



GOBIERNO NACIONAL

Construyendo el futuro hoy

● PARAGUAY



REPUBLIC OF PARAGUAY
Investors Presentation

March 2016

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A Bright Spot in the Region

Relevant Global Presence



#1 Clean electricity net exporter in South America

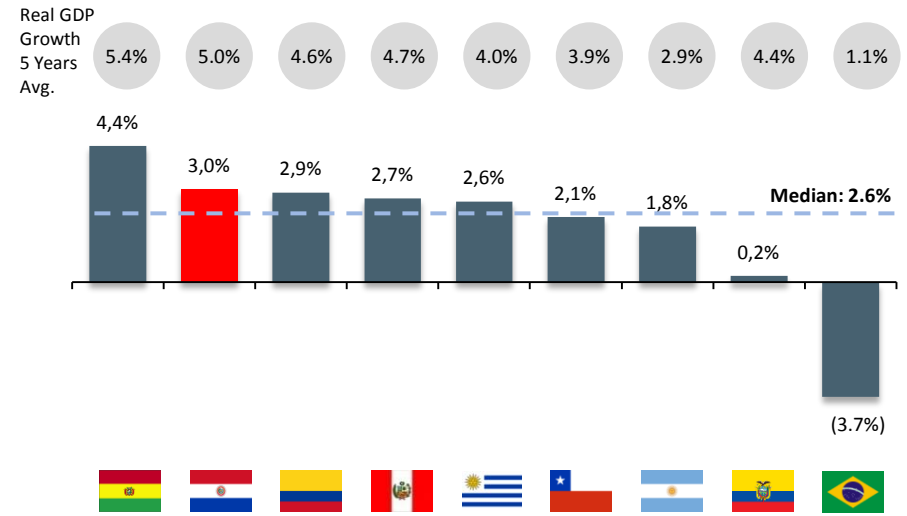
#4 Soy exporter

#3 Soy crushing capacity in LatAm

#6 Beef exporter

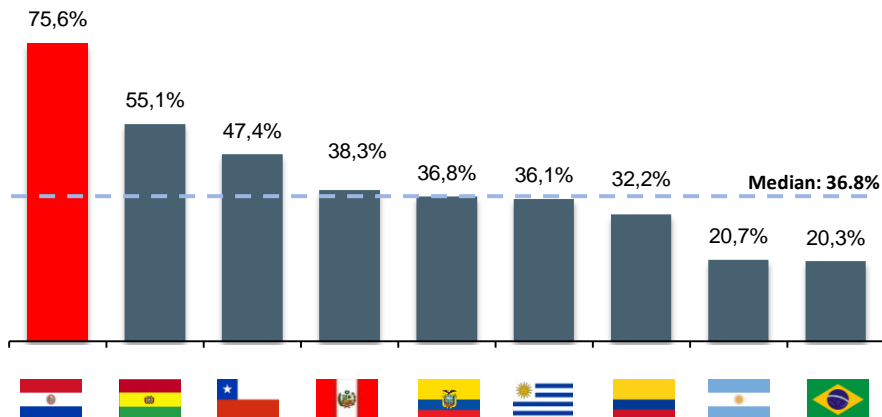
Solid Track Record and Decoupling from its Closest Neighbours...

Real GDP Growth (2015E; %)⁽¹⁾



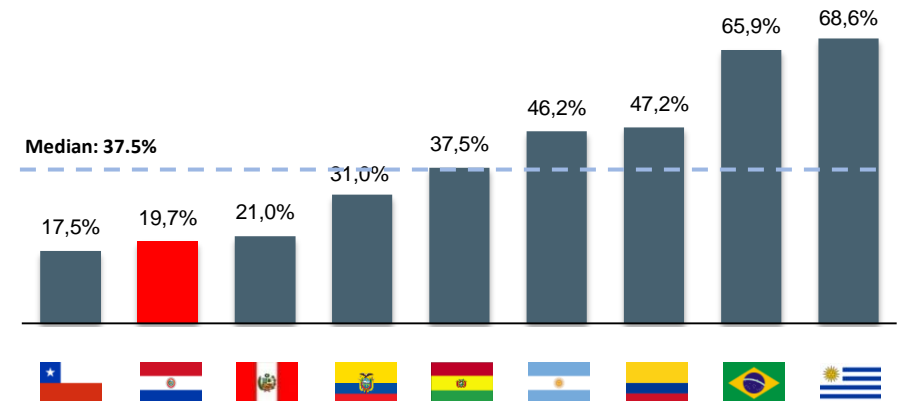
...Supported By The Highest Degree of Openness In The Region...

Economic Openness (2015E; %)⁽²⁾



...And One of the Lowest Leverages in the Region

Public Debt (% of GDP)⁽³⁾



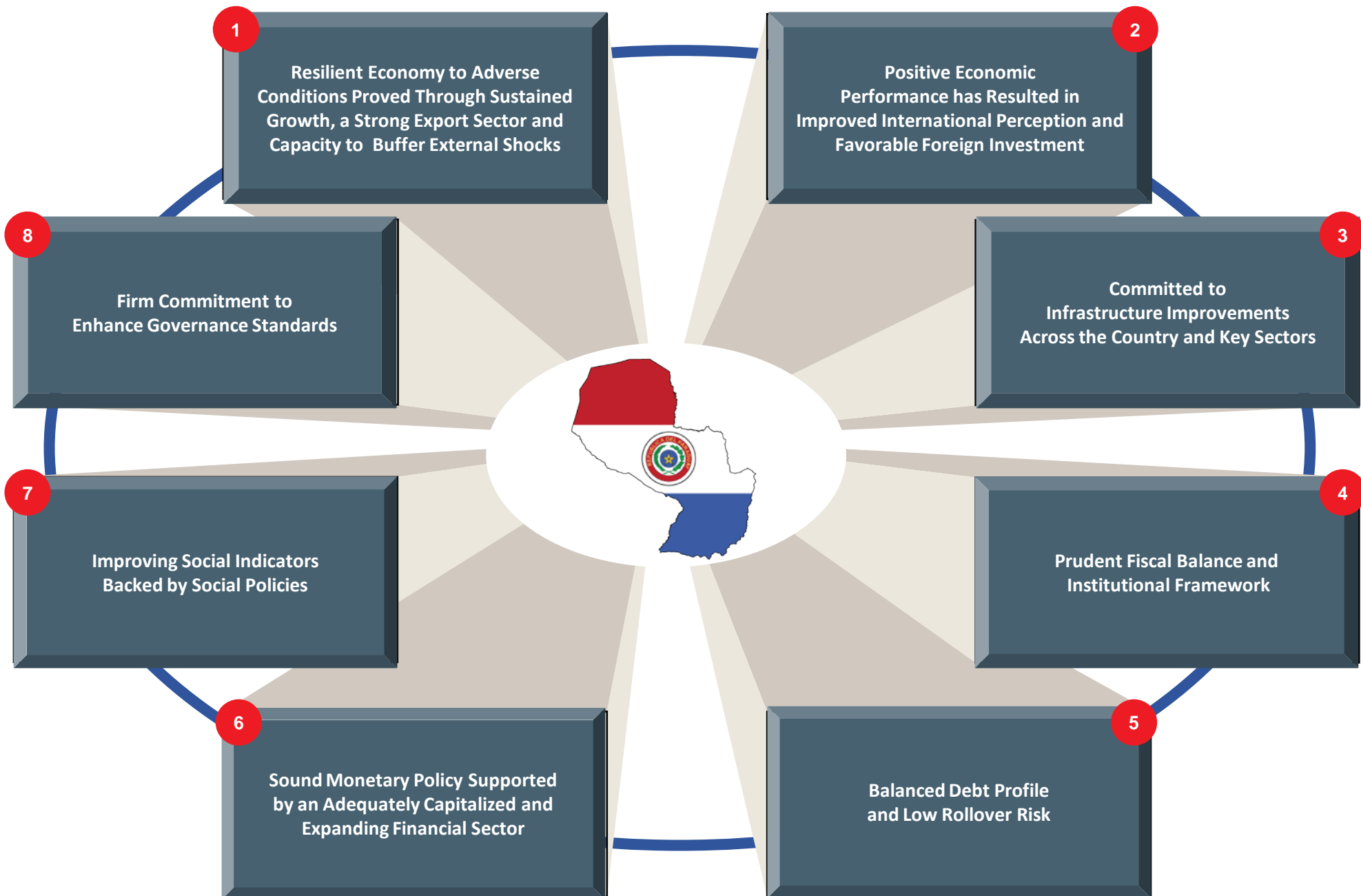
Source: Ministry of Finance of Paraguay, Central Bank of Paraguay and United States Department of Agriculture

(1) As of December 31st, 2015, preliminary data for Paraguay provided by the BCP. EIU estimates as of March 2016 for other countries

(2) Measured as (Exports + Imports) / GDP. As of December 31st, 2015, preliminary data for Paraguay provided by the BCP. EIU estimates for 2015 as of March 2016 for countries other than Paraguay

(3) As of December 31st, 2015, preliminary data for Paraguay provided by the BCP. EIU estimates for 2015 as of March 2016 for countries other than Paraguay

