presidencial de Coordinación de los Esfuerzos Contra el Lavado de Dinero y el Financiamiento del Terrorismo y el Financiamiento de la Proliferación de Armas de Destrucción Masiva en Guatemala*, or "COPRECLAFT") was created by the Government Agreement No. 132-2010. Its purpose is to coordinate the efforts and cooperation between State institutions that are part of the legal structure for the prevention, control, monitoring and sanctioning of crimes relating to the laundering of money or other assets crimes and financing of terrorism, as well as the financing of proliferation of weapons of mass destruction, in order to effectively implement the international treaties approved and ratified by the Government. In March 2019, COPRECLAFT approved its third National Strategic Plan against ML/TF/FPWMD 2019-2026, which develops strategic objectives in line with the relevant international standards immediate outcomes from the Mutual Evaluation Report 2016 conducted by FATF-style Regional Bodies ("FSRBs"), and the action plan derived from its second National Risk Assessment released in 2019.

- Congressional Decree No. 25-2010, the Insurance Activity Law (*Ley de la Actividad Aseguradora*), 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 Law, from 2010 the Monetary Board has issued several regulations. In addition, the Superintendent of Banks, within its jurisdiction, has issued regulation of its own pursuant to this law.

- Congressional Decree No. 25-2016, the Microfinance Entities Act (*Ley de Entidades de Microfinanzas y de Entidades de Microfinanzas Sin Fines de Lucro*) which became effective as of November 10, 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 commercial banks; (ii) transfer of assets and liabilities of insolvent commercial banks to other financial institutions; (iii) establishment of the Fiduciary Fund for Bank Capitalization ("FCB"); (iv) recapitalization of weak but viable commercial 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 Verification Intendancy within the Superintendency of Banks, which is Guatemala's financial intelligence unit; and (xi) modernization of the payment system for large transactions.

To date, these improvements have proven to be effective. The domestic financial sector was 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 commercial 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. In 2016, the Latin American Financial Action Task Force (*Grupo de Acción Financiera de Latinoamérica* ("GAFILAT") and Caribbean Financial Action Task Force ("CFATF") conducted a mutual evaluation of Guatemala to assess its technical compliance with the FATF Recommendations and the effectiveness of its AML/CTF system, the assessment identified deficiencies and weaknesses in the Guatemalan system and set forth several priority actions in the resulting Mutual Evaluation Report (MER).

The 25 priority actions recommended in the Guatemalan MER, which will be verified in the next process at a date that is yet to be determined, include (i) the addition of new obligated persons such as virtual assets service providers, casinos and notaries under the framework; (ii) the implementation of a risk-based approach for the requirements for obligated persons and the regulatory body's supervision; (iii) adjusting the definition of financing of terrorism crime in accordance with international agreements; (iv) the implementation of an effective dissuasive sanctions regime in order to comply with the resolutions of the United Nations Security Council; (v) changing relevant regulations for legal entities to be required to identify their beneficial owner and disclose their participation on trusts and legal structures; and (vi) furthering national and international cooperation through mutual legal assistance and the relevant agreements and treaties.

In 2019, GAFILAT and CFATF published a requalification report, finding that Guatemala had made progress in connection with three priority actions and encouraging the country to continue to address the identified gaps. Nevertheless, the Guatemalan financial sector still faces significant challenges. The Government cannot assure that commercial 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, 2022, Guatemala had 17 commercial banks, including one branch of a foreign bank and one government-owned bank. Three large commercial banks have the largest market share based on assets and deposits. As of December 31, 2022, these commercial banks held 63.3% of total assets and 63.5% of total deposits of the Guatemalan banking system. As of December 31, 2022, the assets of Guatemalan commercial banks totaled Q486,323.3 million (US$61,934.5 million). Total liabilities of Guatemala's commercial banks amounted to Q439,854.0 million (US$56,016.5 million), of which Q373,840.5 million (US$47,609.5 million) were deposits. The state-owned bank (*El Crédito Hipotecario Nacional de Guatemala*) has 1.2% of market share based on assets in the Guatemalan banking system.

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 obtain financial resources through loans and issuance of bonds and notes, as well as their own capital. These firms do not take resources through checking, savings or term accounts. There are currently 11 financial firms in Guatemala, 10 of which are private and one of which is government-owned.

As of December 31, 2022, the total assets of the financial firms were Q8,920.6 million (US$1,136.1 million), which represent 1.8% of the total assets of the Guatemalan financial system (including only commercial banks, financial firms and offshore entities) The total liabilities of financial firms were Q7,426.2 million (US$945.7 million).

Offshore Entities

As of December 31, 2020 and December 31, 2022, there were three offshore entities authorized to operate in Guatemala. These offshore financial entities, in accordance with the Banking and Financial Groups Law, must be part of a Guatemalan financial group to obtain a license to operate in Guatemala. These entities have limited their operations to clients with deposit accounts with balances greater than US$10,000.00. Deposits in offshore entities are not covered by deposit insurance (FOPA).

As of December 31, 2022, total assets of the offshore entities were Q1,990.2 million (US$253.5 million), which represent 0.4% of total assets of the Guatemalan financial system (including only commercial banks, financial firms and offshore entities). Total deposits of offshore entities were Q1.2 million (US$0.2 million). Total liabilities of the offshore entities were Q993.6 million (US$126.5 million). There has been a reduction in the number of offshore entities, from 10 institutions in 2007 to three institutions as of December 31, 2022, mainly due to financial mergers and acquisitions, and others by unforced closure. These entities have committed to transfer their operations to other banks in their financial groups and to close operations in the country. The transfer of such operations is expected to be completed in the first quarter of 2023.

National Mortgage Bank

The Guatemala Mortgage National Bank (*El Crédito Hipotecario Nacional de Guatemala*) is the only state-owned commercial bank in Guatemala. The Guatemala Mortgage National 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, 2022, the Guatemala Mortgage National Bank had total assets of Q5,914.2 million (US$753.2 million) and liabilities of Q5,298.5 million (US$674.8 million), and its loans represented 1.0% of total loans granted by the banking system. As of December 31, 2022, the deposits of the Guatemala Mortgage National Bank represented 1.1% 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 and for the year ended December 31,							
	2018	**2019**	**2020**	**2021**	**2022**	**Loans**	**Deposits**	**Assets**
Commercial Banks*	17	15	16	16	17	98.3%	98.9%	96.6%
Finance firms	13	12	11	11	11	0.4%	0.0%	1.8%
Offshore entities	6	4	4	4	3	0.3%	0.0%	0.4%
El Crédito Hipotecario Nacional de Guatemala [(1)]	1	1	1	1	1	1.0%	1.1%	1.2%
Total	37	32	32	32	31	100.0%	100.0%	100.0%

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

The Guatemalan economy and its financial system have been resilient to the effects of the global health crisis. Total assets in the Guatemalan financial system increased from 66.2% of GDP in 2018 to 67.8% of GDP in 2022. Given that there are no restrictions on foreign investment in commercial banks or financial institutions, banks or foreign investors can obtain banking licenses. Furthermore, Guatemalan commercial banks have opened branches or have invested in banks in Central America.

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

- Bancolombia acquired 40% of the shares of Banco Agromercantil de Guatemala, S.A. (in 2013) reaching a 100% stake in 2020;

- Grupo Aval from Colombia acquired Banco Reformador, S.A. (November 2013). In January 2015, Banco de América Central, S.A. acquired Banco Reformador, S.A.

- Promerica Financial Corporation acquired 99.9% of the shares of Banco Citibank de Guatemala, S.A. (October 2016). Banco Citibank de Guatemala, S.A. was consequently merged with Banco Promerica, S.A.

Furthermore, Guatemalan commercial 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 and Panama.

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

Financial groups (*grupos financieros*) were permitted by the Banks and Financial Groups Law (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, 2022, there were 10 privately owned financial groups in the Guatemalan financial system:

- Grupo Financiero Corporación BI, led by Banco Industrial, S.A.;

- Grupo Financiero Agromercantil, led by Banco Agromercantil de Guatemala, S.A.;

- Grupo Financiero Promerica, led by Banco Promerica, 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 (%)
2018	7.3	7.5
2019	5.2	6.3
2020	11.9	12.7
2021	7.6	10.3
2022	7.5	11.9

Source: Superintendency of Banks.

Commercial banks are the principal source of private sector financing and accounted for 99.3% of all loans of the financial system as of December 31, 2022. As of December 31, 2022, major borrowers included companies engaged in wholesale and retail trade (13.9%), private and financial services (12.8%), manufacturing (12.7%), construction (5.8%), electricity and water (5.8%), and agriculture, livestock, forestry and fishing (3.7%). As of December 31, 2022, consumer credit represented 38.1% of total credits. The following tables set forth the allocation of loans by economic sector.

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

	As of and for the year ended December 31,				
	2018	2019	2020	2021	2022
Private sector:					
Agriculture, livestock, forestry and fishing	10,548.0	10,222.9	10,087.8	9,997.2	10,155.8
Mining and quarrying	193.5	613.9	619.9	160.6	174.1
Manufacturing	24,389.1	24,338.6	25,330.2	27,305.0	34,652.8
Electricity and water	15,923.5	14,692.1	15,038.3	15,731.5	15,818.6
Construction	14,341.0	14,822.8	16,359.6	15,776.7	15,762.9
Wholesale and retail trade	28,654.1	30,588.3	31,159.6	35,153.1	37,829.6
Transportation, storage and telecommunications	2,134.2	1,986.4	2,126.0	2,288.9	2,739.3
Private and financial services	23,769.7	23,536.5	25,689.9	29,724.1	34,874.1
Community, social and personal services	6,732.4	7,107.6	8,646.2	10,109.2	9,574.0
Consumer credit and mortgages	64,881.9	69,733.5	73,371.7	84,959.3	103,755.6
Private transfers	5,109.6	4,642.0	5,111.6	5,442.0	5,257.8
Others	1,460.0	1,306.9	1,261.4	1,194.8	1,527.3
Total private sector loans	198,137.0	203,591.6	214,802.4	237,842.5	272,121.7
Total public sector loans	19,188.7	23,672.4	33,456.1	38,084.0	43,570.9
Total loans	**217,325.7**	**227,264.0**	**248,258.5**	**275,926.5**	**315,692.6**

Source: Superintendency of Banks.

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

	As of and for the year ended December 31,				
	2018	2019	2020	2021	2022
Private sector:					
Agriculture, livestock, forestry and fishing	1,363.3	1,327.8	1,294.3	1,295.1	1,293.4
Mining and quarrying	25.0	79.7	79.5	20.8	22.2
Manufacturing	3,152.3	3,161.3	3,250.0	3,537.3	4,413.1
Electricity and water	2,058.1	1,908.4	1,929.5	2,038.0	2,014.5
Construction	1,853.6	1,925.3	2,099.0	2,043.8	2,007.4
Wholesale and retail trade	3,703.5	3,973.1	3,998.0	4,554.0	4,817.7
Transportation, storage and telecommunications	275.8	258.0	272.8	296.5	348.9

	As of and for the year ended December 31,				
	2018	2019	2020	2021	2022
Private and financial services	3,072.2	3,057.1	3,296.2	3,850.7	4,441.3
Community, social and personal services	870.2	923.2	1,109.4	1,309.6	1,219.3
Consumer credit and mortgages	8,386.0	9,057.7	9,414.1	11,006.3	13,213.5
Private transfers	660.4	603.0	655.9	705.0	669.6
Others	188.7	169.7	161.8	154.8	194.5
Total private sector loans	25,609.1	26,444.3	27,560.5	30,811.9	34,655.4
Total public sector loans	2,480.1	3,074.8	4,292.6	4,933.7	5,548.9
Total loans	**28,089.2**	**29,519.1**	**31,853.1**	**35,745.6**	**40,204.3**

(1) Converted from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December of each year.
Source: Superintendency of Banks.

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

	As of and for the year ended December 31,				
	2018	2019	2020	2021	2022
Private sector:					
Agriculture, livestock, forestry and fishing	4.9	4.5	4.1	3.6	3.2
Mining and quarrying	0.1	0.3	0.2	0.1	0.1
Manufacturing	11.2	10.7	10.2	9.9	11.0
Electricity and water	7.3	6.5	6.1	5.7	5.0
Construction	6.6	6.5	6.6	5.7	5.0
Wholesale and retail trade	13.2	13.5	12.6	12.7	12.0
Transportation, storage and telecommunications	1.0	0.9	0.9	0.8	0.9
Private and financial services	10.9	10.4	10.3	10.8	11.0
Community, social and personal services	3.1	3.1	3.5	3.7	3.0
Consumer credit and mortgages	29.9	30.7	29.6	30.8	32.9
Private transfers	2.4	2.0	2.1	2.0	1.7
Others	0.8	0.6	0.4	0.3	0.5
Total private sector loans	91.2	89.6	86.5	86.2	86.2
Total public sector loans	8.8	10.4	13.5	13.8	13.8
Total loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Superintendency of Banks.

Interest rates float freely without governmental intervention. The weighted average bank lending rate was 15.67% in 2018, 15.68% in 2019, 15.46% in 2020, 15.39% in 2021 and 15.99% in 2022.

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

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

	Year ended December 31,				
	2018	2019	2020	2021	2022
Loans:	13.05	12.95	12.55	12.14	12.11
Weighted average interest rate for total loans	15.67	15.68	15.46	15.39	15.99
Real	13.36	12.27	10.64	12.32	6.75

Source: Superintendency of Banks.

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

	Year ended December 31,				
	2018	2019	2020	2021	2022
Savings deposits	1.94	1.96	1.88	1.94	2.00
Fixed-rate term deposits	6.62	6.31	5.72	5.28	5.16
Weighted average interest rate for total deposits	4.53	4.26	3.77	3.45	3.48
Real	2.22	0.85	(1.05)	0.38	(5.76)

Source: Superintendency of Banks.

In May 2022, Congress approved Decree No. 27-2022, Law of Preferential Interest Rate to Facilitate Access to Housing (*Ley de Interés Preferencial para Facilitar el Acceso a la Vivienda Social*), which establishes the framework to allow more Guatemalans to achieve home ownership by means of long-term mortgage loans at preferential interest rates.

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, 2022, the annual change rate of M2 was 9.2%. 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.

