

Pricing Date: February 4, 2019

The Republic of Paraguay | Case Study

US\$500 MM 5.400% Senior Unsecured Notes due 2050



Paraguay | US\$500 million 5.400% Senior Notes due 2050



On February 4, 2019, Citi led Paraguay in pricing a US\$500 million offering of 5.400% Notes due 2050. The offering priced at 99.987 to yield 5.400%. The transaction received overwhelming support, with total demand peaking at over US\$3.4 billion, highlighting the continued appeal of Paraguay's improving credit.

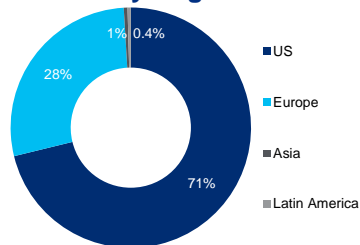
Summary Terms

Issuer:	The Republic of Paraguay
Ranking	Senior Unsecured
Issue Rating:	Ba1 (Moody's) / BB (S&P) / BB+ (Fitch)
Format:	144A / Reg S
Tenor:	30 years WAL
Amortization:	Three equal payments in 2048, 2049, and 2050
Size:	US\$500 million
Coupon:	5.400%
Price:	99.987
Yield:	5.400%
Denomination:	US\$200,000 x US\$1,000
Settlement:	February 7, 2019 (T+3)
Optional Redemption:	Make-whole call (T+37.5 bps) 6-month par call
Maturity:	March 3, 2050
UOP:	Finance infrastructure & capital expenditures and refinance a portion of outstanding debt in accordance with Annual Budget
Law / Listing:	State of New York/ Luxembourg & Euro MTF
Joint Bookrunners:	citi (Global Coordinator) +2

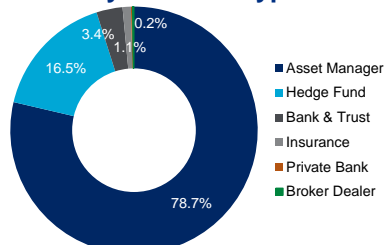
Transaction Highlights

- ✓ On February 4th, 2019 the Republic of Paraguay priced US\$500 million due 2050 in an **intraday** transaction. The new 5.400% notes priced at 99.987 to yield 5.400%. By introducing a soft bullet amortization profile and a 6-month par call, the Republic worked to refine the structure of its bonds and pre-emptively facilitate effective management of its portfolio
- ✓ After announcement, investors demonstrated significant interest in the Paraguayan bonds. As the morning progressed, the orderbook reached a peak of **US\$3.4 billion** or a total oversubscription rate of **~7x**, on of the largest orderbooks since its inaugural deal in 2013. More than **210 accounts** participated in the offering with indications
- ✓ Based on the depth and quality of demand for the bonds, Paraguay was in a position to leverage the overwhelming demand by **proceeding directly to launch** the transaction at 5.400%, a 25 bps tightening from IPTs, resulting in a new issue concession of a mere 0 - 5 bps
- ✓ This offering represents a landmark transaction for the Republic of Paraguay as its **longest dated bond ever sold** and in achieving its **lowest yield and spread to UST** for long-dated paper ever

Allocation by Region



Allocation by Investor Type



Transaction Overview

- Transaction was executed on an intraday basis, minimizing execution risk and highlighting the growing familiarity of the market with Paraguay
- A global investor call was held on the morning of pricing to update investors on recent developments and maintain an open dialogue with its creditors
- This is the first transaction since President Mario Abdo Benitez took over in August, demonstrating welcome political and economic continuity in the face of recent regional political upheaval

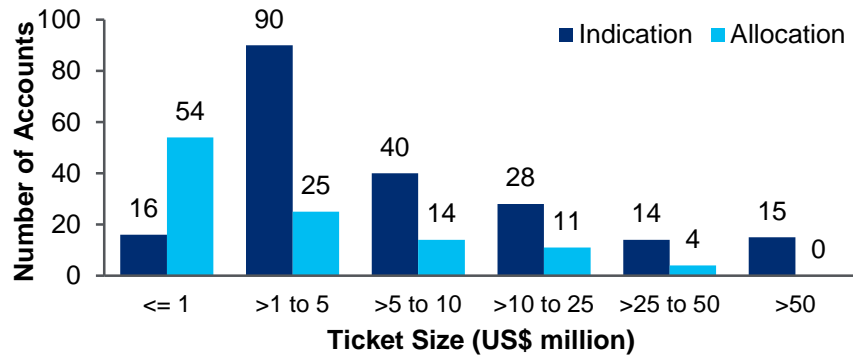


Paraguay I Book Building Process and Evolution

With 217 accounts participating through indications, final allocations reached 17% of total demand as investor interest remained strong, with several accounts placing triple digit orders.