Investment Highlights





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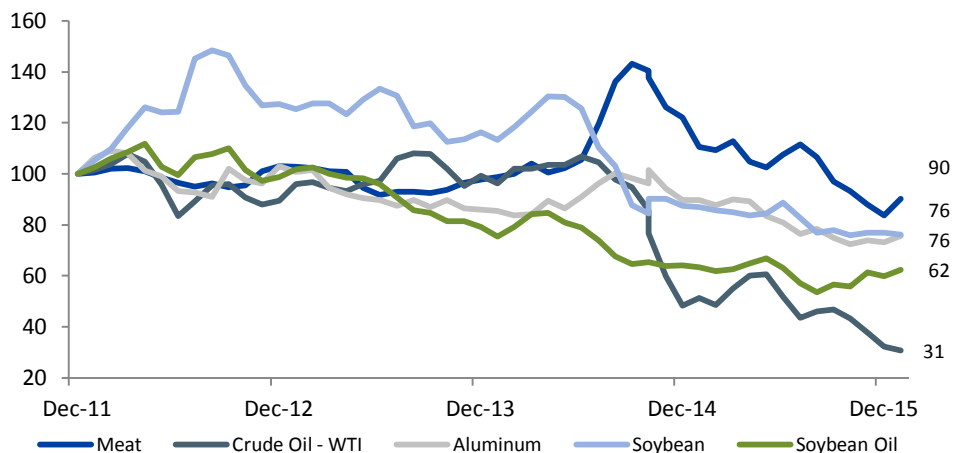
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**Resilient Economy to Adverse Conditions Proved
Through Sustained Growth, a Strong Export
Sector and Capacity to Buffer External Shocks**

Resilient Economy to Adverse Conditions....

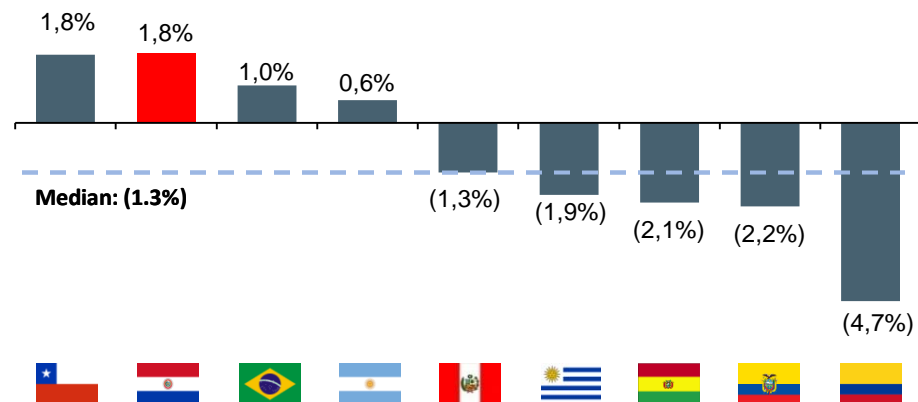
Despite Steadily Declining Commodity Prices...

USD/Tn² ⁽¹⁾



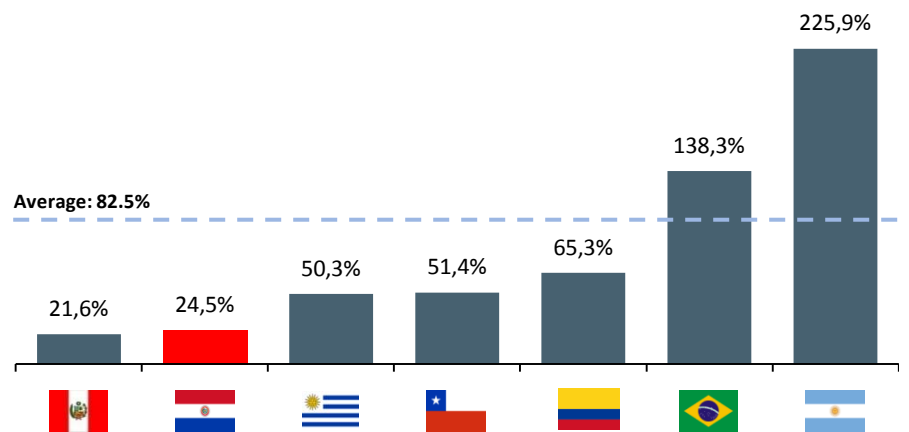
...Paraguay Maintains a Positive Trade Balance...

Trade Balance (2015E; % of GDP)⁽²⁾



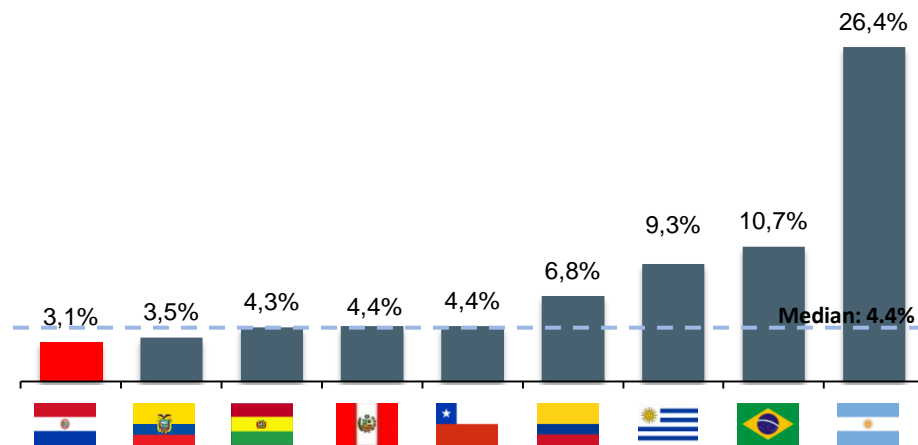
...A Relatively Stable Currency...

5 Year - Foreign Exchange Devaluation⁽³⁾



...And Lowest in the Region Inflationary Levels

Inflation (2015E; %)⁽²⁾



Source: Ministry of Finance of Paraguay, Central Bank of Paraguay and EIU

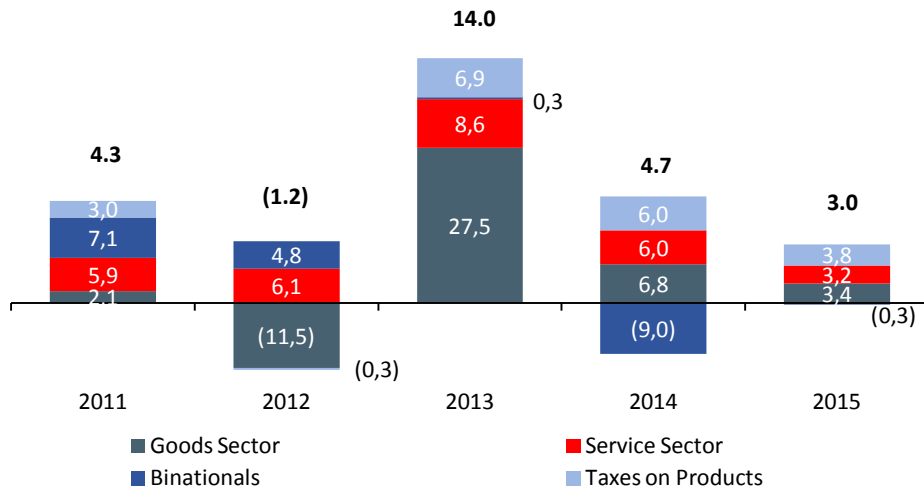
(1) Source: IMF commodity prices

(2) Preliminary data for Paraguay and EIU estimates as of March 2016 for countries other than Paraguay

(3) Source: Bloomberg

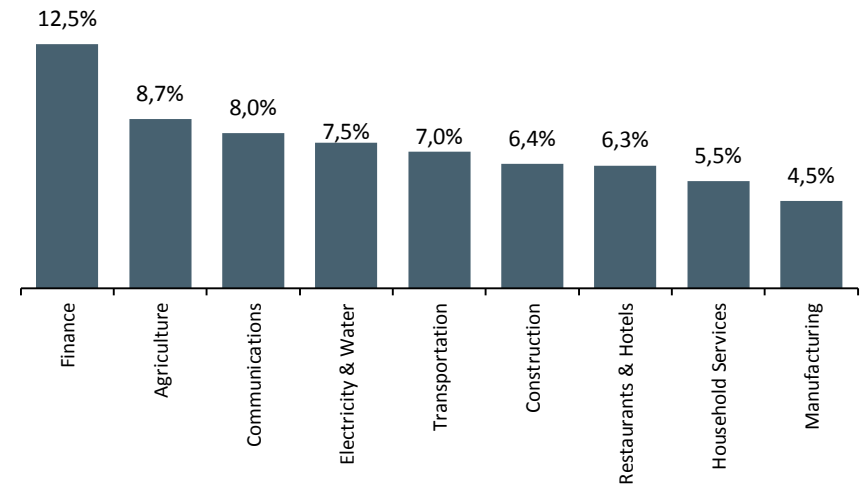
Significant Track Record of Economic Expansion...