In 2022, the banking system's credit to the private sector grew by 13.9% compared to 2021 driven mainly by an increase in credit granted to large businesses and an improvement in 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,				
	2018	2019	2020	2021	2022
Currency in circulation	4,914.4	5,717.0	7,216.4	8,215.6	9,089.2
Commercial bank deposits at the Bank of Guatemala	4,283.4	4,573.9	6,036.6	6,747.5	6,656.3
Monetary base	9,197.8	10,290.9	13,252.9	14,963.1	15,745.5
Gross international reserves	12,755.6	14,789.0	18,468.2	20,939.6	20,019.8
Net international reserves	12,755.6	14,789.0	18,468.2	20,939.6	20,019.8

(1) Converted from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala for December 31 of the year indicated.
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,					
	2018		2019		2020	
	US$	Q	US$	Q	US$	Q
Monetary aggregates:						
Currency in circulation	4,914.4	38,022.8	5,717.0	44,014.3	7,216.4	56,243.0
M1	12,092.0	93,555.0	13,789.6	106,164.1	17,060.8	132,969.1
M2	32,801.9	253,786.9	36,196.9	278,673.9	42,442.4	330,788.4
M3	34,026.7	263,262.7	37,693.8	290,198.3	43,863.7	341,865.4
Credit by sector (2):						
Public sector(3)	2,480.1		3,074.8		4,292.6	
Private sector(4)	26,137.0		27,644.3		28,960.8	
Other(5)	119.6		162.5		176.1	
Total credit aggregates	28,736.7		30,881.6		33,429.5	
Deposits(2)(6):						
Local currency	21,993.1		24,568.2		28,197.7	
Other	5,894.4		5,911.6		7,028.4	
Total deposits	27,887.5		30,479.9		35,226.0	

	As of December 31,			
	2021		2022	
	US$	Q	US$	Q
Monetary aggregates:				
Currency in circulation	8,215.6	63,416.9	9,089.2	71,370.6
M1	19,217.5	148,342.2	21,152.6	166,095.0
M2	47,830.2	369,207.1	52,247.2	410,256.7
M3	49,356.4	380,987.7	53,364.9	419,032.9
Credit by sector(2):				
Public sector(3)	4,933.7		5,548.9	
Private sector(4)	32,962.2		37,535.8	
Other(5)	193.3		196.6	
Total credit aggregates	38,089.2		43,281.3	
Deposits(2)(6):				
Local currency	31,080.8		33,856.7	
Other	8,533.9		9,301.3	
Total deposits	39,614.6		43,158.0	

(1) Converted 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) Includes the Government, non-financial public companies, pension funds, decentralized entities and local governments.
(3) Includes non-financial and financial institutions, households and non-profit institutions.
(4) Includes finance firms.
(5) Commercial bank deposits.
Source: Bank of Guatemala.

The 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,								
	2018			2019			2020		
	US$	Q	%	US$	Q	%	US$	Q	%
Monetary issue	5,713.2	44,202.4	5.4	6,622.8	50,987.7	15.9	8,237.4	64,201.1	24.4
Monetary base	9,197.8	71,162.9	1.8	10,290.9	79,227.7	11.9	13,252.9	103,290.9	28.8
M1	12,092.0	93,555.0	2.8	13,789.6	106,164.1	14.0	17,060.8	132,969.1	23.7
Quasi money	18,148.9	140,417.0	5.1	19,914.3	153,316.8	9.7	22,099.0	172,236.0	11.0
M2	32,801.9	253,786.9	3.8	36,196.9	278,673.9	10.3	42,442.4	330,788.4	17.3

	As of December 31,					
	2021			2022		
	US$	Q	%	US$	Q	%
Monetary issue	9,321.7	71,955.1	13.2	10,294.7	80,836.2	10.4
Monetary base	14,963.1	115,502.0	12.9	15,745.5	123,637.4	5.2
M1	19,217.5	148,342.2	12.6	21,152.6	166,095.0	10.1
Quasi money	25,035.5	193,252.2	13.3	27,559.3	216,401.4	10.1
M2	47,830.2	369,207.1	12.7	52,247.2	410,256.7	9.2

(1) Converted 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.
Source: Bank of Guatemala.

Supervision of the Financial System

The following table sets forth information regarding the risk categories and loan-loss reserve requirements for in effect as of September 30, 2022.

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

		Microcredit Loans	Consumer Loans	Minor Commercial and Mortgage Loans
Category	Loan-loss reserve	Criteria (days past due)	Criteria (days past due)	Criteria (days past due)
A	0.0	0 days	0 to 30 days	0 to 30 days
B	5.0	1 to 30 days	31 to 60 days	31 to 90 days
C	20.0	31 to 60 days	61 to 120 days	91 to 180 days
D	50.0	61 to 90 days	121 to 180 days	181 to 360 days
E	100.0	over 90 days	over 180 days	over 360 days

Source: Superintendency of Banks. Resolution JM-93-2005, modified by Resolution JM-99-2020, 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 Monetary Board's Resolution JM-47-2022 approved a new regulation for credit risk management, which will come into force in 2024.

The following table sets forth information regarding loans of the banking system by risk category as of December 31, 2022.

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

	As of December 31, 2022				
Category	Banks	Finance Firms	Offshore Banks	Total	Percentage
A	32,410.3	133.1	90.2	32,633.6	92.7%
B	712.6	2.6	0.1	715.3	2.0%
C	551.0	0.3	4.2	555.5	1.6%
D	349.7	1.3	8.5	359.5	1.0%
E	922.8	2.2	17.5	942.5	2.8%
Total	34,946.4	139.5	120.5	35,206.4	100.0%

(1) Converted from *quetzales* to U.S. dollars at the reference exchange rate published by the Bank of Guatemala as of December 31, 2022.
Source: Superintendency of Banks.

As of December 2022, the indicator of non-performing loans was 1.3% of total loans in the Guatemalan financial system. The following table sets forth information regarding non-performing loans as percentage of total loans.

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

As of December 31,	
2018	2.2
2019	2.2
2020	1.8
2021	1.7
2022	1.3

Source: Superintendency of Banks.

Banking System Performance

The assets of the banking system stood at Q486,323.3 million (US$61,934.5 million) as of December 31, 2022, having increased by Q51,725.4 million (US$6,587.4 million) or 11.9% year over year. The loan portfolio of Q261,193.4 million (US$33,263.6 million) was 53.7% of total assets, an increase of Q37,123.7 million (US$4,727.8 million), or 16.6%, in comparison to December 2021. This growth was consistent with the expansion of economic activity, which stood at 4.0%.

The investment portfolio of commercial banks consists mainly of securities issued by the Government and the Bank of Guatemala. As of December 31, 2022, investments reached Q132,596.2 million (US$16,886.5 million), an increase of Q7,244.6 million or 5.8%, as compared to December 31, 2021.

Non-performing loans were 1.3% of total loans as of December 31, 2022, lower than the prior year.

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 on this issue. As of December 31, 2022, the coverage ratio for non-performing loans was 262.5%.

The structure of the liabilities of the Guatemalan banking sector shows a strong base of domestic deposits. As of December 31, 2022, deposits stood at Q373,840.5 million (US$47,609.5 million), having increased by Q35,537.8 million (US$4,525.8 million) representing an 10.5% increase as compared to December 31, 2021. As of December 31, 2022, term deposits were 37%, demand deposits 36% and savings (passbook) deposits were 26% of the total deposits of the Guatemalan banking sector, respectively. Loans outstanding, which are mainly external credit lines granted by foreign correspondent banks, which, were Q37,666.0 million (US$4,796.9 million) as of

December 31, 2022, an increase of Q3,299.8 million (US$420.2 million) or 9.6%, as compared to December 31, 2021.

In recent years, the capitalization of the Guatemalan banking system has been strengthened by the rise of stockholders' equity to Q46,469.3 million (US$5,918.0 million) as of December 31, 2022, an increase of Q5,641.3 million (US$718.4 million) or 13.8%, as compared to December 31, 2021. This was the result of an increase of Q2,975.8 million (US$379.0 million) in capital reserves and of Q2,377.4 million in the financial results for the year (US$302.8 million).

The Banks and Financial Groups Law requires a 10% minimum capital requirement to commercial banks. The strengthening of commercial banks, as measured by the capital adequacy ratio, was 16.5% as of December 31, 2022.

Bank liquidity, as measured by the cash reserve ratio, has remained stable in recent years, and was 47.6% as of December 31, 2022.

As of December 31, 2022, profits of the banking system were Q8,966.9 million (US$1,142.0 million), an increase of Q2,377.4 million (US$302.8 million) or 36.1%, as compared to December 31, 2021.

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. Commercial 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 commercial banks facing liquidity problems.

As a result of a 2002 monetary and financial reform, which included the approval of the Banking and Financial Groups Law, certain regulations were enacted to address risk management, disclosure of information, the deposit insurance, market exit regime, penalty regime, and minimum requirements for hiring external auditors auditing and its scope. These regulations are based on best international practices and standards regarding prudential matters.

The regulatory framework establishes that all commercial 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 commercial 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 commercial 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.

The Regulation to Determine the Minimum Amount of Required Capital for Risks Exposure (2004) classified assets and contingencies according to their risk level in order to estimate the individual amount of capital required for each bank, which may not be less than ten percent (10%) of such assets and contingencies weighted according to their risk. 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 262.5% coverage of the overdue portfolio. The Liquidity Risk Management Regulation (updated in 2020) required financial entities to estimate their liquidity risk exposure and tolerance level, to establish a contingency funding plan and mitigation strategies, to implement early warning indicators, to calculate the liquidity coverage ratio (LCR), and also to count with liquid assets to ensure 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 new Technology Risk Management Regulation (2021) enhances the overall risk management scheme by requiring financial institutions to set risk management practices, cloud services, cybersecurity and contracting services with third parties in order to include technology risk in the scope of both the Board of Directors and the Risk Management Committee. This poses an important element of the comprehensive risk management effort since financial institutions rely heavily on information technology to carry out their activities.

The 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 commercial 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.

The Banking Agents Regulation (2010) and the Mobile Financial Services Regulation (2011), seek to address financial inclusion by bringing back basic banking services to Guatemala's rural areas and financially excluded segments of the population. In April 2019, the Monetary Board issued regulation creating and governing the Financial Inclusion Commission (the "COMIF"), a commission integrated by the President of the Monetary Board who is also the President of the Bank of Guatemala, the Minister of the Economy and the Superintendent of Banks. The main function of the COMIF is to establish the national financial inclusion strategy, and coordinate efforts and inter institutional cooperation to monitor the implementation of the aforementioned strategy. This regulation seeks to increase access and use of reliable, efficient and adequate financial products that respond to the needs and living conditions 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. In 2017, the Superintendent of Banks issued a circular based on international standards in order to enhance the framework for insolvency processes, requiring all commercial 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 to legislation a range of extraordinary measures to preserve financial stability. Some of such measures include the following: funding for bank's capitalization, extraordinary funding and increase of the deposit protection fund coverage, implementing the concept of "Open Bank" which consists in keeping a particular financial institution temporarily open and operating~~,~~ mainly to protect the savers and their deposits; The Superintendency of Banks has been supporting some other important draft bills on subjects such as: (a) securities market, (b) savings and credit cooperatives, (c) leasing and (d) insurance contract, among others.

In March 2021, Congress approved Decree No. 2-2021, Leasing Law (*Ley de Leasing*), which is aimed at improving access to credit and working capital for small and medium enterprises, as well as and fostering investment by means of an improved legal framework for leasing transactions.

Amendments to the Banking and Financial Groups Law (2012)

On September 26, 2012, Congress issued Decree No. 26-2012, which introduced important amendments to the Banking and Financial Groups Law and the Organic Law of the Bank of Guatemala. These reforms, that 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 commercial 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, it is now required that institutions report in writing to their depositors that the legal regime applicable to their deposits is related to the country where such entities are incorporated. Also, it was established that all deposit accounts must meet a minimum amount, both in terms of account opening value and average monthly balance. If this minimum is not met then the account must be canceled.

The legal grounds to revoke the operating license of offshore entities have been increased, among which are the following: the conviction for money laundering or financing of terrorism, submitting either false information or documentation, the closing of the entity, the exit of its financial group, and presenting significant capital impairment.

With regard to the Bank of Guatemala's role as a lender of last resort, the maximum amount of credit to be granted to commercial banks with liquidity needs was increased. In addition, the period in which commercial banks have to repay such credit was extended.

Prudential Issues

With regards to investment limits for commercial 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 commercial 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 commercial banks, financial firms and offshore entities, when deemed necessary to strengthen the liquidity or solvency of the corresponding entity.

With regards 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 law.

Market Discipline

As a key factor for strengthening market discipline for commercial 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. Additionally, commercial banks are required to submit reports issued by external auditors regarding their credit portfolios and liabilities.

Bank Resolution Mechanisms

Based on the authority and 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, that the Monetary Board may authorize the Assets and Liabilities Exclusion Board to dispose of assets and transfer liabilities to financially sound foreign banks, which will be authorized then to temporarily operate in the country as a branch of a foreign bank.

Within the funding sources of the deposit insurance funds ("FOPA"), government contributions may be used to strengthen the financial position of the Fund, at the request of the Bank of Guatemala. Commercial 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 Q2.00 per Q1,000 of the balance of total deposits.

Reforms to the Banking and Financial Groups Law (2016)

On May 26, 2016, Congress issued Decree No. 28-2016 which contains amendments to the Banking and Financial Groups Law. This decree prohibits creditors or collection agents from oppressing, annoying or abusing debtors in an insistent and repetitive way during the process of debt collection, limits the number of times collection requests can be sent or made to twice a day by any means, prohibits the communication, for the purpose of recovery, with a person other than the debtor and prohibits the posting of notices in places near the residence or work of the debtor in order to embarrass the debtor. In addition, a specific prohibition on the use of harassment and abusive practices in collections by commercial banks and financial groups, managers, collection agencies or others acting on their behalf, including independent professionals.

The Banking and Financial Groups Law (Decree No. 19-2002) was further amended on August 13, 2016 through Decree No. 37-2016, Law for the Strengthening of Fiscal Transparency and Governance of the Superintendency of Tax Administration (*Ley para el Fortalecimiento de la Transparencia Fiscal y la Gobernanza de la Superintendencia de la Administración Tributaria*). This decree permits the SAT to gain access to banking information pursuant to a judicial order by a competent judge. The competent judge has the power to decide on the pertinence of the information sought by the SAT.

The decree also amends Article 113, which imposes the requirements for the operation of offshore entities in Guatemala, establishing that they must present in detail the information of their assets and liabilities. Finally, the decree states that these entities are required to respond to requests for information from the SAT regarding depositors and investors, in accordance with what is established in Article 63 of the Guatemalan banks and financial groups law and the Guatemalan Tax Code.

Bill 5820

For approximately 20 years, Guatemala has had the same regulatory framework related to ML/TF. As described above, during the 2016 mutual evaluation of Guatemala, both FSRBs (GAFILAT and CFATF) identified priority actions specifically related to Guatemala's AML framework. In order to address those priority actions established in the MER 2016, the Superintendency of Banks of Guatemala, through the Special Verification Intendency, gathered a group of technical and legal experts to work on a project to improve the regulatory framework in such matters.