Real GDP growth breakdown by sector contribution (%)



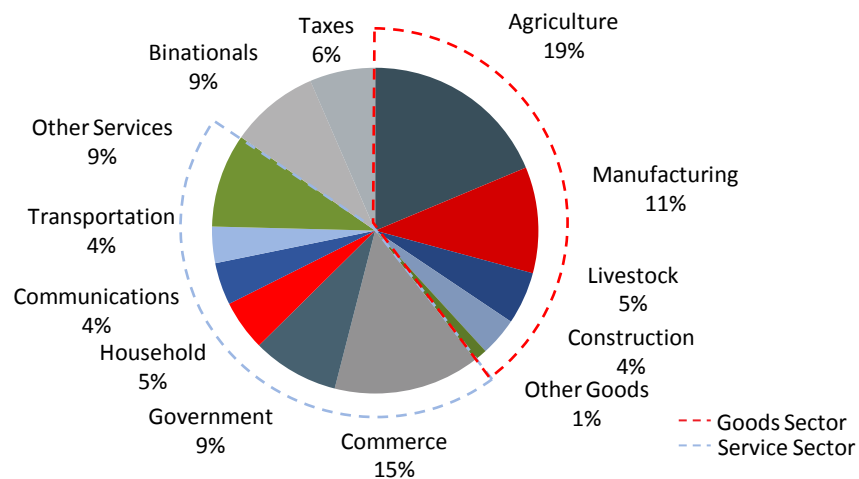
...Strong Growth Across Diverse Sectors of the Economy

Average 5-year Growth (%)⁽¹⁾



...Supported by a Gradually Diversified Economy...

2015 Real GDP Breakdown by Segment (%)



...And Attractive Competitive Advantages...

Item

Item	Paraguay	Brazil	Argentina	Chile
Energy Cost (US\$/MWh) ⁽²⁾	55	117	53	116
VAT Tax	10%	25%	21%	19%
Income Tax	10%	28%	35%	40%
Avg. Monthly Salary (US\$) ⁽³⁾	1,097	720	1,162	1,056
Population aged 20-34 ⁽⁴⁾	26%	25%	23%	23%

Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, and World Bank

(1) Growth ranking excludes Government (9.5% average 5 year growth)

(2) As of Jan-14. Source: Comisión de Integración Energética Regional

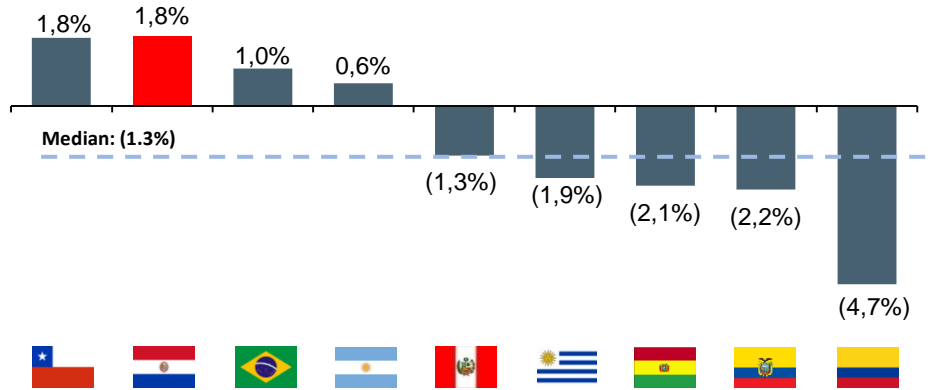
(3) Sources: Paraguay: EPH 2014, Brazil: Instituto Brasileiro de Geografia e Estatística (Dec-14); Argentina: Ministerio de Trabajo, Empleo y Seguridad Social (Dec-14); Chile: Instituto Nacional de Estadísticas (Dec-14). All figures converted from local currency to US\$ at Dec-14 official average exchange rate

(4) As of 2013 for Paraguay, and Oct-15 for other countries

...A Strong Export Sector...

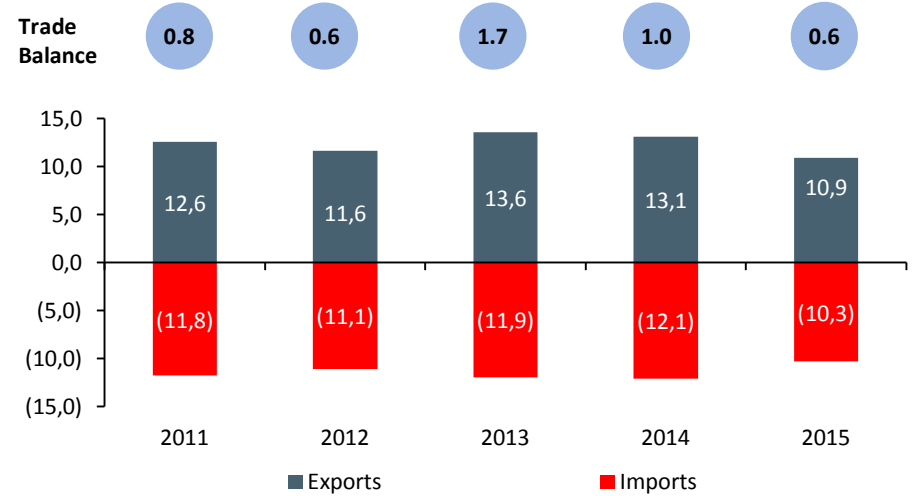
One of the Strongest Trade Balances in the Region...

Trade Balance (2015E; % of GDP)⁽¹⁾

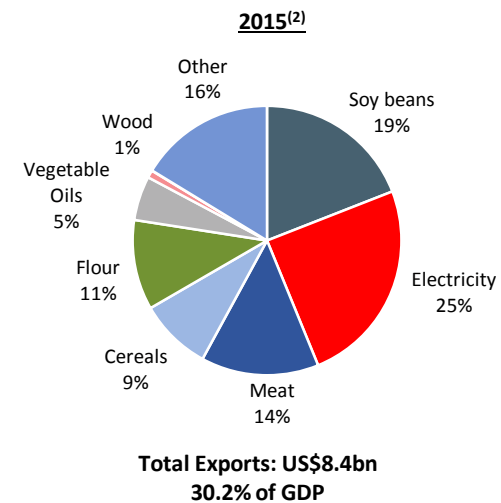
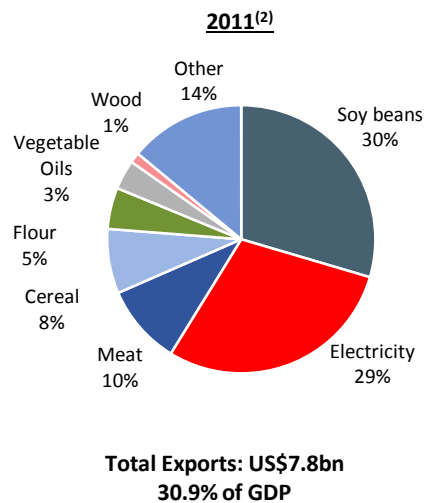


...With Consistent Positive Surplus Over the Last 5 Years...

US\$bn



...And an Increasingly Diversified Export Matrix



Source: Ministry of Finance of Paraguay and Central Bank of Paraguay

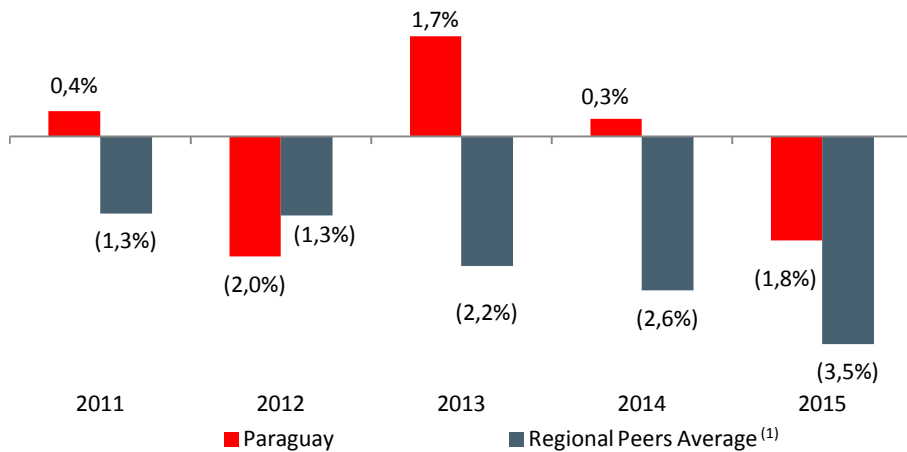
(1) Preliminary data for Paraguay and EIU estimates as of March 2016 for countries other than Paraguay

(2) Excludes re-exports of US\$4.9bn and US\$2.6bn in 2011 and 2015, respectively

... And Capacity to Buffer External Shocks

Below Regional Average Current Account Deficit...