The efforts made by the aforementioned group of experts resulted in the submission to Congress of an initiative that seeks to reduce the gaps identified in the MER 2016. This initiative is known as Bill 5820, Law for the Prevention and Repression of the Laundering of Money or Other Assets and the Financing of Terrorism (*Ley para la Prevención y Represión del Lavado de Dinero u Otros Activos y del Financiamiento del Terrorismo*).

The initiative contemplates the creation of a comprehensive framework centered on a risk-based approach as to the anti-money laundering and terrorism financing requirements for obligated persons, as well as to the IVE's supervision of such persons. Additionally, the initiative would enhance the quality and confidentiality of suspicious operation reports and intelligence reports sent to the Public Prosecutor's Office , both to better protect obligated persons and identify and combat the targeted criminal activities. With the aim of complying with the measures in the United Nations Security Council Lists and in line with international conventions and standards, the initiative also expands the list of obligated persons, defines a new sanctions regime, imposes a registration requirement for obligated persons, and provides a more precise definition of the crime of terrorist financing. As of the date of this offering memorandum, Congress has not yet set a date to commence its discussions of initiative of Bill 5820.

Reforms to Banking Regulations

In the first quarter of 2018, Corporate Governance and Banks Stock Purchase regulations were amended to enhance the requirements for persons to serve as members of the board of directors and stockholders of commercial banks. Under these regulations, members of the board of directors and stockholders must promote the high standards of economic solvency, seriousness, 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 of the bank.

In the second quarter of 2019, the Monetary Board authorized the expansion of funding sources for commercial banks, allowing them to obtain loans by non-bank financial institutions, cooperation entities and development entities, located outside of Guatemala.

In 2022, the Monetary Board issued a new prudential credit risk regulation for banks, financial companies, offshore entities and companies of a financial group that provide financing, through Resolution JM-47-2022. This resolution seeks to strengthen the solvency of banks by incorporating the following aspects: specific provisions for credit risk management consistent with integrated risk management; rules for financing projects; loan risk pooling; specific reserves based on expected losses due to credit risk; dynamic reserves or provisions; additional requirements for audited financial information; alignment as part of the credit asset valuation process; guidelines to identify debtors' ability to pay; and shorter terms to carry out non-performing portfolio valuations. This resolution will enter into force in January 2024.

Inflation

The inflation rate from 2018 through 2022 was, on average, 4.6%, within the inflation target range set by the Bank of Guatemala for those years (4.0% +/- 1%).

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.

In 2019, the annual inflation rate stayed within the target range (4.0%, +/- 1 percentage point), mainly because of the effect of higher food prices, primarily vegetables and fruits, which were impacted by seasonality and both internal and external demand. This impact was offset by lower fuel and propane prices, which had a pass-through effect on the cost of other goods and services. In addition, the lack of rain in the eastern part of the country also known as the "dry corridor" and excessive rain in the western part of the country, which resulted in flooding of cultivated lands, both resulted in higher food prices.

In 2020, the COVID-19 pandemic and the measures undertaken by the Government to contain its spread had an important impact on food prices, energy prices, and domestic transport prices, however, the annual inflation rate remained within the target range (4.0% +/- 1 percentage point). Food prices were affected by a demand shock during the first half of the year and by a domestic supply shock in the second half of the year, mainly in vegetables and fruits. International oil prices also affected internal energy prices, especially gasoline, diesel, and electricity. Additionally, transportation prices were affected by restrictions implemented by the Government in order to prevent the spread of COVID-19.

In 2021, inflation stood at 3.07%, slightly above the lower limit of the target range (4.0% +/- 1 percentage point). This as a consequence of the increase in the prices of transportation and housing, water, electricity, gas, and other fuels, which were affected by supply shocks; while the prices of the rest of the spending items, including food and beverages, showed year-on-year variations below the central value of the inflation target. The latter is in part due to the cyclical position of the Guatemalan economy.

In 2022, inflation increased to 9.24%, above the target range (4.0% +/- 1 percentage point), mainly due to external factors, particularly the war between Russia and Ukraine, which led to higher fuel and food prices. Against this backdrop, the Bank of Guatemala increased its benchmark interest rate. At the same time, the Government softened the impact of rising energy prices by subsidising gasoline and diesel fuel, propane gas, and electricity.

As of April 2023, inflation stood at 8.3%, still above the target range (4.0% +/- 1.0 percentage point), explained mostly by external factors, especially because of rising prices in imported goods, as a result of higher commodity prices, mainly energy and food prices.

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

Variation in Consumer Price Index
(%)

As of December 31,	**End of Period**
2018	2.3
2019	3.4
2020	4.8
2021	3.1
2022	9.2

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).

International Monetary Reserves

Guatemala's net international reserves for December 31, 2022 were US$20,019.8 million, a decrease of US$919.8 million from the level recorded in December 31, 2021, which was US$20,939.6 million. Net international reserves held at the Bank of Guatemala as of December 31, 2022, would cover 7.8 months of imports (8.8 in 2021), or the equivalent of 12.8 times the amount of the country's public sector external debt service in one year (24.6 times in 2021).

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,				
	2018	**2019**	**2020**	**2021**	**2022**
Bank of Guatemala:					
Assets[2]	12,755.6	14,789.0	18,468.2	20,939.6	20,019.8
Liabilities	—	—	—	—	—
Total	12,755.6	14,789.0	18,468.2	20,939.6	20,019.8
Commercial private banks:					
Assets	962.2	736.8	899.4	942.0	1,232.9
Liabilities	(5,257.3)	(4,859.8)	(4,485.9)	(4,276.5)	(5,026.7)
Total	(4,295.1)	(4,123.1)	(3,586.4)	(3,334.5)	(3,793.8)
Net international reserves of the banking system	8,460.5	10,665.9	14,881.8	17,605.1	16,226.0

(1) Converted 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.
Source: Bank of Guatemala.

Gold Reserves

At December 31, 2022, the total amount of gold reserves of the Bank of Guatemala was US$401.6 million, as compared to US$403.4 million at December 31, 2021.

Capital Markets

The Guatemalan capital markets have been steadily growing, aiming towards the modernization of the financial system. Guatemala continues to strive to create adequate legal frameworks in order to support the transparent and efficient operation of its capital markets and, to that end, several government institutions have been developing proposals intended to implement adequate reform to the Securities Exchange Law, originally authorized by Congress in 1996. Guatemala currently has one stock exchange registered on the National Stock Market Registry, the Bolsa de Valores Nacional, S.A., which was originally incorporated in 1987 to trade outstanding securities. It also works with a sister company which serves as a central securities depository, Central de Valores Nacional, S.A. Currently, this entity operates as an interbank market on which overnight and short-term deposits are traded, as well as a trading platform for government debt securities, private debt and equity securities, with a significant repo market associated with publicly traded bonds. In recent years, Guatemalan sovereign bonds have been standardized and dematerialized, which is expected to contribute to the development of a more robust national secondary market.

Legal Framework

Guatemala has implemented a legal framework with the objective of supporting a transparent and efficient capital markets. 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 implementing regulation (*La Ley del Mercado de Valores y Mercancías y su reglamento*) (Decree No. 34-96, and its reform, Decree No. 49-08). 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 regulate 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 among 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. The Registry of Securities and Commodities regulations created under this law govern surveillance and monitoring.

In addition, the regulations promulgated under the Capital Markets and Merchandise law (Governmental Agreement Number 557-97), develop 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 rating agencies, including registration and qualification requirements.

The following table shows the volume traded on the *Bolsa de Valores Nacional S A.*

Volume traded on the National Stock Exchange
(in millions of US$)(1)

As of December 31,				
2018	**2019**	**2020**	**2021**	**2022**
108,083.1	106,838.6	142,074.4	108,158.8	133,973.2

(1) Converted from *quetzales* to U.S. dollars at the official average daily exchange rate for each year.
Source: Bolsa de Valores Nacional S.A.

The following table shows the traded volume of private and public debt securities and by market.

Total Volume of Debt Securities Traded
(in millions of US$)(1)

	Private Debt		Public Debt	
As of December 31,	**Primary**	**Secondary**	**Primary**	**Secondary**
2018	219.0	6.0	1,256.3	218.4
2019	260.5	0.9	893.6	456.7
2020	261.6	7.2	1,673.4	308.6
2021	367.2	4.8	1,487.6	232.1
2022	432.1	1.8	748.6	296.5

(1) Converted from *quetzales* to U.S. dollars at the official average daily exchange rate for each year.
Source: Bolsa de Valores Nacional S.A.

PUBLIC SECTOR FINANCES

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

Since 2018, Guatemala has been working on a regional project for the harmonization of public finance statistics in accordance with the IMF's Manual of Public Finance Statistics (2014). For this purpose, Guatemala has made progress in generating information on the website of the Ministry of Public Finance and the Central American Monetary Council consistent with the new methodology, showing, as of the date of this offering memorandum, a coverage at the general government level for the 2014-2022 period (annual and monthly data). In addition, beginning in 2020, the Bank of Guatemala and the National Institute of Statistics began publishing information related to the IMF's General Data Dissemination System, a task that is continuously being expanded to improve the quality of statistical information in the Guatemala.

In May 2022, Congress approved Decree No. 5-2021, "Law for the Simplification of Requirements and Admninistrative Procedures" (*Ley para la Simplificación de Requisitos y Trámites Administrativos*), which allows the Government to use technology with the aim of achieving greater efficiency in connection with administrative procedures.

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 in November of each year for the following fiscal year. 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 Government 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 of income 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 (*Ley Orgánica del Presupuesto*). The Minister of Public Finance has the 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, as well as the level of expenditure for each one. After consulting with the Bank of Guatemala, the SEGEPLAN and the Technical Budget Office (*Dirección Técnica del Presupuesto*), the Ministry of Public Finance prepares a preliminary budget. Thereafter, the Minister of Public Finance presents the preliminary budget to the Economic Cabinet composed 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 Government. The President, through the Minister of Public Finance, must present the proposed budget to Congress on September 2 of each year. The Finance Committee of Congress evaluates the budget proposal and delivers its recommendations to Congress for consideration. Congress then has the authority to accept, reject or amend the budget as proposed. If the budget for next year is not approved by Congress, the Organic Budget Law mandates that the current budget shall apply the following year, with any changes that Congress may enact. Congress has until November of each year to approve the proposed budget.

In 2021, Congress failed to approve the General Budget Act of Revenues and Expenses of the Republic for the second consecutive time. In 2022, Congress acted to approve a General Budget Act of Revenues and Expenses of the Republic that is consistent with the fiscal policies and strategic objectives defined for the year on the basis of the needs of the Guatemalan population.

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 "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 *Universidad de 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 2022, the budget transferred to the *Universidad de San Carlos* for the constitutional contribution was Q1,865.2 million.

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 10 days, for approval.

2023 Budget

The General Budget of Revenues and Expenditures for 2023 was approved by Decree No. 54-2022, amounting to Q115,443.7 million.

This budget is intended to be financed mainly through tax revenues (74.7%) and other financial resources (25.3%), including approximately 13.7% through public credit operations. Approximately 17.6% of the total budget is allocated to investment, 68.4% to general expenses and the remaining 14.0% to public debt service. The Ministries with the largest budget allocations are the Ministry of Education (19.3%), MSPAS (10.4%), the Ministry of Government (6.4%), and the Ministry of Communications, Infrastructure and Housing (5.0%), for a total of 41.1% of the budget. The Government estimates a fiscal deficit of 2.5% of GDP in 2023.

The following tables set forth the budgeted and actual government expenses for 2022, and the budgeted government expenses for 2023, by entity.

2022 Government Budget
(in millions of US$)(1)

Entities	Budgeted	Actual
Presidency of the Republic	26.5	25.9
Ministry of Foreign Affairs	83.8	83.3
Ministry of the Interior	772.8	750.7
Ministry of National Defense	436.1	435.6
Ministry of Public Finance	44.0	43.4
Ministry of Education	2,570.3	2,527.4
Ministry of Health and Social Assistance	1,483.4	1,382.8
Ministry of Labor and Social Security	126.8	122.3
Ministry of Economy	102.0	98.2
Ministry of Agriculture, Livestock and Food	219.3	208.9
Ministry of Communications, Infrastructure and Housing	1,277.9	1,144.1
Ministry of Energy and Mines	367.5	364.8
Ministry of Culture and Sports	80.2	70.7
Secretariats and other Executive Branches	174.3	162.7
Ministry of Environment and Natural Resources	24.3	22.6
Obligations of the State Treasury	4,439.4	4,256.3
Public Debt Services	1,950.0	1,928.0
Ministry of Social Development	184.2	181.9
Attorney General's Office	20.6	20.0
Total	**14,383.2**	**13,829.6**

(1) Converted from *quetzales* to U.S. dollars with average daily reference exchange, published by the Bank of Guatemala.
Source: Budget Technical Office, Ministry of Public Finance.

2023 Government Budget
(in millions of US$)(1)

Entities	Budgeted
Presidency of the Republic	26.1
Ministry of Foreign Affairs	94.2
Ministry of the Interior	940.3
Ministry of National Defense	410.4
Ministry of Public Finance	50.6
Ministry of Education	2,834.2
Ministry of Health and Social Assistance	1,535.0

Entities	Budgeted
Ministry of Labor and Social Security	136.7
Ministry of Economy	63.3
Ministry of Agriculture, Livestock and Food	192.8
Ministry of Communications, Infrastructure and Housing	737.6
Ministry of Energy and Mines	11.8
Ministry of Culture and Sports	85.7
Secretariats and other Executive Branches	182.5
Ministry of Environment and Natural Resources	35.4
Obligations of the State Treasury	5,108.6
Public Debt Services	2,055.7
Ministry of Social Development	181.9
Attorney General's Office	19.4
Total	**14,702.1**

(1) Converted from *quetzales* to U.S. dollars at the annual reference exchange rate of December 31, 2022, 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.

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

	As of and for the year ended December 31									
	2018		2019		2020		2021		2022	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal revenue:										
Current revenues										
Taxes:										
Import duties	342.6	4.4	352.2	4.3	322.1	4.1	450.6	4.5	497.0	4.4
Taxes on goods and services (including VAT)	4,699.9	60.1	4,924.4	60.6	4,656.5	59.7	5,922.9	58.7	6,730.9	59.7
Estate and real estate taxes	3.7	0.1	5.5	0.1	1.6	—	3.4	—	4.7	—
Income taxes	2,777.2	35.5	2,840.2	34.9	2,825.1	36.2	3,707.1	36.8	4,046.5	35.9
Other	1.4	—	8.5	0.1	0.6	—	1.6	—	1.6	—
Total tax revenues	7,824.8	100.0	8,130.8	100.0	7,806.0	100.0	10,085.5	100.0	11,280.8	100.0
Non-Tax revenues[3]										
Social security contributions	260.7	59.3	303.0	60.3	331.4	68.8	345.1	67.3	350.8	62.5
Public services.	53.3	12.1	57.4	11.4	46.9	9.7	55.7	10.9	62.2	11.1
Other	125.8	28.6	142.4	28.3	103.1	21.4	112.2	21.9	148.0	26.4
Total non-tax revenues	439.8	100.0	502.8	100.0	481.4	100.0	513.1	100.0	561.0	100.0
Current transfers	26.2	—	11.3	—	8.6	—	16.0	—	7.1	—
Other current revenues	—	—	—	—	—	—	—	—	—	—
Total current revenues	8,290.8	100.0	8,644.9	100.0	8,296.0	100.0	10,614.6	100.0	11,848.9	100.0
Capital revenues:										
Capital income	0.4	100.0	0.5	100.0	0.3	100.0	23.6	100.0	15.8	100.0
Total capital revenues	0.4	100.0	0.5	100.0	0.3	100.0	23.6	100.0	15.8	12.7
Total fiscal revenue	8,291.2	100.0	8,645.3	100.0	8,296.3	100.0	10,638.2	100.0	11,864.7	100.0
Expenditures:										
***Current expenditures*:**										
Consumption expenditures	4,245.4	54.7	4,543.2	55.0	4,893.8	50.0	5,502.5	57.3	6,096.0	54.8
Interest on public internal debt	764.0	9.8	846.3	10.3	875.3	8.9	1,025.1	10.7	1,083.4	9.7
Interest on public external debt	364.2	4.7	412.4	5.0	462.5	4.7	467.4	4.9	479.5	4.3
Social security contributions	630.5	8.1	672.4	8.1	673.7	6.9	693.2	7.2	735.9	6.6
Current transfers	1,756.8	22.6	1,780.8	21.6	2,880.6	29.4	1,911.1	19.9	2,720.6	24.5
Total current expenditures	7,761.0	100.0	8,255.1	100.0	9,785.9	100.0	9,599.4	100.0	11,115.4	100.0
***Capital expenditures*:**										
Real investment	516.8	5.3	645.3	6.2	379.2	3.1	481.1	4.1	587.1	4.4
Financial investment	4.7	—	0.6	—	431.3	3.6	31.8	0.3	2.6	—
Capital Transfers	1,387.7	14.4	1,469.6	14.2	1,515.2	12.5	1,530.6	13.1	1,759.4	13.1
Total capital expenditures	1,909.1	19.7	2,115.5	20.4	2,325.8	19.2	2,043.4	17.6	2,349.1	17.4
Total expenditures	9,670.1	100.0	10,370.6	100.0	12,111.7	100.0	11,642.8	100.0	13,464.5	100.0
Fiscal Balance:										
Current account balance	529.8	(38.4)	389.8	(22.6)	(1,489.9)	39.1	1,015.3	(101.1)	733.5	(45.8)
Capital account deficit	(1,908.8)	138.4	(2,115.0)	122.6	(2,325.5)	60.9	(2,019.8)	201.1	(2,333.3)	145.8

	As of and for the year ended December 31									
	2018		2019		2020		2021		2022	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal surplus/(deficit)	(1,379.0)	100.0	(1,725.2)	100.0	(3,815.4)	100.0	(1,004.5)	100.0	(1,599.8)	100.0
Financing:										
Net foreign financing	60.4	4.4	898.0	52.1	1,338.6	35.1	676.8	67.4	14.0	0.9
Net domestic financing	1,291.4	93.6	632.1	36.6	2,640.2	69.2	1,462.8	145.6	1,090.4	68.2
Payment of monetary cost.	—	—	—	—	—	—	—	—	—	—
Other financing sources	27.2	2.0	195.1	11.3	(163.4)	(4.3)	(1,135.1)	(113.0)	495.4	31.0
Total financing	1,379.0	100.0	1,725.2	100.0	3,815.4	100.0	1,004.5	100.0	1,599.8	100.0
GDP	73,119.3		76,693.9		77,425.7		85,970.5		93,457.0	
Nominal exchange rate	7.5		7.7		7.7		7.7		7.9	
Government revenues as % of GDP	11.3		11.3		10.7		12.4		12.7	
Government expenditures as % of GDP	13.2		13.5		15.6		13.5		14.4	
Surplus/(deficit) as % of GDP	(1.9)		(2.2)		(4.9)		(1.2)		(1.7)	

(1) Converted 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 "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 10.7% in 2018, 10.5% in 2019, 10.1% in 2020, 11.7% in 2021 and 12.0% in 2022. 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.

In 2019, the Constitutional Court revoked the provisional suspension of Article 30-C of the tax code, which regulates the capabilities of the SAT to access banking information. As a result, beginning on November 25, 2019, the SAT regained access to taxpayers' bank information to verify that a person's or company's bank income matches its tax returns.

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; 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 composed 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, 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 a % of total tax revenue)

	For the year ended December 31,				
	2018	**2019**	**2020**	**2021**	**2022**
Import duties	4.4	4.3	4.1	4.5	4.4
Taxes on goods and services (including VAT)	60.1	60.7	59.6	58.7	59.7
Estate and real estate taxes	0.1	0.1	—	—	—
Income taxes	35.5	34.9	36.2	36.8	35.9
Other taxes	—	—	—	—	—
Total tax revenues	100.0	100.0	100.0	100.0	100.0

Source: *Sistema de Contabilidad Integrada* (SICOIN); Ministry of Public Finance.

In 2020, tax collection was greatly affected by the COVID-19 pandemic and related public health response measures. The measures implemented, including stay and home orders and travel restrictions, had a direct impact on decelerating the national economy and foreign trade, resulting in the creation of a negative gap in tax collection of Q3,748.3 million from what was planned to be collected under the overall revenue budget.

In 2021, Guatemala's tax revenues amounted to 11.7% of GDP (compared to 10.1% in 2020), mainly driven by the economic recovery and several changes aimed at improving tax collection. Following the outbreak COVID-19 pandemic in 2020, the Guatemalan economy recovered in 2021, with important changes in terms of tax collection.

The Superintendency of Tax Administration implemented a series of measures aimed at increasing the number of taxpayers registered in the unified tax registry for VAT and income tax purposes, increasing the number of issuers of electronic tax documents, strengthening tax control compliance recovery processes, and improving the payment facilities system. In the customs area, actions were taken to combat fraud and smuggling, including rectification, administrative and risk control measure adjustments, improvements in clearance and management times, greater simplification and automation in the transmission of customs declarations and controls, and the establishment of inter-institutional control posts.

In 2021, the revenue collection gap amounted to Q13,991.4 million in excess of the budget target, mainly driven by a recovery of foreign trade-related tax revenues, increased domestic consumption tax revenues (mainly VAT) and income tax revenues, and a greater collection of taxes in connection with oil derivatives.

Tax collection in 2022 amounted to 12.0% of GDP, Q12,259.1 million in excess of the budgeted target, as a result of the increase of national economic activity, the increase in international oil prices that resulted in a higher value of imports and by the SAT's efforts focused on the reduction of tax evasion in internal taxes, the fight against customs fraud and the increase in the taxpayers' risk perception.

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 "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 entered into effect in January 2013, additional reforms to customs regulations and a new vehicle registration tax.

The 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.

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 0.4% 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 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 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 number 182-2017. This amnesty resulted in the collection of a total of Q1,211.0 million (approximately US$164.7 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 reporting of 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.

During fiscal year 2018, 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.

Additionally, Decree No. 07-2019 Tax Simplification, Update and Incorporation Law, was established in 2019 with the goal of incorporating to the tax system all people who are required to be registered before the tax authority due to the nature of their activities. This decree adds (i) the Special Regime for Agricultural Taxpayers and (ii) the Electronic Small Taxpayer Regime and the Special Electronic Taxpayer Agricultural Regime to the VAT. The Special Regime for Agricultural Taxpayers applies to producers and marketers with activities in the agricultural sector, and whose annual sales do not exceed Q3,000,000. These taxpayers are subject to a tax rate of five percent (5%) on gross sales. The buyers, sellers and feeders of cattle, horses and swine, among others, are subject to a tax rate of five percent (5%) on profits. Taxpayers may register under the Electronic Small Taxpayer Regime for a reduction in the applicable tax rate to 4%. With this law, the tax administration promotes banking services as a condition to stay in the above regimes.

In August 2022, Decree No. 40-2022 of the Congress, Law of Incentives for Electric Mobility, was approved, which aims to facilitate and promote the import, purchase, sale and use of electric vehicles, hybrid vehicles, hydrogen vehicles and electric transportation systems in the Republic of Guatemala, to contribute to the diversification of the energy matrix and the mitigation of greenhouse gas emissions. This decree considers the tax incentives detailed below:

1. For the purchase and sale of electric vehicles, electric motorcycles or hydrogen powered vehicles for all uses, imported, assembled or produced in Guatemala:

Exemption from VAT on Imports, VAT on Initial Sales and Specific Tax on the First Registration of Land Motor Vehicles (IPRIMA)

Year of application	Electric vehicles	Hydrogen-powered vehicles	Electric motorcycles
Year 1	100%	100%	100%
Year 2	100%	100%	100%
Year 3	100%	100%	100%
Year 4	100%	100%	100%
Year 5	100%	100%	100%
Year 6	80%	80%	80%
Year 7	60%	60%	60%
Year 8	40%	40%	40%
Year 9	20%	20%	20%
Year 10	10%	10%	10%

2. For the purchase and sale of hybrid vehicles for all uses, imported, assembled or produced in Guatemala:

Exemption from Specific Tax on the First Registration of Land Motor Vehicles IPRIMA

Year of application	Hybrid Vehicle
Year 1	100%
Year 2	100%
Year 3	100%
Year 4	100%
Year 5	100%
Year 6	80%
Year 7	60%
Year 8	40%
Year 9	20%

Year 10	10%

- The exemptions for electric vehicle, hybrid vehicle, electric motorcycle and hydrogen-powered vehicle, will be applied during the validity of this Law and not from the acquisition of the vehicle.

- This exemption will have a duration of 10 years, from the entry into force of this Law.

- In the case of the VAT on non-imported vehicles, the exemption will be available only for the first transfer of title.

3. Exemption from the annual road, sea and air vehicle circulation tax, only for electric vehicles, hybrid vehicles, heavy or special hybrid vehicles, electric motorcycles, hydrogen-powered vehicles, cable cars, funiculars, electric trains, light trains, streetcars or trolleybuses for public transportation services, collective transportation and for all uses:

Description	Exemption from the Tax on the Circulation of Land, Sea and Air Vehicles
From the model of the current year or the year following the current year	100%
From the previous year's model to the current year	80%
From the model of the second year preceding the current year	60%
From the model of the third year preceding the current year	40%
From the model of the fourth year prior to the current year	20%
From the model of the previous fifth year to the current year	0%

- The exemptions for electric vehicle, electric motorcycle, hybrid vehicle, hydrogen-powered vehicle, cable car, funicular, electric train, light rail, tram or trolleybus, will apply during the period of 10 years from the entry into force of this Law.

4. For the purchase, sale and import of specific components of electric vehicles, electric motorcycles, electric transport system or hydrogen-powered vehicles.

Description	Exemption from Import VAT and Domestic VAT on the first transfer of ownership
Electric vehicle a) Electric motor b) Battery for electric motor Applies to exclusively new components	100%
Electric motorcycle a) Electric Motor b) Battery for electric motor Applies to exclusive new components	100%
Hydrogen-powered vehicle: a) Hydrogen tank b) Electric motor c) Battery for electric motor. d) Fuel cell specific to the hydrogen powered vehicle. Applies exclusively to new components.	100%

Fiscal Policy

Guatemala is characterized by prudent management of fiscal policy, as shown by the generally moderate deficits achieved in recent years. Although Guatemala may experience high deficits for brief periods in times of crisis, as was the case in 2020, the spending that creates the fiscal momentum is not permanent but rather transitory. This has led to the country's public debt being low, stable and sustainable.

Since 2001, Guatemala had a track record of low deficits with an average deficit of 1.9% between 2001 and 2019, with the deficit for only two out of 18 years being 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.

However, in 2020, this track record was temporarily impacted by the COVID-19 pandemic, with the fiscal deficit reaching 4.9% of GDP, the largest fiscal deficit between 2001 and 2020. In 2021, the positive tax collection gap with respect to the target that was reported in January continued to widen throughout the year due to an improvement in the Tax Administration's auditing actions. As a result of the revenue and expenditure dynamics, the fiscal deficit stood at 1.2% of GDP in 2021, the lowest since 2016.

In 2020, as a result of the need to address the COVID-19 pandemic, the Government incurred a high level of indebtedness to face the economic and health crisis, going from a level of 26.5% in 2019 to 31.6% in 2020. By 2021, a process of fiscal consolidation began, which reduced the indicator to 30.8% of GDP, 0.8% lower than in the year of the crisis.

At the end of 2020, the country was hit by another natural disaster, the tropical storms Eta and Iota, which caused significant damage and losses in the national territory. As a result, the Government reacted by creating the subprogram 11 "State of Public Emergency for Tropical Depression Eta," which keeps track of interventions made to repair the damage caused by tropical depressions. Execution in 2020 was Q86.7 million.

For 2021, a budget of Q572.5 million was allocated for the emergency caused by the tropical depression, of which Q521.6 million, or 91.1%, had been executed at the end of the fiscal year. The Ministry of Communications, Infrastructure and Housing reported the highest execution in connection to the emergency allocation in the amount of Q518.1 million, corresponding to the maintenance and repair of highways and roads that were damaged by the tropical storms, and, to a lesser extent, to the subsidy for the construction of houses granted to affected families. The Ministry of Culture and Sports reported interventions in the amount of Q1.8 million to attend to the damages caused. Finally, the MIDES reported an execution in the amount of Q1.7 million, corresponding to the provision of food rations and maintenance and repair of goods.

In 2022, tax collection benefited from the volatility of commodity prices in the international markets, causing taxes associated with foreign trade to grow by 20.4% compared to 2021, and 10.5% growth in domestic taxes as a result of the actions that the SAT has implemented to increase the perception of risks relating to failure to pay taxes, to facilitate the payment of taxes and to combat smuggling and tax fraud. These efforts generated an increase of Q10,560.0 million in tax collection in 2022 as compared to 2021 and Q12,264.0 million as compared to the budget target for that year.

On the public expenditure side, the degree of budgetary execution, at the institutional level, was Q108,593.1 million, equivalent to a degree of execution of 96.2%, the highest level of execution in the last 10 years. During 2022, Q6,710.4 million in budget expansions were approved by Congress, of which 45.2% corresponded to temporary support granted to the Guatemalan population, 47.6% to strategic infrastructure and the remaining 7.25% to other expansions in favor of Departmental Development Councils and Government entities. Notwithstanding such public spending, the fiscal deficit stood at 1.7% of GDP as of December 31, 2022.