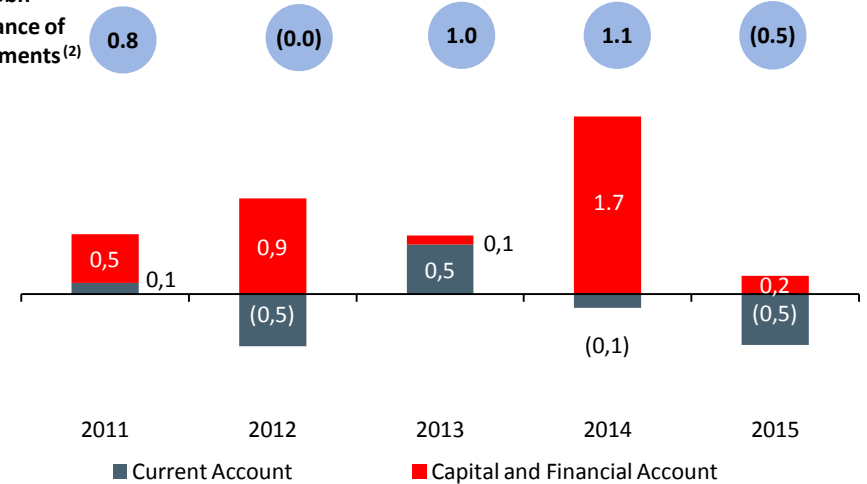
Current Account (% of GDP)



...With Low Levels of Balance of Payment Deficit...

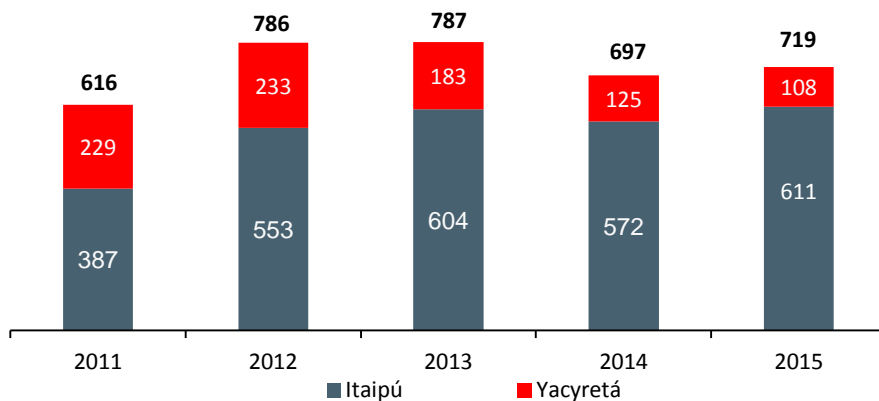
US\$bn

Balance of Payments⁽²⁾



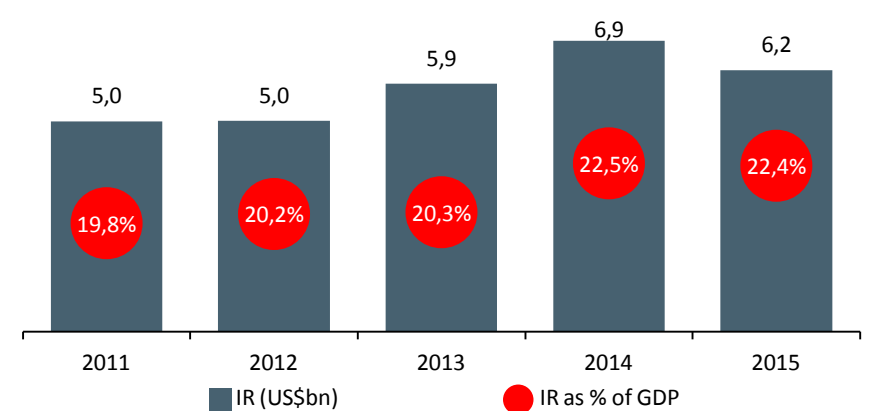
...Sustained Foreign Currency Inflows from Binationals ...

Income from Binational (US\$ mm)



... And a Significant Cushion Provided by International Reserves

International Reserves



Source: Ministry of Finance of Paraguay and Central Bank of Paraguay, EIU

(1) Regional Peers Average includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay. Source: EIU estimates as of March 2016 for countries other than Paraguay

(2) Includes errors and omissions



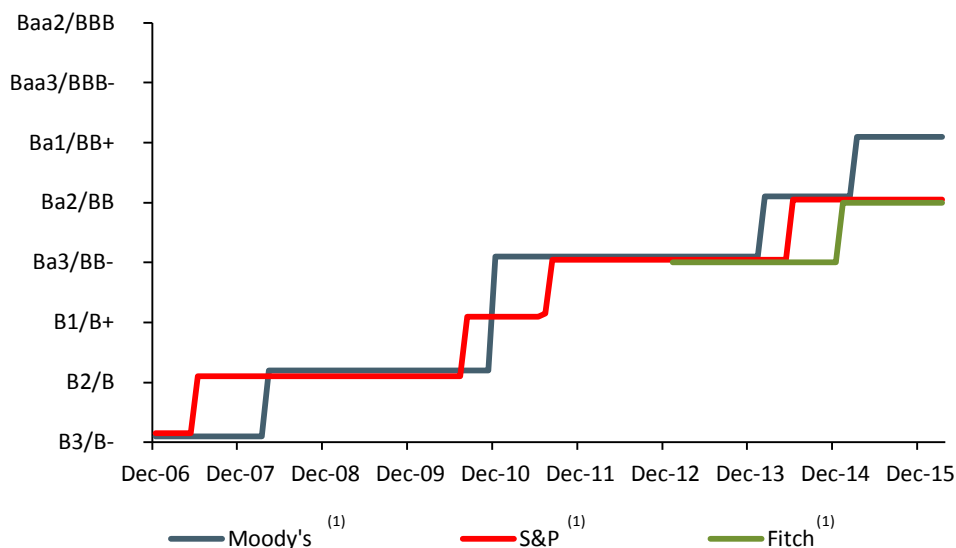
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**Positive Economic Performance has Resulted in
Improved International Perception and
Favorable Foreign Investment**

Positive Economic Performance has Resulted in Improved International Perception...

Solid Upward Trend in Credit Ratings



Favorable Credit Rating Agency Perceptions

- Paraguay is one of the few Latin American countries with an overall optimistic outlook for 2016, based on:

*"Paraguay has demonstrated **improved capacity to manage external shocks** without destabilizing effects for external accounts or macroeconomic stability. **Adequate international reserves, increased exchange rate flexibility and improved credibility of monetary policy** allow Paraguay to absorb multiple external pressures..."*

-Fitch, 27 Jan-16

*"There are **ongoing positive developments in the realm of diversification**, particularly as they relate to **developing the maquila industry, raising the value-added of agriculture products, and upgrading infrastructure**. Fiscal metrics are favorable compared to both Ba and Baa peer medians, and recent efforts to contain current spending will create **room for capital and infrastructure spending to boost potential growth...**"*

-Moody's, 25 Sep-15

*"Paraguay has shown **increasing resilience to negative economic trends in the region...** expectation for prudent macroeconomic policy implementation, **continuous support for greater economic institutionalization** (for example, in the debt management office), and **gradual improvements in economic diversification** that could increasingly limit Paraguay's vulnerability to external shocks."*

-S&P, 16 Jun-15

Top Regional Rating Improvement

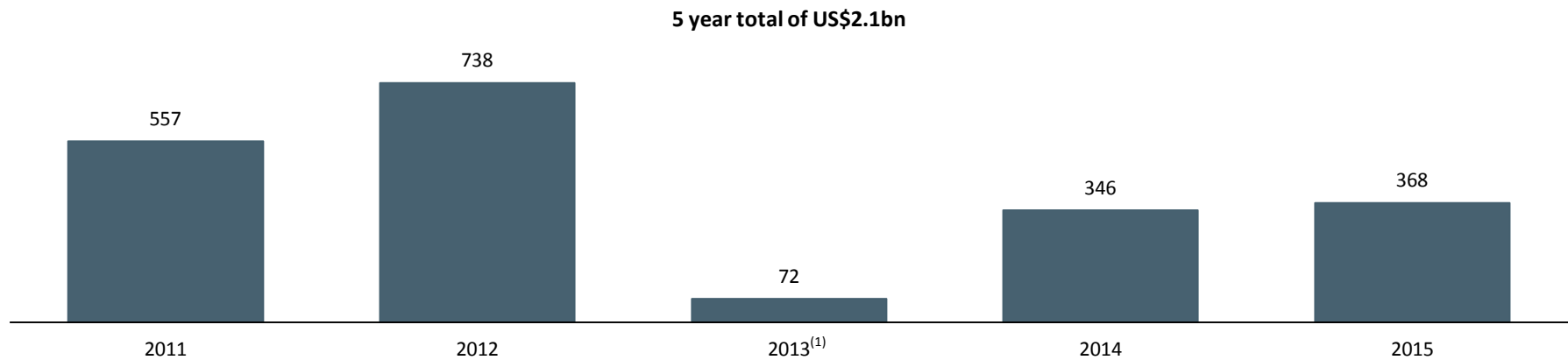
	Dec-10			Mar-16			Notches Upgraded		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	B	B1	NR	BB	Ba1	BB	3	3	-
	BB+	Ba1	BB+	BBB	Baa2	BBB	2	2	2
	BBB-	Baa3	BBB-	BB	Ba2	BB+	(2)	(2)	(1)
	BBB-	Baa3	BBB-	BBB+	A3	BBB+	2	3	2
	B-	Caa3	B-	B	B3	B	1	3	1

Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, Fitch Ratings, Moody's and Standard & Poor's

(1) Based on LT Foreign Currency Debt; A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time

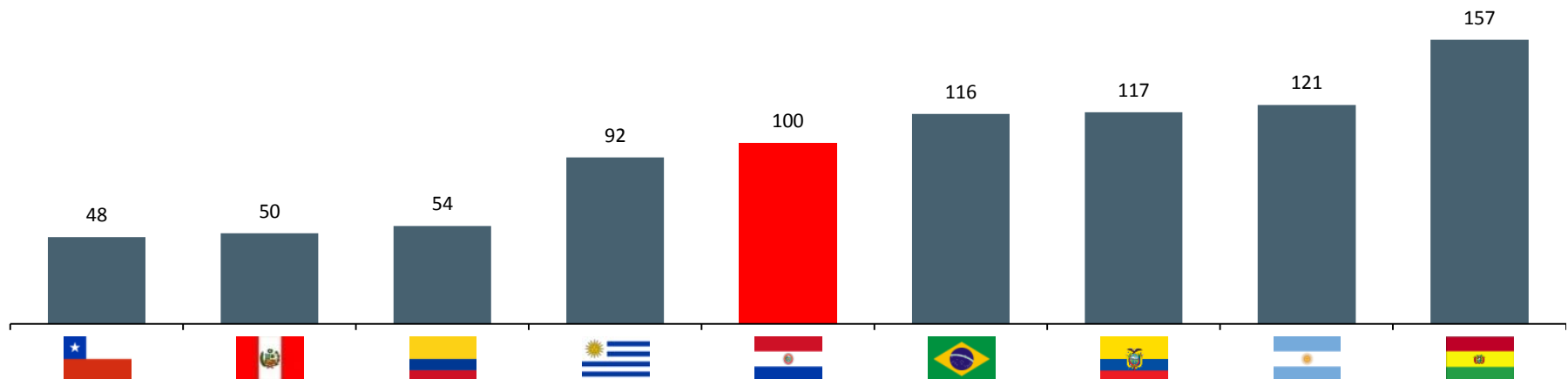
Track Record of Foreign Direct Investment Flows...

Annual FDI Flows (US\$mm)



...Supported by Positive Business Environment Indicators...

Ease of Doing Business Indicators⁽²⁾



Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, Doing Business Organization of World Bank Group

(1) Decrease is mainly explained by larger remittances of profits and amounts of loan payments

(2) World Bank Doing Business Indicator as of June 2015



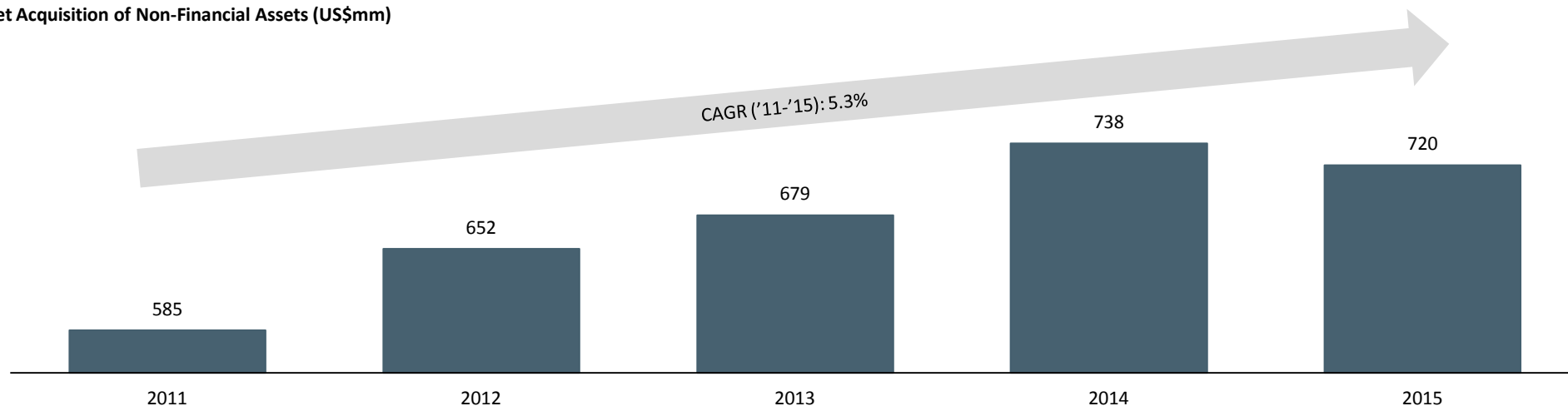
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**Committed to Infrastructure Improvements
Across the Country and Key Sectors**

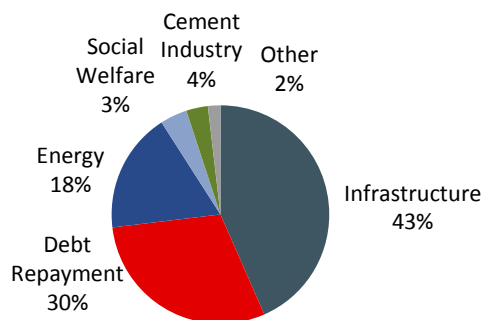
Successful Implementation of Public Investments...

Net Acquisition of Non-Financial Assets (US\$mm)



...Partially Funded Through International Offerings ...

Use of Funds by Purpose⁽¹⁾ (%)



Total Net Proceeds: US\$1.7bn

- 94% of total net proceeds from international bond issuances have already been deployed
 - 61% of deployed funds have been used to improve Paraguay's infrastructure and energy sectors

...And a Clear Framework for New Projects

- Historically, Paraguay's infrastructure projects were funded with its own resources
- However, recent regulatory initiatives, such as the PPP Law, have been implemented to increase private sector participation in public works projects

PPP Law

- Law designed to encourage public-private associations for infrastructure projects
 - Private participants selection is held by a competitive procedure such as a public tender
- The program requires a concession contract per project with specific terms and conditions
- Each project will require a special purpose vehicle and shareholders will have to comply with equity contributions and structuring of financing, among other

Source: Central Bank of Paraguay and Ministry of Finance

(1) Source: Ministry of Finance as of February 29th, 2016

Main Infrastructure Projects

Highway Roads 2 & 7	Size	<ul style="list-style-type: none"> • US\$430 mm
	Description	<ul style="list-style-type: none"> • Double carriageway over a 143km segment from Road 2 (Ypacaraí) to Road 7 (Km 183) • Includes construction of 5 ring roads, 3 viaducts and a crossroad • Awarded contract includes design, construction, financing and operation for a 30 year period



Waterway	Stage	<ul style="list-style-type: none"> • Master Plan soon to be started in association with US Army Corps of Engineers (USACE)
	Description	<ul style="list-style-type: none"> • Currently, navigation between Asunción and Apa River is restricted from Oct – Feb due to poor dredging and maintenance • Size, financing and timing considerations to be confirmed, based on Master Plan's output and recommendations • Project includes dredging, signage, beaconing and electronic navigation chart • Design will be environmentally-friendly • Hydroway will also decrease risk of flooding



Silvio Pettirossi Airport	Size	<ul style="list-style-type: none"> • US\$150 mm
	Description	<ul style="list-style-type: none"> • Silvio Pettirossi is Paraguay's largest airport in terms of activity and connections • Construction of a new 40,000km² passenger terminal and a 78,000km² platform • Passenger traffic is expected to reach ~3mm passengers / year once works are completed • Awarded contract includes design, construction, financing and operation for a 30 year period





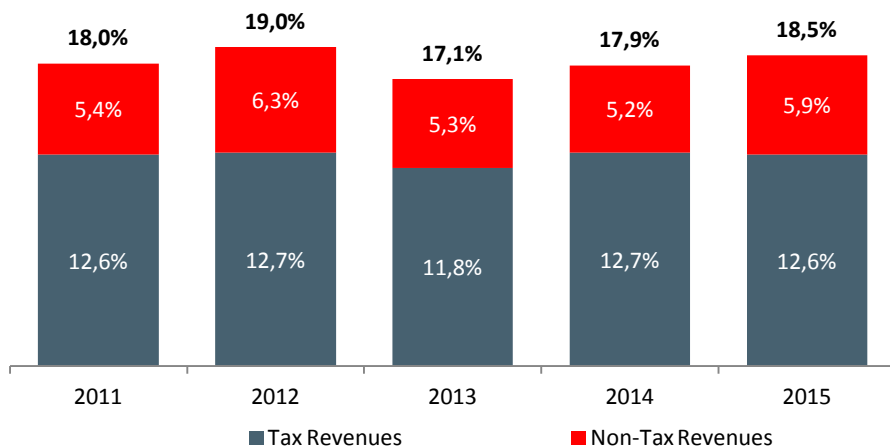
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**Prudent Fiscal Balance and
Institutional Framework**

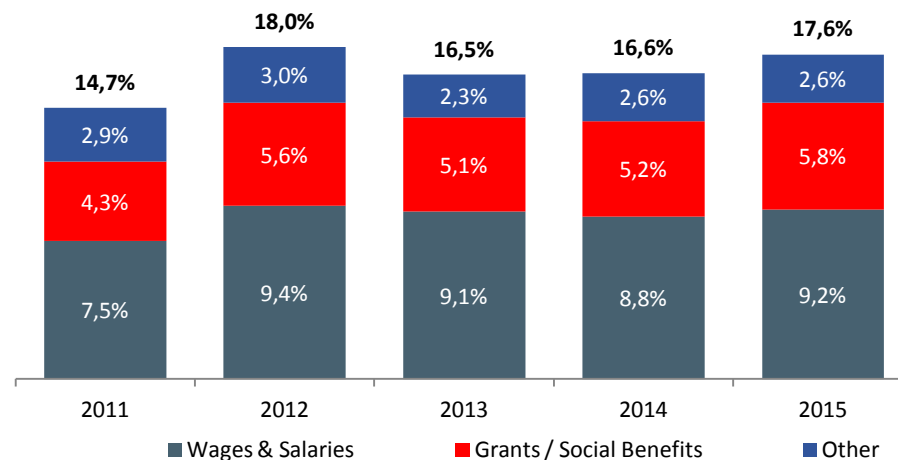
Stable Tax Revenue Policies...