Although this fiscal deficit was a half percentage point higher than it was as of December 31, 2021 (1.2%), it was lower than the 3.8% considered in the current budget, given that the current budget did not take into account the increased revenue collection. This is consistent with the fiscal consolidation process that began in 2021, after the COVID-19 crisis of 2020, which helped preserve fiscal space to face the external shock caused by the rise in prices and the uncertainty surrounding the economy.

During 2022, a series of external factors drove fuel prices, including geopolitical tensions due to the war between Russia and Ukraine, and the COVID-19 containment measures in Asia, which created a disruption in the supply chain affecting the maritime transportation of goods, including oil. As a result, different measures were implemented to provide temporary support to the Guatemalan population.

- For propane gas, five decrees were approved (Decree Nos. 15-2021, 17-2022, 33-2022, 45-2022 and 55-2022) for temporary support to propane gas consumers, maintaining the conditions of the subsidy in each decree: for 10 pound tanks the subsidy was Q8.00, for 20 pound tanks the subsidy was Q16.00, for 25 pound tanks the subsidy was Q20.00 and for 35 pound tanks the subsidy was Q28.00.

- For fuels, three decrees were approved:

    - Decree No. 20-2022, which provided a subsidy for diesel consumers of Q5.00 per gallon and Q2.50 for regular gasoline consumers.

    - Decree No. 28-2022, which extended the temporary support to diesel consumers to Q7.00 per gallon and regular gasoline to Q5.00 per gallon and included Q5.00 per gallon for premium gasoline.

    - Decree No. 42-2022, which only addresses diesel fuel (Q5.00 per gallon).

- For the social tariff of electricity, two decrees were approved to strengthen the social contribution of the electricity tariff, since previously the social tariff only applied to consumption ranges from 1 to 88 kWh:

    - Decree No. 25-2022, which focused on regulated users of final distribution of electricity who consume between 89 kWh and 100 kWh per month, paying a rate of Q1.00 per kWh.

    - Decree No. 43-2022, which broadened the beneficiaries of the social contribution to electric energy by covering regulated users who consume between 101 kWh and 125 kWh.

The foregoing measures had a budget of Q3,257.5 million. The Government had ample room for intervention in 2022, as a result of prudent management of public finances in previous years, in particular during the economic and health crisis caused by the COVID-19 pandemic, which allowed temporary support to be financed 100% with cash and bank resources (*i.e.*, with savings generated by the Government in previous periods).

The Government made a payment in the amount of US$46 million in favor of Teco Guatemala Holdings LLC, which corresponds to the non-compliance with legal regulations derived from the process of setting electricity distribution tariffs for the 2008-2013 period by the National Electricity Commission. This payment was made after an arbitral tribunal determined that the Republic of Guatemala should pay Teco Guatemala Holdings LLC US$64.7 million (as of October 19, 2022), but after a negotiation process, the bases were agreed to settle the international dispute, granting reciprocal concessions. Therefore, Teco Guatemala Holdings LLC was ordered to grant a reduction of US$18.7 million in favor of Guatemala, and, accordingly, the payment of US$46 million satisfied absolutely and definitively the new submission award and the supplementary decision of the arbitration in Teco Guatemala Holdings LLC v. Republic of Guatemala, ICSID Case No.ARB/10/23.

In 2022, derived from a more copious winter due to the natural disasters reported in most of the Guatemalan territory, starting in June, according to information from INSIVUMEH, the Cyclonic Season began in the Atlantic Ocean, and the La Niña phenomenon continued, which intensified the rains in the national territory. Tropical Storm Blas was the second cyclone of the season, causing heavy rains over some regions of Central America, including Guatemala. June also saw the heaviest rainfall of the year, which caused incidents at the national level, among the most relevant of which was the damage caused by landslides, including at kilometer 24 of the Inter-American Highway. In addition, several departments of the country were affected by floods, structural collapses and sinking of roads. It was therefore necessary to redirect resources to the Emergency Fund through the declaration of a state of national public emergency to address the damage caused by the natural phenomena that affected the country. Investments in the amount of Q2,207.1 million were made, both for projects to repair damage caused by tropical storms Eta and Iota in 2020, as well storms that occurred in 2022 (excess rainfall and tropical cyclone Julia). The main investments were in the Ministry of Communications, Infrastructure and Housing, focused on repair of damage, maintenance and repair of road infrastructure, maintenance and repair of buildings, replacement of bridges, and subsidies for housing construction due to damage caused, among others.

The following table sets forth the deficits between 2018 and 2022.

Fiscal Deficit
(as a % of GDP)

For the year ended December 31,				
2018	**2019**	**2020**	**2021**	**2022[(1)]**
(1.9)	(2.2)	(4.9)	(1.2)	(1.7)

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

The efforts made by the SAT to contain the drop in tax collection observed in 2020 as a result of the COVID-19 pandemic were strengthened for fiscal year 2022. The impact of these measures can be seen in the ratio of tax revenues to GDP, which went from 10.0% in 2020 and 11.7% in 2021 to 12.0% in 2022, higher than that observed in the last 30 years. Total expenditures were 14.8% of GDP, mainly explained by temporary support subsidies due to higher prices and inflation, and goods and services for the maintenance of roads and bridges due to a more intense winter.

In 2022, the dynamics of public spending were no longer influenced by the COVID-19 health and economic crisis, and spending on COVID-19 vaccines was significantly lower and there was a greater focus on COVID-19 prevention and treatment services.

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 VAMOS administration will continue 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.

The financing of the 2022 fiscal deficit relied on the issuance and placement of treasury bonds for the fiscal year, of which 69.9% was made in the domestic market and 30.1% in the international capital markets. The placement of bonds in the international capital markets amounted to US$500 million (Q3,866.24 million), with an annual interest rate of 5.25% and a maturity in 2029. The placement of bonds in the domestic market amounted to Q8,974.18 millon, with an annual average interest rate of 5.990% and an average maturity of 17.8 years. In addition, loans from exernal sources were incurred in the aggregate amount of Q4,591.30 millon.

With respect to internal placements, Q5,149.4 million was left unplaced, corresponding to 28.6% of the availability approved through Decree No. 16-2021, Budget Law of Revenues and Expenditures of Guatemala for 2022 (discounting the substitution of source, according to Decree No. 29-2022). 2022 was the first year in which not all the indebtedness approved by the Congress of the Republic was incurred, since during the year there was a great availability of resources and use was made of cash balances.

In May 2022, Decree No. 29-2022 was approved with respect to Loan Agreement No. 9194-GT, "Development Policy Loan for Crisis Response and Recovery in Guatemala" to be executed between the Republic of Guatemala and the International Bank for Reconstruction and Development (IBRD). The Ministry of Public

Finance was authorized to incorporate the equivalent of the US$500.0 million loan to the Budget during the fiscal year, through a substitution of the source of financing, freeing resources from the placement of treasury bonds, without increasing the General Expenditure Budget for 2022. This loan has a maturity of 13 years, including a three-year grace period and bears interest at a rate of approximately 0.75%.

The favorable conditions obtained in external and domestic placements reflect Guatemala's credibility in terms of honoring its commitments to debt holders, despite the scenario of uncertainty with respect to the global economic recovery and the appearance of new variants of COVID-19 during 2022 and the war between Russia and Ukraine.

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 2018 and 2022, average budgeted expenditures as a percentage of GDP were approximately 14.0%. In 2020, expenditure increased by 2.2% of GDP to 15.6% (excluding public debt repayments), mainly due to expenditures incurred in connection with the COVID-19 response. In 2021, public expenditure amounted to 13.5% of GDP. The decrease in public expenditure in 2021 is mainly due to the discontinuation of certain of such expenses incurred in 2020 in connection with the COVID-19 response.

In 2022, public expenditure was 14.4% of GDP, a figure that is higher than the average of recent years, as a result of public expenditures throughout the year.

After two consecutive years in which the budget was not approved by the Congress, fiscal year 2022 began with the advantage of having an approved budget, which reflects the needs and requirements of the public entities.

In 2022, the volatility in the international prices of certain commodities continued, and it was necessary to extend the propane gas subsidy and create or expand other subsidies, such as gasoline, diesel and electric power. The foregoing lead to the expansion of the 2022 budget by Q6,710.4 million, which was financed mainly with the use of government cash resources from the Bank of Guatemala, which was obtained principally from the surplus tax collection that was experienced in 2021. In 2022 the dynamics of public spending were no longer influenced by the health and economic crisis of the COVID-19 pandemic, since spending on the COVID-19 vaccines was significantly lower, and there was a greater focus on COVID-19 prevention and treatment services. Spending was allocated to the different state of emrgency programs related to natural phenomena, such as tropical storms Eta and Iota, as well as the excessive rainfall and tropical cyclone Julia that occurred in 2022.

Additionally, since the signing of the Peace Agreements in 1996, a commitment to social spending to comply with the requirements of the accords has been a priority for the Government. The need to protect social services, despite the decrease in tax revenues has caused fluctuations in social spending. Q41,333.1 million was spent on social matters oriented to health and social assistance, education, science and culture, and housing sectors, an increase of Q4,830.4 million, or 13.2%, as compared to 2021. Other components of spending relating to the Peace Agreements, which include expenditure on internal security and transfers to the Judicial Branch, the Constitutional Court and the Public Prosecutor's Office, was Q11,543.6 million, an increase of Q1,317.1 million, or 12.9%, as compared to 2021. All sectors that make up social spending grew by 13.2%, or Q6,147.6 million, representing 48.7% of total public spending.

Social spending according to the classification of the Peace Agreements (*i.e.*, including the security and justice sectors) in 2022 exceeded the target established in the National Development Plan.

Social Expenditure as % of Total Government Expenditure(1)

For the year ended December 31,				
2018	**2019**	**2020**	**2021**	**2022**
50.3	49.8	43.5	50.2	48.7

(1) Total government expenditure includes payments in connection with public debt.
Source: Ministry of Public Finance.

For 2022, due to expenditure commitments, tax provisions and other laws, from each Q1.00 collected by the Government, approximately Q0.92 was 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 Universidad de 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.

Public Investment

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.

The main adjustment in spending in 2020 was reflected in direct investment which contracted by 41.4%, equivalent to a Q2,039.8 million decrease from 2019, in line with the low level of implementation by the Ministry of Communications, Infrastructure and Housing. This decrease was partly due to the stay at home orders and social distancing measures that were established during several months of the year in response to the COVID-19 pandemic and the low level of tax collection that affected several areas of expenditure, especially investment. For fiscal year 2021, the focus of public spending will be on economic revival and efforts will focus on road infrastructure projects because of their ability to generate jobs and increase income. In addition, reconstruction work resulting from disasters caused by the tropical storms Eta and Iota will continue in 2020.

In 2021, direct investment grew by 27.1%, mainly driven by implementation by the Ministry of Health and Social Assistance, the Ministry of Communications, Infrastructure and Housing and the Ministry of Education, in connection with the construction of roads, bridges and other works, as well as investments in public schools and hospitals.

On November 24, 2021, Congress approved the contract for the rehabilitation, administration, operation, maintenance and complementary works of the Escuintla-Puerto Quetzal highway, the first public-private partnership in Guatemala. The project is to be supervised and overseen by the Ministry of Communications, Infrastructure and Housing as the state contracting party, and the CONADIE.

In 2022, public investment increased 16.7% compared to 2021, which represented 2.5% of GDP for 2022.

In 2022, Decree No. 21-2022, "Law to Strengthen the Maintenance and Construction of Strategic Infrastructure." This decree had a budget of Q3,191.2 million, with projects concentrated in the Ministry of Communications, Infrastructure and Housing, and aimed to strengthen the maintenance and construction of strategic infrastructure, as well as the recovery of the road network, as a mechanism for economic reactivation and job creation.

In June 2022, in view of the need to redirect resources, Decree No. 21-2022 was modified by means of Decree No. 36-2022, which established an amount of up to Q400 million to be used to strengthen the Emergency Fund, which would allow mitigating the damages caused by the natural phenomena that have affected the country. As a result, the budget of Decree No. 21-2022 was reduced.

In October 2022, Decree No. 50-2022 was approved, by means of which a state of national public emergency was pronounced throughout the country for a period of 30 days, in which the Ministry of Communications was required to make available to the Emergency Fund an amount of up to Q550.6 million of the resources corresponding to Decree No. 21-2022, "Law to Strengthen the Maintenance and Construction of Strategic Infrastructure." As a result, the budget allocated to strategic infrastructure decreased by Q940 million.

Initially, the actions foreseen in this decree would boost public investment by strengthening the maintenance and construction of infrastructure, as well as the recovery of the road network. However, due to a more copious winter and the disasters reported in most of the Guatemalan territory, it was necessary to redirect resources to the Emergency Fund through the declaration of a state of national public emergency. As a result, the Ministry of Communications, Infrastructure and Housing did not engage in public investment (other than the recurrent investments), but did report an increase in its investment in the maintenance of road infrastructure, which was reflected in the goods and services line of the budget.

Real direct investment in 2022 grew by 23.9% (equivalent to Q888.3 million), with the Ministry of Public Health and Social Assistance being the entity that most contributed to this increase through the construction of hospitals and health centers, followed by furniture and medical-sanitary and laboratory equipment. Likewise, the Ministry of National Defense made purchases of machinery and equipment (bridges with military specifications) that contributed to the investment, and the Ministry of Education made purchases of computer equipment.

Improvements in Transparency and Efficiency of Public Expenditure

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.

Additionally, since November 15, 2018, the General Acquisitions Registry of the Republic (*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 Republic, 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.

The principal contingent liability that the Government has is debt that it has guaranteed on behalf of non-financial public companies. According to the External Public Debt Management System (SINADEP), as of December 31, 2022, there was an outstanding balance of US$24.0 million to the INDE in this regard. This balance represents 0.03% of GDP and 0.2% of the Government's estimated fiscal revenues for that year.

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

Consolidated Public Sector Accounts(1)
(as a % of GDP)

	2018	2019	2020	2021	2022(2)
Balance:					
Total non-financial public sector	(1.7)	(2.1)	(4.7)	(0.3)	(1.0)
Bank of Guatemala losses	—	—	0.2	(0.2)	(0.4)
Consolidated public sector deficit	(1.7)	(2.1)	(4.5)	(0.5)	(1.4)
Financing:					
Central Government					
External					
Foreign loans (net)	0.1	(0.4)	0.2	(0.4)	0.2
Bonds	—	1.6	1.5	1.2	(0.2)
Total external	0.1	1.2	1.7	0.8	—

	2018	2019	2020	2021	2022(2)
Internal					
Bonds	1.8	0.8	3.4	1.7	1.2
Other	0.1	0.1	0.6	0.4	—
Use of goverment deposits	(0.1)	0.2	(0.8)	(1.7)	0.5
Total internal	1.8	1.1	3.2	0.4	1.7
Overall balance Central Government	1.9	2.3	4.9	1.2	1.7
Rest of nonfinancial public sector balance	0.2	0.2	0.2	(0.9)	(0.7)
Bank of Guatemala losses	—	—	(0.2)	0.2	0.4
Combined public sector financing	1.7	2.1	4.5	0.5	1.4

(1) Data provided by the Ministry of Public Finance and Bank of Guatemala.
(2) Preliminary.
Source: Based on the updated Non-Financial Public Sector Statistics, issued by the Ministry of Public Finance.