Revenues Breakdown (% of GDP)



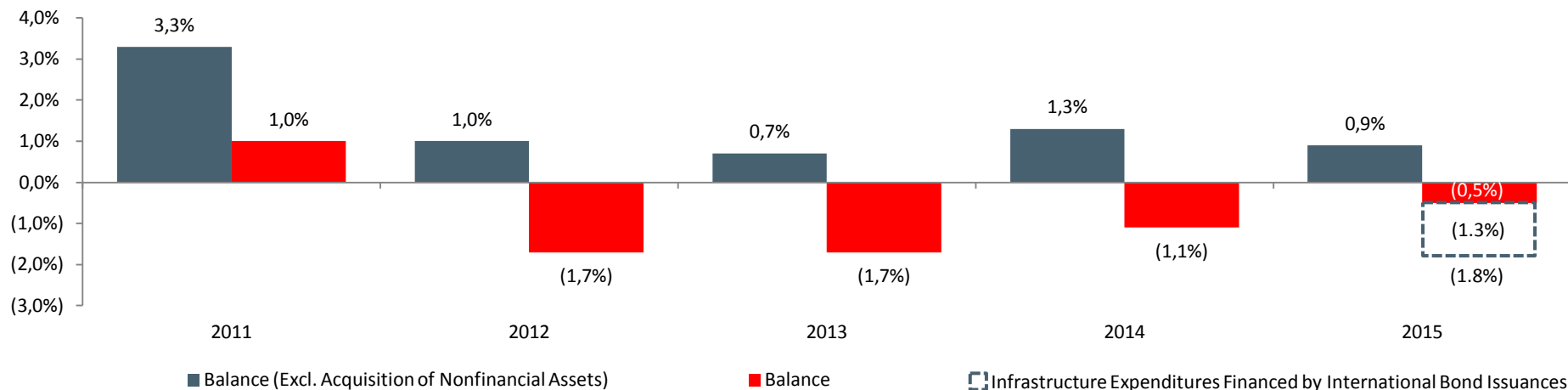
...And Central Government Expenditure Levels...

Expenditures Breakdown (% of GDP)



...Have Resulted in a Flexible Central Government Balance in Compliance With Regulatory Limits⁽¹⁾

% of GDP



Source: Central Bank of Paraguay and Ministry of Finance

17 (1) For 2015 overall balance's limit was set at (1.5%) of GDP, excluding infrastructure expenditures by international bond issuances

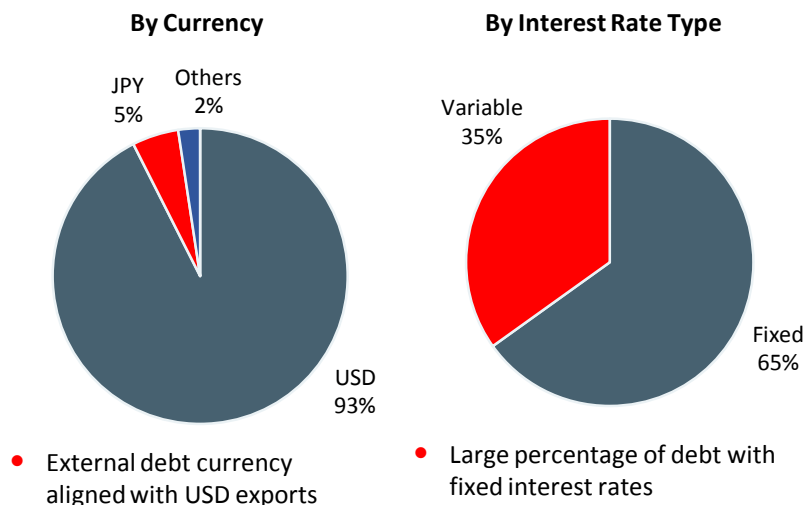


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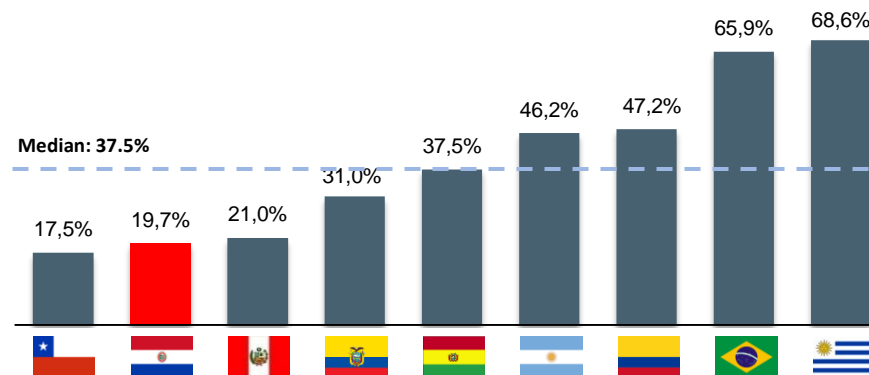
**Balanced Debt Profile
and Low Rollover Risk**

Conservative External Debt Composition...



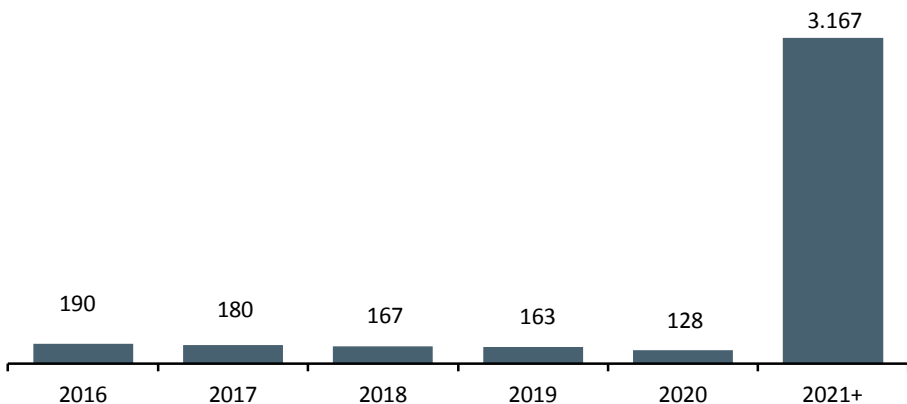
...And a One of the Lowest Leverages in the Region

Public Debt (% of GDP)⁽²⁾



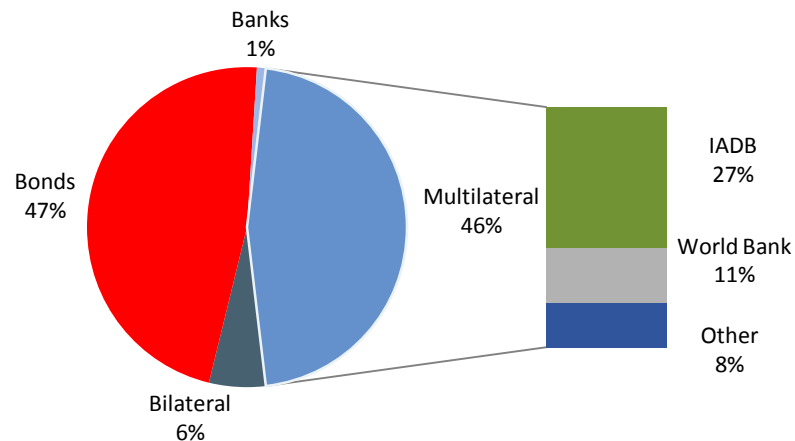
... Comfortable Public External Debt Maturity Profile...

Maturing Debt by Year (US\$mm)



...And Diversified Funding Sources

Public sector external debt by creditor (as of Dec-15)



Source: Central Bank of Paraguay and Ministry of Finance



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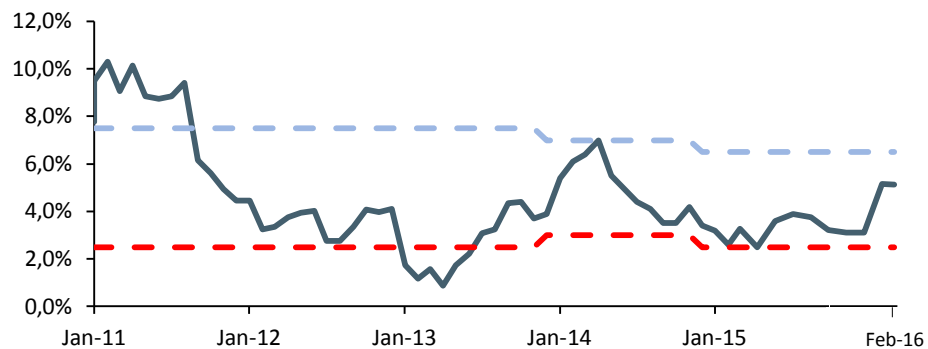
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**Sound Monetary Policy Supported
by an Adequately Capitalized and
Expanding Financial Sector**

Controlled Inflationary Levels...

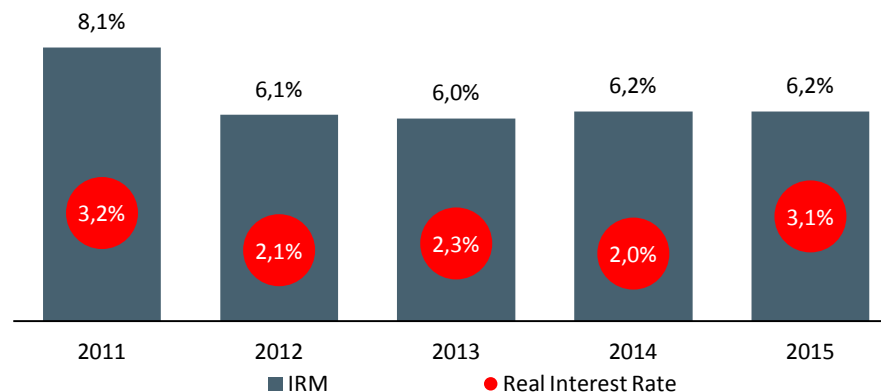
Current inflation target band: 4.5% +/- 2.0%

End of Year	Target	Inflation
2011	5.0%	4.9%
2012	5.0%	4.0%
2013	5.0%	3.7%
2014	5.0%	4.2%
2015	4.5%	3.1%



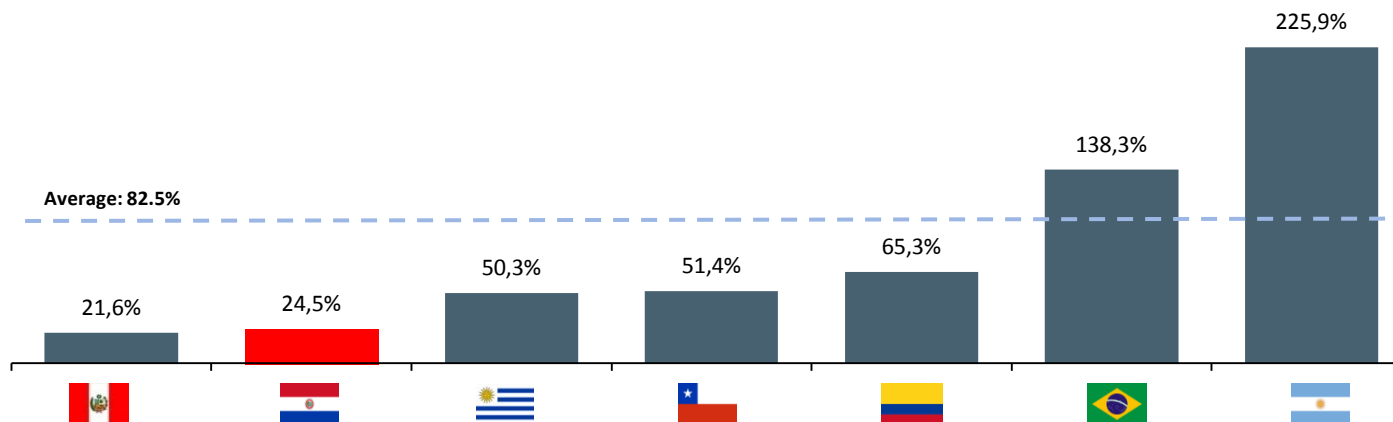
... With Low Domestic Interest Rates...

Nominal and Real Interest Rates⁽¹⁾ (%)



...And a Strong Foreign Exchange Policy

5 Year - Foreign Exchange Devaluation⁽³⁾



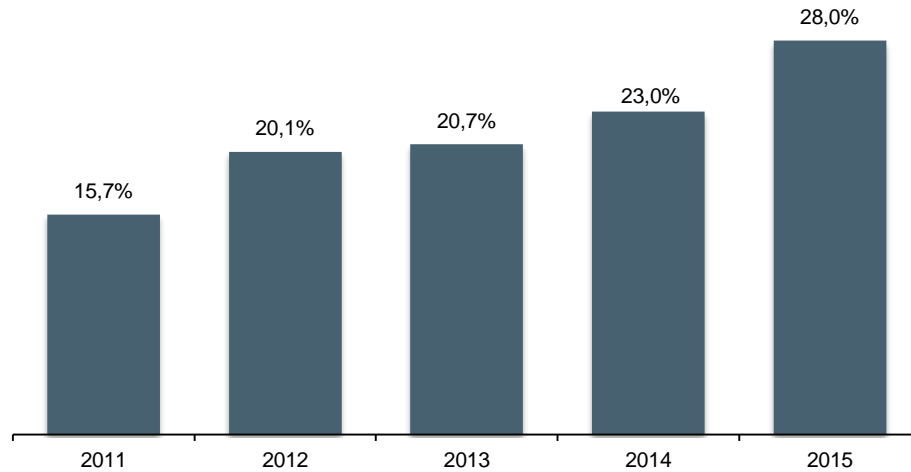
Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, United States Department of Agriculture
 21(1) Nominal Interest rate is the IRM; Real interest rate estimated as IRM less inflation

(3) Variation of local foreign currency vs. US dollar between December 31st, 2010 and 2015
 (4) Basket of main US trading partners. Source: Bloomberg

...Supported by an Adequately Capitalized and Expanding Financial Sector

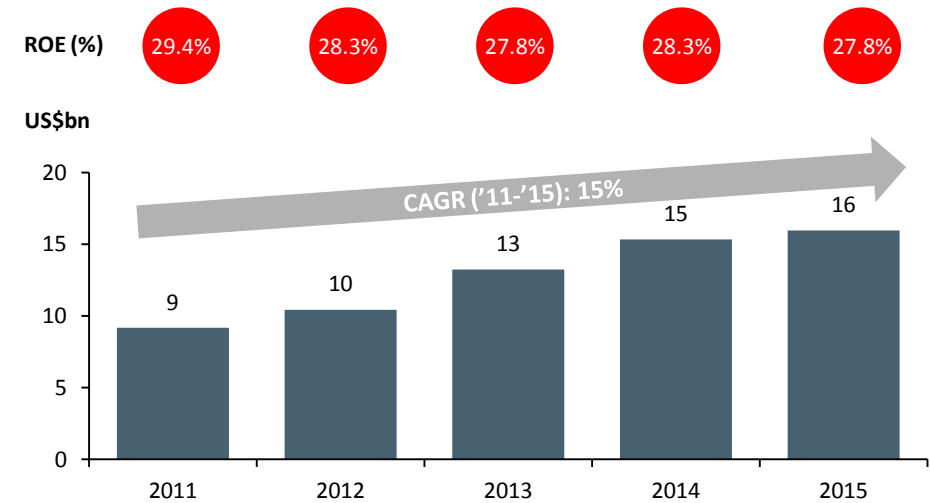
Growth Potential from Further Credit Expansion

Credit to Private Sector (% of GDP)



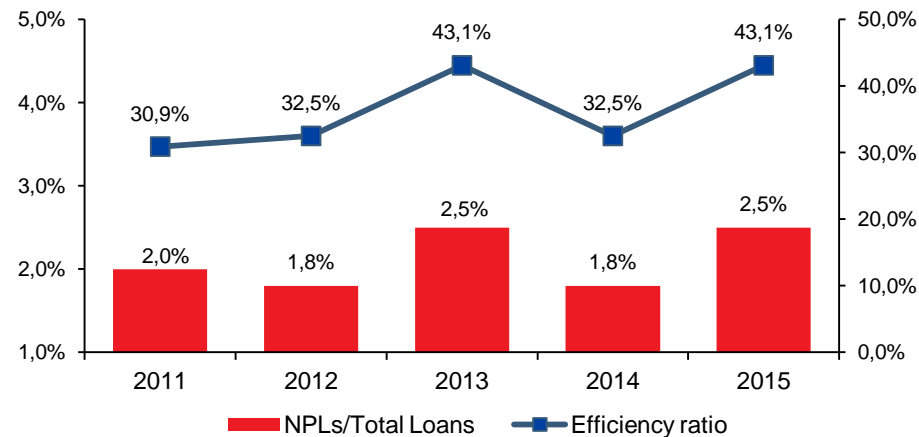
Consistent Growth and Profitability Over the Years...