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 1.8% of GDP between 2017 and 2019 that has contributed to maintenance of a modest level of debt. However, in 2020 there was a significant increase in the fiscal deficit (4.9% of GDP) due to the expansive fiscal policy that generated a significant increase in public spending. The fact that the fiscal deficit recorded in 2021 was 1.2% of GDP shows that the fiscal expansion resulted from the COVID-19 pandemic and was of a temporary nature. In 2022, the fiscal deficit was 1.7% of GDP. As a result, as of December 31, 2022, public sector debt was 29.2% of GDP compared to 30.8% in 2021.

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

Public Sector Debt as % of GDP

For the year ended December 31,				
2018	**2019(1)**	**2020(1)**	**2021(1)**	**2022(2)**
26.5	26.5	31.5	30.8	29.2

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

As of December 31, 2022, public sector external debt was US$11,090.9 million, which represented approximately 40.6% 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,									
	2018		**2019**		**2020**		**2021**		**2022**	
	US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
External Public Debt...	8,224.6	43.6	9,105.8	44.6	10,449.8	43.0	11,097.2	41.9	11,090.9	40.6
Internal Public Debt....	10,648.5	56.4	11,329.2	55.4	13,824.3	57.0	15,417.0	58.1	16,258.8	59.4
Total	18,873.1	100.0	20,435.0	100.0	24,274.0	100.0	26,514.2	100.0	27,349.6	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.

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 as of the date of this offering memorandum and as of December 31, 2022, respectively.

Credit Ratings and Debt to GDP Ratios

	Long Term Credit Ratings			
Country	**Moody's**	**S&P**	**Fitch**	**2022 (1)**
Guatemala..	Ba1	BB	BB	29.2
Mexico	Baa2	BBB	BBB-	56.0

Country	Long Term Credit Ratings: Moody's	S&P	Fitch	2022 (1)
Nicaragua	B3	B	B-	46.0
El Salvador	Caa3	CCC+	CCC+	77.2
Honduras	B1	BB-	—	50.0
Costa Rica	B2	B+	BB-	63.8
Belize	Caa2	B-	—	64.1
Panama	Baa2	BBB	BBB-	54.9
Dominican Republic	Ba3	BB	BB-	58.9
Paraguay	Ba1	BB	BB+	40.9

(1) Preliminary data.
Sources: Guatemala: Ministry of Public Finance; Others: World Economic Outlook Database, April 2023.

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. Guatemala has met its debt service obligations in the past and the last time the Government faced difficulties paying the debt service was more than 20 years ago. Additionally, as of the date of this offering memorandum, Guatemala has been able to obtain financing on satisfactory terms.

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. 16-2021, 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. 16-2021 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 16-2021 and any similar laws may be altered by an act of Congress.

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 8.125% Notes due 2034;
- in June 2012, US$700 million of 5.75% Notes due 2022; (which have been repaid in full);
- in February 2013, US$700 million of 4.875% Notes due 2028;

- in May 2016, US$700 million of 4.500% Notes due 2026;
- in June 2017, US$500 million of 4.375% Notes due 2027;
- in May 2019, an aggregate US$500 million of 4.900% Notes due 2030, and an aggregate US$700 million of 6.125% Notes due 2050;
- in April 2020, US$700 million of 6.125% Notes due 2050 (reopening), and US$500 million of 5.375% Notes due 2032; and
- in September 2021, US$500 million of 3.700% Notes due 2033, and US$500 million of 4.650% Notes due 2041.
- in August 2022, US$500 million of 5.250% Notes due 2029.

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.

The Organic Budget Law, established in its Article 66 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, interest, commissions and related credit operation costs. The Bank of Guatemala sets aside the resources necessary to pay principal, interest, commissions and other amounts necessary to service internal debt from for the Government's securities in the Common Fund National Single Account (*Fondo Común – Cuenta Única Nacional*).

Public Sector Indicators

As of December 31, 2022, total public sector debt totaled US$27,349.6 million. Internal debt increased from 56.4% of total public sector debt in 2018 to 59.4% in 2022. During the same period, local currency-denominated debt increased from 52.1% of total public sector debt in 2018 to 56.7% in 2022, an increase of 4.6%. These changes in the debt structure accompanied have contributed to reducing the exchange rate risk of the public sector debt portfolio.

Most of the public sector debt has been issued with fixed interest rates. Between 2018 and 2022, the average percentage of fixed interest rate debt was approximately 80.7% of total public sector debt. As of December 31, 2022, 83.5% of public sector debt bears interest at fixed rates and the remainder, 16.5%, 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, 2022, 17.0% and 1.1% of total public sector debt is owed to multilateral and bilateral institutions, respectively. The interest rates on debt issued to international institutions tends to be lower given preferential conditions available from such institutions.

Weighted average interest rates as of December 31, 2022, for external and internal public sector debt were 4.8% and 6.9%, respectively. Interest payments for debt service as of December 31, 2022, are valued at 1.7% of GDP, or 13.8% of tax revenues.

Long-term internal debt and multilateral debt contributes to reduce rollover risk. The Average Time to Maturity of external and domestic internal debt as of December 31, 2022, was 10.1 and 10.4 years, respectively. The weighted maturity overall is 10.3 years. Low interest rates of debt issued to multilateral and bilateral institutions contribute to reduce the rollover risk.

Public Sector External Debt

As of December 31, 2022, public sector external debt was composed 55.3% by debt issued to private creditors (bondholders); 41.9% by debt issued to multilateral institutions; and the remainder, 2.8%, was issued to bilateral organizations and governments. As of December 31, 2022, the Government's public sector external debt and its debt service was 77.7% and 6.0% 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,				
	2018	2019(2)	2020(2)	2021(2)	2022(2)
Official Creditors:					
Multilateral organizations					
Inter-American Development Bank	2,196.5	2,070.4	2,174.5	2,007.4	1,917.7
World Bank	1,718.0	1,640.5	1,758.1	1,689.0	2,114.4
CABEI	957.7	861.1	773.8	701.9	612.9
International Fund for Agricultural Development	7.6	4.6	2.3	0.9	0.6
Organization of Petroleum Exporting Countries	4.8	5.4	4.4	3.7	3.1
Total multilateral organizations	4,884.6	4,582.1	4,713.1	4,402.9	4,648.8
Bilateral lending institutions:					
United States (US-AID, C.C.C.)	4.4	3.5	2.6	1.8	0.9
Kreditanstalt für Wiederaufbau—Germany	55.9	54.1	57.5	51.3	50.5
Canadian International Development Agency	0.6	0.6	0.5	0.4	0.3
Union Bank of Switzerland	0.8	0.4	0.1	0.0	—
Japanese International Cooperation Agency	130.8	136.4	165.7	149.0	118.7
Eximbank—Republic of China (Taiwan)	50.5	50.0	50.0	50.0	48.0
International Cooperation and Development Fund—Republic of China (Taiwan)	2.9	2.1	1.4	0.7	0.3
BBVAE—Spain	24.5	20.7	17.0	13.2	9.4
BNDES— Brazil	139.8	125.8	111.8	97.9	83.9
Total bilateral entities	410.1	393.8	406.7	364.3	312.1
Private Creditors					
5 3/4% Notes due 2022	700.0	700.0	700.0	700.0	—
4 7/8% Notes due 2028	700.0	700.0	700.0	700.0	700.0
8 1/8% Notes due 2034	330.0	330.0	330.0	330.0	330.0
4 1/2% Notes due 2026	700.0	700.0	700.0	700.0	700.0
4 3/8 Notes due 2027	500.0	500.0	500.0	500.0	500.0
4 9/10 Notes due 2028, 2029, 2030	—	500.0	500.0	500.0	500.0
5 3/8 Notes due 2032	—	—	500.0	500.0	500.0
6 1/8 Notes due 2048, 2049, 2050	—	700.0	1,400.0	1,400.0	1,400.0
3 7/10 Notes due 2033	—	—	—	500.0	500.0
4 13/20 Notes due 2041	—	—	—	500.0	500.0
5 1/4 Notes due 2029	—	—	—	—	500.0
Total private creditors	2,930.0	4,130.0	5,330.0	6,330.0	6,130.0
Total	8,224.6	9,105.8	10,449.8	11,097.2	11,090.9
External debt (as % of GDP)	11.6	11.8	13.6	12.9	11.8
External debt interest service (as % of GDP)(3)	0.49	0.53	0.59	0.54	0.51

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

For 2018 through 2022, the Guatemalan public sector has slightly decreased its bilateral and commercial bank debt, the debt to multilateral institutions has decreased, while the debt issued to the private sector has steadily increased. 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 public sector external debt as of December 31, 2022, are the bond holders (55.3%), the World Bank (19.1%), the IADB (17.3%), and the Central American Bank for Economic Integration (5.5%).

As set forth in the following table, substantially all of the public sector external debt of the Republic as of December 31, 2022 was denominated in U.S. dollars (98.4%).

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

	As of December 31, 2022	
Currency	**Amount**	**% of total external debt**
U.S. dollar	10,916.1	98.4
Japanese yen	118.7	1.1
Euros	55.1	0.5
Special drawing right [2]	0.6	0.0
Canadian dollar	0.3	0.0
Total	11,090.9	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,				
	2018	**2019**	**2020**	**2021**	**2022**
Interest payments[2]	361.9	409.4	459.0	463.8	481.1
Amortization	336.9	390.0	404.6	383.6	374.9
Total public sector external debt service[3]	698.8	799.4	863.5	847.4	856.0
Total public sector external debt service:					
as % of total exports (FOB)	7.2	8.1	8.2	6.9	6.0
as % of GDP	1.0	1.0	1.1	1.0	0.9
as % of total tax revenue	8.9	9.8	11.1	8.4	7.5

(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 Central Government debt and rest of the public sector guaranteed by the Republic.
Source: Ministry of Public Finance and Bank of Guatemala.

As set forth in the preceding table, public sector external debt service as percentage of total exports (FOB) decreased from 7.2% in 2018 to 6.0% in 2022. For the same period, debt service as percentage of GDP decreased 0.1%; and external debt service as percentage of tax revenue decreased from 8.9% in 2018 to 7.5% in 2022. These trends are associated to an increase of the participation of internal debt in the Portfolio.

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,									
	2018		2019		2020		2021		2022	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fixed rate	3,619.9	44.0	4,788.3	52.6	5,901.3	56.5	6,844.8	61.7	6,581.6	59.3
Floating rate	4,604.7	56.0	4,317.5	47.4	4,548.5	43.5	4,252.4	38.3	4,509.2	40.7
Total	8,224.6	100.0	9,105.8	100.0	10,449.8	100.0	11,097.2	100.0	11,090.9	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, 2022, 59.3% of the Republic's public sector external debt was set at fixed rates. However, the proportion of external debt bearing interest at fixed interest rates in 2022 compared to 2021 decreased by 2.4%, with the proportion of external debt bearing interest at variable rates increasing by the same amount. The variation in the principal amount of public sector external debt at floating rates with respect to 2021 resulted from the contracting of a loan with the World Bank for US$500 million.

The following table sets forth the projections of debt service on existing public sector external debt for 2023 through 2034.

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

	As of December 31, 2022							
	2023		2024		2025		2026	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	319.9	502.1	428.9	507.4	440.7	486.7	1,128.1	450.8
Rest of public sector	5.1	0.7	5.1	0.5	4.6	0.3	2.3	0.1
Total	325.0	502.8	434.1	508.0	445.3	487.0	1,130.4	450.9

	As of December 31, 2022							
	2027		2028		2029		2030	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	880.2	405.5	1,236.4	357.3	996.0	316.3	626.9	264.3
Rest of public sector	1.3	0.1	0.3	0.1	0.3	0.1	0.3	0.0
Total	881.5	405.6	1,236.8	357.4	996.3	316.3	627.2	264.3

	As of December 31, 2022							
	2031		2032		2033		2034	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	462.2	239.2	439.1	218.5	767.6	202.7	523.6	174.0
Rest of public sector	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0
Total	462.5	239.2	439.4	218.6	767.9	202.8	524.0	174.0

(1) Amounts are for existing public sector external debt as of December 31, 2022.
(2) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate as of December 31, 2022.
Source: Ministry of Public Finance.

Internal Debt

Public sector internal debt, which does not include debt of the Bank of Guatemala, was US$16,258.8 million (Q127,667.5 million) as of December 31, 2022. A portion of such debt is owed to public sector entities.

As of December 31, 2022, public sector internal debt is comprised of government bonds denominated in local currency (95.4%), with the remainder denominated in U.S. dollars (4.6%). 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 17.3% and 59.4%, 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,									
	2018		2019[(3)]		2020[(3)]		2021[(3)]		2022[(3)]	
	US$	%	US$	%	US$	%	US$	%	US$	%
Quetzales	9,823.5	92.3	10,504.2	92.7	12,969.6	93.8	14,692.2	95.3	15,516.2	95.4
U.S. dollars	825.0	7.7	825.0	7.3	854.6	6.2	724.8	4.7	742.6	4.6
Total	10,648.5	100.0	11,329.2	100.0	13,824.3	100.0	15,417.0	100.0	16,258.8	100.0
Internal debt as % of GDP	15.0		14.7		18.0		17.9		17.3	
Internal debt as % of public debt	56.4		55.4		57.0		58.1		59.4	

(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 as of the dates indicated.

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

	As of December 31,				
	2018	2019	2020	2021	2022
Interest payments[(2)]	763.3	845.6	874.6	1,024.4	1,097.3
Amortization	391.3	550.8	733.3	702.7	760.9
Total public sector internal debt service	1,154.6	1,396.4	1,607.9	1,727.1	1,858.3
Total public sector internal debt service:					
as % of GDP	1.6	1.8	2.1	2.0	2.0
as % of total tax revenues	14.8	17.2	20.6	17.1	16.3

(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.
Source: Ministry of Public Finance and Bank of Guatemala.

The following table sets forth the projection of the internal public debt service for 2023 through 2034.

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

	2023		2024		2025		2026	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	77.2	39.0	-	36.1	-	36.1	121.2	34.5
In local currency	360.2	1,064.1	788.4	1,038.1	743.7	980.9	631.5	915.4
Total	437.4	1,103.1	788.4	1,074.2	743.7	1,017.0	752.7	949.9

	2027		2028		2029		2030	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	187.7	23.2	-	17.6	-	17.6	-	17.6
In local currency	587.3	875.1	117.2	819.8	957.3	791.4	956.9	713.3
Total	775.1	898.2	117.2	837.5	957.3	809.1	956.9	730.9

	2031		2032		2033		2034	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	-	17.6	17.1	17.7	-	16.0	-	16.0
In local currency	1,321.5	673.4	832.7	549.8	1,160.6	476.8	964.8	418.4
Total	1,321.5	691.1	849.8	567.5	1,160.6	492.8	964.8	434.4

(1) Amounts are for existing public sector internal debt as of December 31, 2022.
(2) Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate as of December 31, 2022.
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 Organic Law 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$2,116.8 million). In accordance with Article 83 of the Organic Law of the Bank of Guatemala and upon prior authorization of 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 2018, quasi-fiscal losses of the Bank of Guatemala reached Q644.4 million (US$83.3 million) which were included in the draft Budget for 2020 but was not approved by Congress. Therefore, from 2002 to 2018, Q10,855.2 million (approximately US$1,416.1 million) in quasi-fiscal losses have yet to be restored to the Bank of Guatemala.

In 2019 and 2020, the quasi-fiscal balance registered a gain of Q306.5 million (US$39.8 million) and Q1,607.0 million (US$206.2 million), respectively. In 2021, quasi-fiscal losses reached Q54.4 million (US$7.1 million), which were included in the budget for 2023, approved on November 24, 2022. In 2022, quasi-fiscal losses reached Q2,474.0 million (US$315.1 million).

DESCRIPTION OF THE NOTES

The Notes will be issued under a fiscal agency agreement, to be dated as of June 13, 2023 (the "*Fiscal Agency Agreement*"), between the Republic and The Bank of New York Mellon, as fiscal agent, paying agent, registrar and transfer agent.

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

This section of this offering memorandum 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 under which such Notes were issued. 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 agent specified on the back cover page of this offering memorandum.

General Terms of the Notes

The Notes will:

- have an issue date of June 13, 2023;
- be limited to an aggregate principal amount of US$1,000,000,000 (except as provided under "—Further Issuances" and "—Replacement, Exchange and Transfer");
- have a final maturity date of June 13, 2036 (the "*Maturity Date*"), and be paid at par in three installments on June 13, 2034, June 13, 2035 and the Maturity Date.

  The aggregate amount of each principal payment on the Notes shall equal the principal amount outstanding as of any principal payment date, divided by the number of remaining principal installments from and including such principal payment date to and including the Maturity Date. To the extent necessary, principal payments may be rounded down to the nearest whole number, with any difference being paid on the Maturity Date;
- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- bear interest at a rate of 6.600% per year, from and including June 13, 2023, to, but excluding, the Maturity Date. Interest on the Notes will be payable semi-annually in arrears on June 13 and December 13 of each year, commencing on December 13, 2023. Interest on the Notes will be computed on the basis of a 360-day year consisting of 12 months of 30 days each;
- pay interest and principal (other than the amount of principal payable on the the Maturity Date) to persons in whose names the Notes in the form of Global Notes are registered at the close of business on the business day preceding each payment date (each, a "*Regular Record Date*");
- be subject to optional redemption prior to their scheduled maturity as described under "—Optional Redemption";
- constitute general, direct, unconditional, unsubordinated and unsecured Indebtedness of the Republic backed by the full faith and credit of the Republic;
- be at least equal in right of payment with all of the Republic's other existing and future unsubordinated and unsecured Public External Indebtedness; it being understood that this provision shall not be construed to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness;
- be represented by one or more Global Notes in book-entry, registered form only; 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 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 memorandum 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 memorandum 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 final payment of 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 principal (other than the final payment of principal) or 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 applicable Regular Record Date immediately preceding the related scheduled payment date as defined on the face of the Notes. Payment of such principal or 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 applicable 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 DTC.

All moneys paid by or on behalf of the Republic to any 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 any paying agent with respect to the Note will cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions set forth under "—Prescription."

The Republic has agreed that, so long as any Note remains Outstanding, it will maintain a registrar and a paying agent having a specified office in The City of New York. The Republic has initially appointed the paying agent and transfer agent for the Notes specified on the inside back cover page of this offering memorandum. 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 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 fiscal agent, paying agent, transfer agent and registrar 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 applicable Notes and the 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 such agent 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 will contain 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 issued either (i) pursuant to a "qualified reopening" for U.S. federal income tax purposes of the original Notes, (ii) with less than a de minimis amount of original issue discount or (iii) otherwise as part of the same issue for U.S. federal income tax purposes as the original Notes, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP, ISIN or other identification number but shall otherwise be treated as a single class with all other previously issued Notes.

Replacement, Exchange and Transfer

If any Note becomes 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

Prior to March 13, 2036 (three months prior to their maturity date) (the "*Par Call Date*"), the Republic may redeem the Notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points less (b) interest accrued to, but excluding, the redemption date, and

(2) 100% of the principal amount of the Notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to, but excluding, the redemption date.

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

"*Treasury Rate*" for this purpose means, with respect to any redemption date, the yield determined by the Republic in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Republic after 4:15 p.m. (New York City time) (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("*H.15*") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) ("*H.15 TCM*"). In determining the Treasury Rate, the Republic shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period (the "*Remaining Life*") from the redemption date to the date that reflects the remaining Weighted Average Life of the Notes (assuming the last amortization payment on the Notes is made on the Par Call Date ((the "*WAL Date*"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the WAL Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 TCM is no longer published, the Republic shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m. (New York City time) on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the WAL Date, as applicable. If there is no United States Treasury security maturing on the WAL Date but there are two or more United States Treasury securities with a maturity date equally distant from the WAL Date, one with a maturity date preceding the WAL Date and one with a maturity date following the WAL Date, the Republic shall select the United States Treasury security with a maturity date preceding the WAL Date. If there are two or more United States Treasury securities maturing on the WAL Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Republic shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such

United States Treasury securities at 11:00 a.m. (New York City time). In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m. (New York City time) of such United States Treasury security, and rounded to three decimal places.

"*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 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 installment payment; by (2) the then outstanding principal amount of the Notes.

General

The Republic's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depositary's procedures) at least 10 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

In the case of a partial redemption, selection of the Notes held in certificated, non-global form for redemption will be made pro rata, by lot or by such other method as the trustee in its sole discretion deems appropriate and fair and selection of the Notes held in global form for redemption will be made in accordance with the applicable procedures of DTC. No Notes of a principal amount of US$1,000 or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption that relates to the Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the holder of the Note upon surrender for cancellation of the original Note. For so long as the Notes are held by DTC (or another depositary), the redemption of the Notes shall be conducted in accordance with the policies and procedures of the depositary.

Unless the Republic defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption.

Covenants

So long as any Notes remain Outstanding, the Republic has agreed to certain covenants with respect to the Notes, including:

Negative Pledge: So long as any Notes are 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.

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.

Membership in International Monetary Fund: The Republic will maintain its membership in, and eligibility to use the general resources of, the International Monetary Fund.

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.

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

The occurrence and continuation of 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 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 continued period of 60 calendar days following written notice of such failure to the fiscal agent by a holder of the 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 under which the Notes were issued,

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 dates 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 each series of Outstanding Debt Securities (including the Notes) (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 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"; or

- 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 Outstanding Debt Securities (including the Notes) into, other obligations or securities of the Republic or any other person.

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 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).

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 any Reserved Matter Modification (each, an "Outstanding Debt Agreement Reserved Matter Modification"), the Outstanding Debt Securities affected by such Outstanding Debt Agreement Reserved Matter Modification shall be treated as a "series affected by the 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 upon 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.

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.luxse.com.

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 Borough of Manhattan, The City and County 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 suit, action or proceeding arising out of, or related to, the offering and sale of the Notes or the Republic's failure, or alleged failure, to perform any obligations under the Notes; *provided*, *however*, that, under the laws of the Republic, the property and revenues of the Republic inside Guatemala are exempt from attachment or other form of execution, whether before or after judgment. The Republic's waiver of sovereign immunity does not extend to actions brought under the U.S. federal securities laws.

Currency Indemnity

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due under the Notes or a situation described above to the holder of a Note in one currency into another currency, the Republic and each holder will be deemed to have agreed that the exchange rate used will be that at which in accordance with normal banking procedures such holder could purchase the first currency with such other currency in the city which is the principal financial center of the country of issue of the first currency on the second business day preceding the day on which final judgment is given.

The obligation of the Republic in respect of any sum payable by it to the holder of a Note will, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than that in which such sum is denominated in accordance with the applicable provisions of the Notes (the "*Note Currency*"), be discharged only to the extent that on the business day following receipt by such holder of the Note of any sum adjudged to be so due in the Judgment Currency, such holder of the Note may in accordance with normal banking procedures purchase the Note Currency with the Judgment Currency. If the amount of the Note Currency so purchased is less than the sum originally due to the holder of the Note in the Note Currency (determined in the manner set forth in the preceding paragraph), the Republic will agree, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of the Note against such loss, and if the amount of the Note Currency so purchased exceeds the sum originally due to the holder of the Note such holder will agree to remit to the Republic such excess; *provided* that such holder will have no obligation to remit any such excess as long as the Republic will have failed to pay such holder any obligations due and payable under the Note, in which case such excess may be applied to such obligations of the Republic under the Note in accordance with the terms of the Note.

Certain Definitions

Set forth below is a summary of certain defined terms used in the Fiscal Agency Agreement. Reference is made to the Fiscal Agency Agreement for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*External*" means, with reference to any Indebtedness, any Indebtedness that is issued under an instrument subject to, or under the laws of, a jurisdiction other than the Republic.

"*Indebtedness*" means a person's actual or contingent payment obligations for borrowed money, together with such person's actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party's obligations for borrowed money.

"*Lien*" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement having the practical effect of constituting a security interest, whether in effect on the date of the Fiscal Agency Agreement or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of the Republic.

"*Outstanding*" means any Notes authenticated and delivered pursuant to a fiscal agency agreement (or debt securities authenticated and delivered under an Outstanding Debt Agreement), except for:

(i) Notes theretofore canceled by the registrar or delivered to the fiscal agent, any paying agent or any transfer agent for cancellation or held by the fiscal agent for reissuance but not reissued by the fiscal agent; or

(ii) Notes in lieu of or in substitution for which other Notes have been authenticated and delivered pursuant hereto;

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

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

"*Public External Indebtedness*" means Public Indebtedness that is External.

"*Public Indebtedness*" means any Indebtedness of, or guaranteed by, the Republic that:

- is publicly offered or privately placed in securities markets;
- is in the form of, or represented by, bonds, Notes or other securities or any guarantees thereof;
- is, or was expressly intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities that are issued for cash consideration and that are eligible for sale pursuant to Rule 144A or Regulation S under the Securities Act (or any successor law or regulation of similar effect)); and
- has an original maturity of more than one year or is combined with a commitment so that the original maturity of one year or less may be extended at the option of the Republic to a period in excess of one year.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of registered Global Notes. Upon issuance, the Global Notes will be deposited with the fiscal agent as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in the Global Notes will be limited to persons who have accounts with DTC (which we refer to in this offering memorandum 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 Global Notes directly through Euroclear or Clearstream, 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 Global Notes through organizations other than Euroclear or Clearstream that are DTC participants. Each of Euroclear and Clearstream will appoint a DTC participant to act as its depositary for the interests in the Global Notes that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts for Euroclear and Clearstream 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. 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 will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers in a Global Note between DTC participants, on the one hand, and participants in Euroclear or Clearstream, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, 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, 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 participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream 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 cash account as of the business day for Euroclear or Clearstream following the DTC settlement date. Transfers between Global Notes will take place through the fiscal agent.

DTC, Euroclear and Clearstream 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 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 memorandum. 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 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 another available exemption from the registration requirements of the Securities Act.

(5) You also acknowledge that each Global 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 OR OTHER JURISDICTION. 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. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS NOTE OR ANY INTEREST HEREIN, FOR THE BENEFIT OF THE REPUBLIC OF GUATEMALA (THE "ISSUER"), TO OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN ONLY (A) TO THE ISSUER, (B) PURSUANT TO 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" (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE OFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE 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, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT. THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE ISSUER."

(6) 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.

(7) You also 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, Article 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-resident entities are exempt from withholding tax. In addition, Article 71.i) of the Organic Budget Law (Decree No. 101-97) provides that all interest payments on the Notes are exempt from withholding tax, regardless of who is the Note holder. 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. 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 "issue price" (the first price at which a substantial amount of the Notes is sold for money to investors, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler).

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 who is a 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 of the United States federal income tax consequences that may be relevant to U.S. holders in light of their personal circumstances, nor does it address the Medicare tax on net investment income, United States federal estate and gift taxes, special timing rules prescribed under section 451(b) of the Code or the effects of any state, local or non-United States tax laws. 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, tax-exempt entities or insurance companies;
- tax consequences to entities or arrangements treated as partnerships or as other pass-through entities for United States federal income tax purposes;
- 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 U.S. dollar; 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 partnership or a partner of a partnership considering an investment in the Notes, you should consult your tax advisors.

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

Payments of Interest

Interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. In addition to interest on the 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. Subject to certain conditions and limitations (including a minimum holding period requirement), any Guatemalan withholding tax may be eligible for credit against your United States federal income tax liability. For purposes of determining your United States foreign tax credit limitations, interest income will be treated as income from sources outside the United States and will generally constitute passive category income. However, recently issued Treasury regulations impose additional requirements for foreign taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied. Instead of claiming a foreign tax credit, you may be able to deduct any Guatemalan withholding tax on interest in computing your taxable income, subject to generally applicable limitations under United States law (including that a U.S. holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such U.S. holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). The rules governing the foreign tax credit and deductions for foreign taxes are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit or a deduction under your particular circumstances.

Sale, Exchange, Retirement or other Taxable Disposition of the 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 on the Note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the Note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss 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 establish that 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 US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year. Significant penalties can apply if a U.S. holder is required to disclose its Notes and fails to do so. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

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

Santander US Capital Markets LLC 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 memorandum (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 initial purchaser is offering the Notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the initial purchaser of officer's certificates and legal opinions. The initial purchaser reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The initial purchaser may offer and sell the Notes through certain of its affiliates.

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 memorandum within the United States in reliance on Rule l44A and outside the United States in reliance on Regulation S. See "Transfer Restrictions."

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 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.

Although application has been made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market, 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 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 and its affiliates against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchaser or its affiliates 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 memorandum 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 memorandum 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 Notes was made against payment therefor on June 13, 2023, which was the fifth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+5"). Under Rule 15c6-1 under the U.S. 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 wished to trade Notes prior to the second business day before the delivery of the Notes hereunder were required, by virtue of the fact that the Notes initially settled T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wished to trade securities prior to the second business day before delivery of the Notes hereunder should consult their own advisor.

Prohibition of Sales to EEA Retail Investors

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 European Economic Area (the "EEA"). For these purposes, the expression "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 Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, 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 PRIIPs Regulation.