Loans Evolution (US\$bn) and Return on Equity (%)



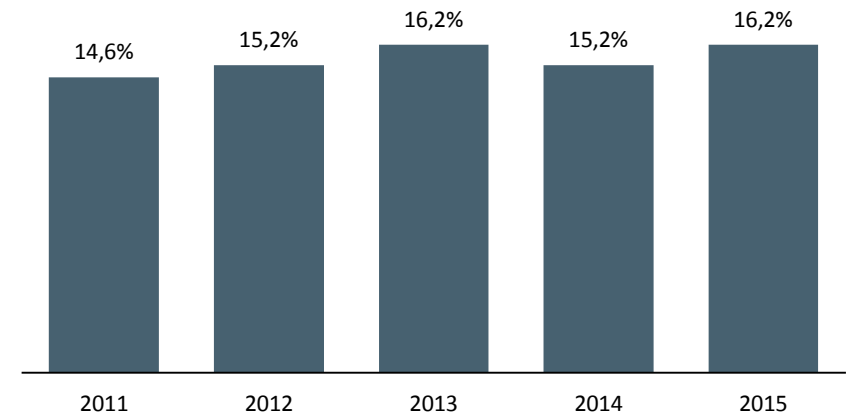
... On the Back of a Healthy and Efficient System...

NPLs/Total Loans and Efficiency Ratio (%)⁽¹⁾



...With Solid Capital Ratios

Capital Adequacy Ratio (%)⁽²⁾



Source: Central Bank of Paraguay and Ministry of Finance

(1) Efficiency ratio calculated as Operating Expenses/Total Assets

(2) Capital adequacy ratio calculated as Regulatory capital to risk weighted assets

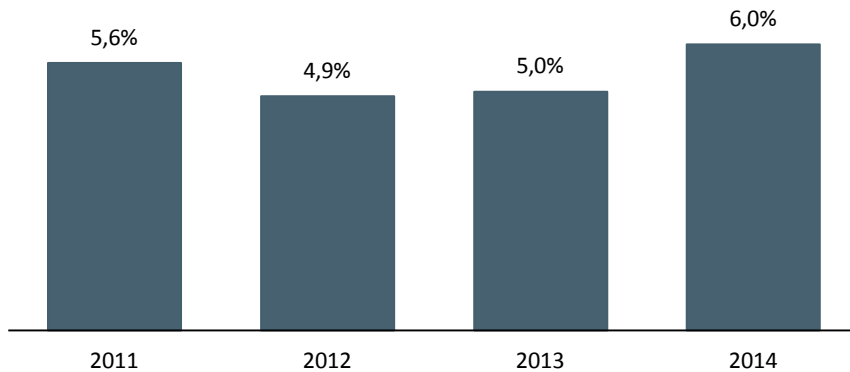


GOBIERNO NACIONAL
Construyendo el futuro hoy

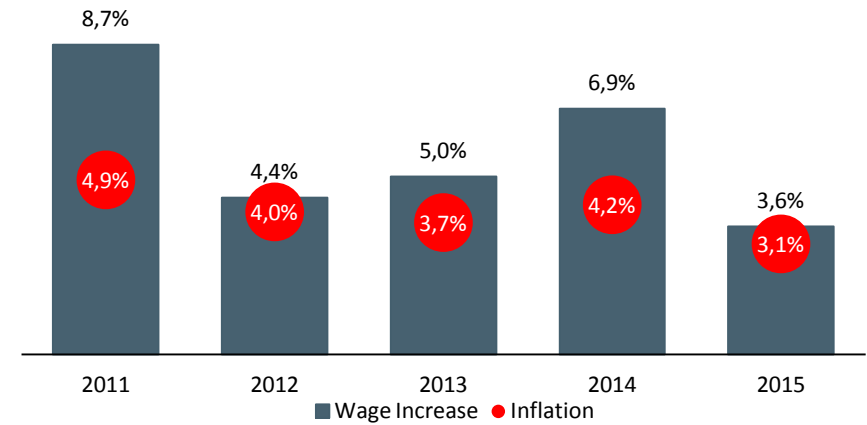
● PARAGUAY

**Improving Social Indicators Backed
by Social Policies**

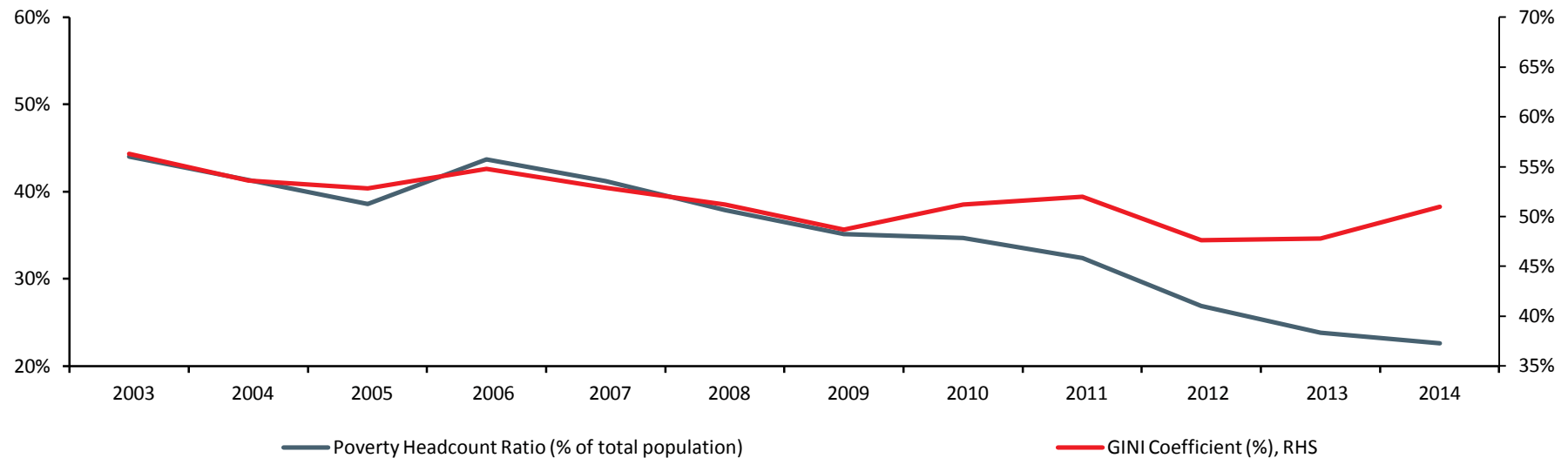
Controlled Unemployment...



... With Inflation Levels Below Minimum Wage Increases...



...And Poverty and Inequality Indices





GOBIERNO NACIONAL
Construyendo el futuro hoy

● PARAGUAY

**Firm Commitment To Enhance Governance
Standards**

Evidenced Commitment To Transparency...

- By strengthening the rule of law and decreasing corruption levels, Paraguay aims to improve its business environment conditions

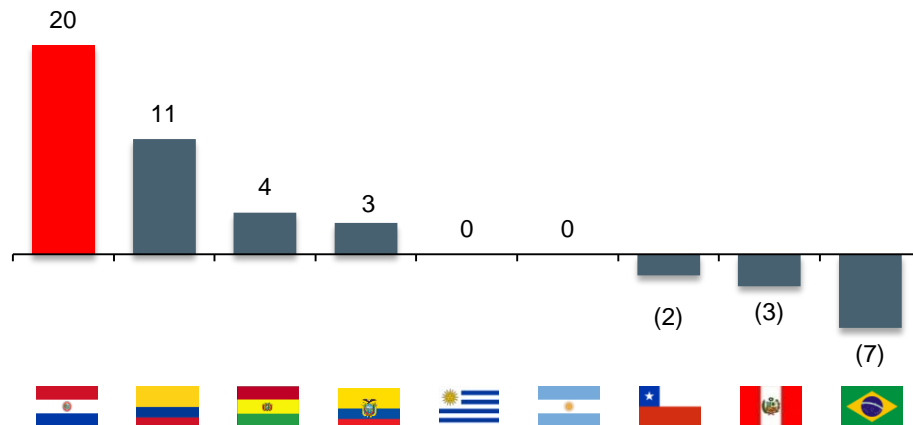
Freedom of Access
Information Law

Anti-Money
Laundering Policies

Regulated Licensing and
Registration Requirements

...Reflected in Improving Anti-Corruption Indicators...

Transparency International Corruption Ranking
(Ranking improvement 2015 vs. 2014)



Source: Transparency Organization, Ministry of Finance and IMF

...Leading to a Positive International Reputation

- Paraguay adheres to Article IV of IMF Standards for Data Dissemination
- IMF's press release regarding its 2016 mission to Paraguay in Feb-16 stated:

*"The authorities are moving forward with **welcome reforms to enhance financial supervision** (...) With the introduction and implementation of the Law of Free Access to Public Information, the **authorities have begun to establish much greater transparency in public processes to increase public accountability and strengthen governance**. This is an important step to **improve the quality of institutions in Paraguay on a lasting basis.**"*