Prohibition of Sales to United Kingdom Retail Investors

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 United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are "qualified investors" (as defined in the UK Prospectus Regulation) who are (i) investment professionals falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

In the purchase agreement, the initial purchaser has represented, warranted and agreed that:

(a) 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 "FSMA" received by it in connection with the issue or sale of the bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the bonds in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

This offering memorandum 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 memorandum 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 memorandum 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 memorandum nor any other offering or marketing material relating to the offering 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 (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.

Notice to Prospective Investors in Peru

The Notes will not be subject to a public offering in Peru. This offering memorandum and the Notes have not been, and will not be registered with or approved by the Peruvian Superintendency of the Securities Market or the Lima Stock Exchange. Accordingly, the Notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru. This notice is for informative purposes only and it does not constitute a public offering of any kind.

Notice to Prospective Investors in Chile

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

Rule No. 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: June 6, 2023. The offer of the Notes is subject Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS;

2. The Notes and this offering memorandum are not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such as not subject to the oversight of the SVS;

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

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

Notice to Prospective Investors in Colombia

The notes have not been, and will not be, registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of Colombia or traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the notes may not be publicly offered in Colombia or traded on the Colombian Stock Exchange.

The offering memorandum is for the sole and exclusive use of the addressee as an offeree in Colombia, and the offering memorandum shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, administrators or employees of the addressee.

The recipient of the notes acknowledges that certain Colombian laws and regulations (specifically foreign exchange and tax regulations) are applicable to any transaction or investment made in connection with the notes being offered and represents that it is the sole party liable for full compliance with any such laws and regulations.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Notes will not be offered or sold in Hong Kong 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 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) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of 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 Brazil

The Notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the "CVM"). The Notes may not be offered or sold in Brazil. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum 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 any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed for under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities or securities-based derivatives contracts (each term 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 transferable within six months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any references to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA (Chapter 289 of Singapore), we have determined, and hereby notify 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 No. 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 to any person in an open market, directly or indirectly by means of massive communication. The Notes may be offered or sold in a private offering without the intervention of a local third party or intermediary to (a) any individual person or entity that is considered an institutional investor, which includes (i) entities that are under the supervision of the Banking Regulator, (ii) the IGSS, (iii) any private or public social welfare institutions or entities; (iv) any entity, mechanism or vehicle used for purposes of collective investment; and (b) up to 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 memorandum (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 purchaser is 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 PPQ Legal, 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 Aguilar Castillo Love - Guatemala, Guatemalan counsel to the initial purchaser, and by Cleary Gottlieb Steen & Hamilton 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 PPQ Legal, and Cleary Gottlieb Steen & Hamilton LLP may rely upon the opinion of Aguilar Castillo Love - Guatemala.

OFFICIAL STATEMENTS

Information in this offering memorandum 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 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. 54-2022 of 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. 54-2022 referred to in paragraph 1 above;
    - The Republic's consolidated public sector fiscal accounts for 2022 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 Security identifiers for the Notes are:

    a. CUSIP numbers:
        i. Regulation S – P5015V AQ9
        ii. Rule 144A – 401494 AW9

    b. ISINs:
        i. Regulation S – USP5015VAQ97
        ii. Rule 144A – US401494AW96

    c. Common Codes:
        i. Regulation S – 263714563
        ii. Rule 144A – 263714547

5. Other than as disclosed in this offering memorandum, 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, 2022.

Appendix A

Republic of Guatemala: Global Public Sector External Debt
(As of December 31, 2022)

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (%)	Maturity Date (mm/dd/yyyy)	Outstanding Amount (in millions US$)
ACDI	GOCE	03/16/1976	0	09/30/2025	0.03
ACDI	GOCE	07/13/1977	0	03/31/2027	0.29
AID	GOCE	01/02/2022	3	12/27/2023	0.14
BBVA-ESPAÑA	GOCE	11/15/2012	4.85	06/25/2025	9.43
BCIE	INDE	12/09/2005	5.9	12/09/2025	6.90
BCIE	GOCE	05/13/2003	5.88	05/13/2023	0.44
BCIE	GOCE	07/30/2008	5.9	07/25/2026	3.30
BCIE	GOCE	01/16/2006	5.9	01/25/2026	46.67
BCIE	GOCE	10/16/2008	5.9	10/14/2028	26.12
BCIE	GOCE	09/11/2009	5.9	11/27/2029	80.77
BCIE	GOCE	03/26/2010	5.9	03/26/2025	22.41
BCIE	GOCE	10/11/2011	5.9	10/25/2026	88.33
BCIE	GOCE	11/14/2012	5.9	04/25/2033	55.10
BCIE	GOCE	07/07/2014	4.49	11/28/2034	59.48
BCIE	GOCE	02/06/2015	5.83	02/06/2035	185.47
BCIE	GOCE	05/20/2020	4.1	05/20/2040	36.46
BCIE	GOCE	05/04/2020	3.42	12/22/2045	1.44
BID	INDE	09/17/2002	2	06/15/2037	4.67
BID	INDE	09/17/2002	3.05	06/15/2027	8.46
BID	INDE	09/17/2002	3.07	09/17/2027	0.43
BID	INDE	09/27/1984	2	09/24/2024	1.10
BID	GOCE	03/14/1998	5.49	03/14/2023	1.26
BID	GOCE	09/18/1998	5.49	09/18/2028	3.55
BID	GOCE	03/14/1999	5.49	03/14/2029	6.30
BID	GOCE	01/22/1999	5.49	01/22/2029	9.95
BID	GOCE	10/18/1999	5.49	10/18/2029	24.22
BID	GOCE	02/11/2002	5.49	02/11/2027	1.36
BID	GOCE	02/11/2002	5.5	02/11/2032	20.48
BID	GOCE	07/03/2001	5.49	07/03/2026	23.87
BID	GOCE	09/17/2002	5.49	09/17/2027	1.20
BID	GOCE	12/12/2002	5.44	12/12/2027	0.85
BID	GOCE	06/02/2003	5.1	06/02/2028	12.49
BID	GOCE	11/03/2006	4.19	11/03/2031	15.54
BID	GOCE	09/23/2005	5.31	09/23/2030	13.69
BID	GOCE	02/03/2006	5.49	02/03/2031	42.50
BID	GOCE	05/18/2007	4.13	05/18/2032	5.22
BID	GOCE	10/23/2007	3.09	05/15/2032	16.06
BID	GOCE	08/24/2012	4.84	08/24/2037	15.02
BID	GOCE	06/06/2007	5.49	06/06/2027	30.00
BID	GOCE	12/10/2007	4.37	12/10/2032	15.36
BID	GOCE	04/05/2008	3.79	04/05/2033	26.56
BID	GOCE	04/05/2008	5.49	04/05/2038	30.87
BID	GOCE	04/05/2008	0.25	04/05/2048	12.20

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (%)	Maturity Date (mm/dd/yyyy)	Outstanding Amount (in millions US$)
BID	GOCE	04/05/2008	5.49	04/05/2028	14.30
BID	GOCE	12/14/2011	3.1	12/14/2031	17.32
BID	GOCE	02/25/2009	5.67	02/25/2029	173.33
BID	GOCE	02/25/2009	3.1	08/25/2033	85.22
BID	GOCE	02/25/2009	3.1	02/25/2029	58.29
BID	GOCE	02/25/2009	0.25	02/25/2039	12.20
BID	GOCE	02/25/2009	3.1	02/25/2039	32.87
BID	GOCE	04/21/2010	3.09	04/21/2035	34.04
BID	GOCE	02/25/2009	3.1	02/25/2034	4.53
BID	GOCE	04/21/2010	3.09	04/21/2035	11.91
BID	GOCE	12/14/2011	0.25	12/14/2051	4.22
BID	GOCE	12/14/2011	3.1	12/14/2041	13.35
BID	GOCE	11/08/2012	0.25	11/08/2052	10.00
BID	GOCE	11/08/2012	3.23	11/08/2042	34.73
BID	GOCE	11/14/2012	0.25	11/14/2052	5.35
BID	GOCE	11/14/2012	3.78	11/14/2042	17.52
BID	GOCE	10/06/2011	2.69	10/06/2031	127.92
BID	GOCE	10/06/2011	0.25	10/06/2051	7.36
BID	GOCE	10/06/2011	3.9	10/06/2041	22.83
BID	GOCE	12/11/2013	3.12	11/15/2033	52.80
BID	GOCE	12/11/2013	0.25	12/11/2053	32.40
BID	GOCE	12/11/2013	4.8	12/11/2043	111.09
BID	GOCE	12/11/2013	0.25	12/11/2053	0.61
BID	GOCE	12/11/2013	4.11	12/11/2043	2.10
BID	GOCE	01/28/2015	3.12	11/15/2034	78.00
BID	GOCE	01/28/2015	0.25	11/15/2054	30.50
BID	GOCE	01/28/2015	3.95	11/15/2044	109.55
BID	GOCE	05/10/2018	2.86	04/15/2043	89.37
BID	GOCE	04/02/2020	5.06	03/15/2040	250.00
BID	GOCE	04/23/2020	2.88	04/15/2045	10.50
BID	GOCE	04/23/2020	3.29	04/15/2044	32.84
BID	GOCE	04/23/2020	2.8	04/15/2044	5.98
BID	GOCE	03/20/1983	2	03/24/2023	0.16
BID	GOCE	03/20/1983	2	03/24/2023	0.29
BID	GOCE	09/06/1983	2	09/06/2023	0.50
BID	GOCE	05/24/1984	2	05/24/2024	0.37
BID	GOCE	03/05/1987	2	03/06/2027	1.89
BID	GOCE	03/05/1987	2	03/06/2027	3.74
BID	GOCE	10/02/1991	2	10/02/2031	9.85
BID	GOCE	12/07/1992	2	11/24/2032	4.82
BID	GOCE	02/03/1993	2	02/03/2033	14.59
BID	GOCE	03/14/1998	2	03/14/2038	5.24
BID	GOCE	01/25/1994	2	01/25/2034	15.33
BID	GOCE	12/30/1996	5.49	12/16/2026	6.91
BID	GOCE	01/21/1997	5.49	01/21/2027	3.17
BID	GOCE	01/21/1997	2	01/21/2037	14.60
BIRF	GOCE	01/05/2006	5.4	05/15/2025	13.82

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (%)	Maturity Date (mm/dd/yyyy)	Outstanding Amount (in millions US$)
BIRF	GOCE	10/22/2007	1.68	11/15/2023	2.63
BIRF	GOCE	05/18/2007	6.25	06/15/2026	19.38
BIRF	GOCE	05/22/2008	5	05/15/2027	24.94
BIRF	GOCE	03/06/2009	3.25	03/15/2033	9.37
BIRF	GOCE	03/06/2009	4.18	11/15/2034	133.28
BIRF	GOCE	06/01/2010	4.77	05/15/2034	65.19
BIRF	GOCE	12/07/2009	5.27	11/15/2035	252.70
BIRF	GOCE	12/16/2011	3.42	02/15/2037	80.52
BIRF	GOCE	11/29/2012	3.38	10/15/2035	3.90
BIRF	GOCE	11/13/2013	4.59	09/15/2037	200.00
BIRF	GOCE	01/19/2015	3.24	03/15/2039	340.00
BIRF	GOCE	07/10/2018	4.38	09/15/2036	250.00
BIRF	GOCE	05/15/2019	3.89	09/15/2050	18.73
BIRF	GOCE	04/14/2020	5.44	09/15/2045	200.00
BIRF	GOCE	06/29/2022	4.21	08/15/2033	500.00
BNDES-BRASIL	GOCE	02/22/2013	4.94	10/15/2028	83.89
C.C.C	GOCE	08/13/1999	2.5	01/25/2024	0.78
GLOBAL BONDS	GOCE	05/31/2019	4.9	06/01/2030	500.00
GLOBAL BONDS	GOCE	04/24/2020	5.38	04/24/2032	500.00
GLOBAL BONDS	GOCE	10/07/2021	3.7	10/07/2033	500.00
GLOBAL BONDS	GOCE	05/03/2016	4.5	05/03/2026	700.00
GLOBAL BONDS	GOCE	08/10/2022	5.25	08/10/2029	500.00
GLOBAL BONDS	GOCE	10/06/2004	8.13	10/06/2034	330.00
GLOBAL BONDS	GOCE	05/31/2019	6.13	06/01/2050	700.00
GLOBAL BONDS	GOCE	12/01/2019	6.13	06/01/2050	700.00
GLOBAL BONDS	GOCE	10/07/2021	4.65	10/07/2041	500.00
GLOBAL BONDS	GOCE	02/13/2013	4.88	02/13/2028	700.00
GLOBAL BONDS	GOCE	06/05/2017	4.38	06/05/2027	500.00
EXIM-CHINA	GOCE	11/12/2015	2.29	09/22/2046	48.00
FIDA	GOCE	06/12/2008	1.68	02/15/2025	0.47
FIDA	GOCE	12/13/2011	3.24	02/15/2027	0.13
ICDF	GOCE	06/22/1999	2	01/15/2024	0.30
JICA	GOCE	12/27/1995	3	12/20/2025	3.25
JICA	GOCE	09/30/1999	1.48	09/20/2039	16.41
JICA	GOCE	02/20/2006	0.75	02/20/2046	42.44
JICA	GOCE	11/06/2012	0.94	11/20/2037	56.65
KFW	GOCE	04/27/1995	0.75	06/30/2045	4.60
KFW	GOCE	04/27/1995	0.75	06/30/2035	3.40
KFW	GOCE	08/30/1995	0.75	12/30/2045	2.31
KFW	GOCE	12/03/1986	0.75	12/31/2036	3.81
KFW	GOCE	09/29/1987	0.75	06/30/2037	3.95
KFW	GOCE	06/13/1988	0.75	06/30/2038	2.11
KFW	GOCE	06/13/1988	0.75	06/30/2038	2.11
KFW	GOCE	12/15/1988	0.75	12/30/2038	1.09
KFW	GOCE	09/11/1990	0.75	12/31/2040	3.16
KFW	GOCE	06/30/2005	0.75	06/30/2045	2.83
KFW	GOCE	01/22/1998	0.75	12/30/2048	6.86

Lender	Borrower	Issue Date (mm/dd/yyyy)	Interest Rate (%)	Maturity Date (mm/dd/yyyy)	Outstanding Amount (in millions US$)
KFW	GOCE	12/23/1992	0.75	12/30/2042	0.54
KFW	GOCE	10/18/2016	2.09	12/30/2036	9.74
KFW	GOCE	08/13/2002	0.75	12/30/2052	3.95
OPEP	GOCE	09/06/2007	2.5	03/15/2027	1.08
OPEP	GOCE	04/12/2008	2.75	10/15/2027	1.44
OPEP	GOCE	12/19/2011	3.4	07/15/2031	0.63

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

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