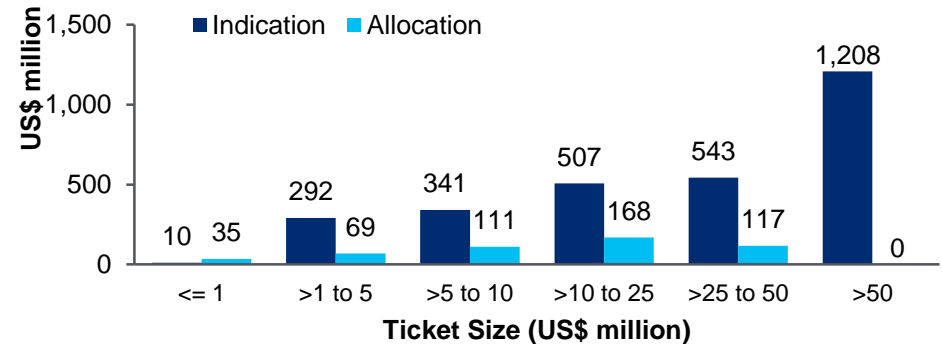
Distribution by Number of Accounts

Categorized (x-axis) by US\$ Amount (in US\$mm)



Distribution by Volume of Ticket Sizes

Categorized (x-axis) by US\$ Amount (in US\$mm)

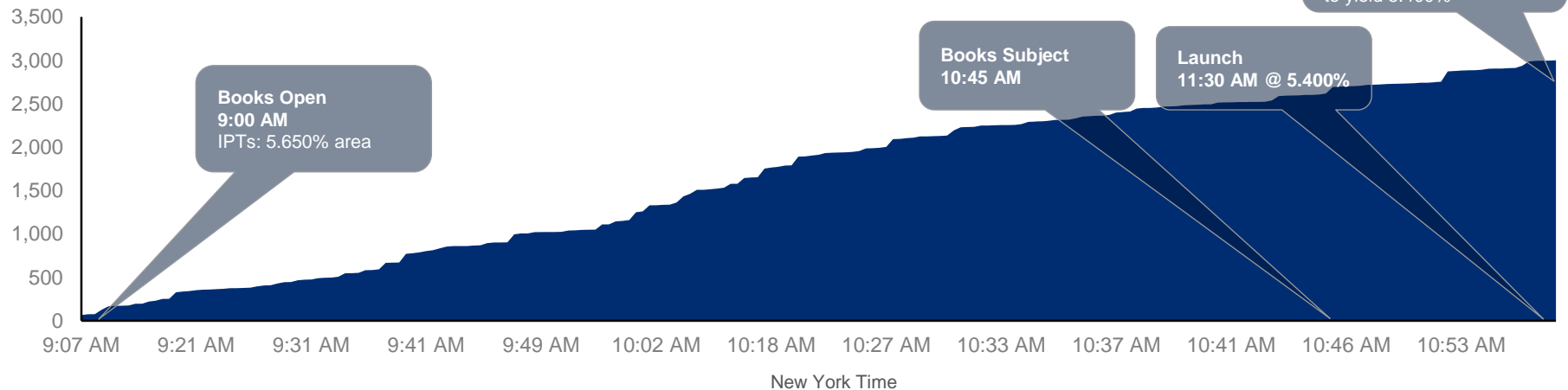


Total Number of Orders:	217
Demand Met (Book Allocation / Book Indication):	17.23%
Demand Met (Accounts Allocated / All Accounts):	53.20%

Average Indication:	US\$13.4 million
Median Indication:	US\$5.0 million
Average Allocation:	US\$4.6 million
Median Allocation:	US\$1.1 million

Orderbook Evolution

Orderbook reached US\$2.6 billion





Paraguay | Orderbook Drill Down

Investor	Indication	Allocation	Region	Type
Goldman Sachs Asset Management	100,000,000	30,000,000	US	Asset Manager
JP Morgan Asset Management	100,000,000	30,000,000	US	Asset Manager
Wellington Management Company	90,000,000	30,000,000	US	Asset Manager
BlueBay Asset Management	120,000,000	27,000,000	Europe	Hedge Fund
Mass Financial Services (MFS)	90,000,000	23,000,000	US	Asset Manager
Amundi Pioneer (USA)	92,300,000	20,000,000	US	Asset Manager
Fidelity Management & Research	35,000,000	20,000,000	US	Asset Manager
BlackRock	15,310,000	15,310,000	US	Asset Manager
Aberdeen Asset Management (UK)	66,430,000	15,000,000	Europe	Asset Manager
Vanguard Funds Group	75,000,000	15,000,000	US	Asset Manager
Ashmore Investment Mgmt Ltd	50,000,000	12,000,000	Europe	Asset Manager
Lazard Freres	45,000,000	12,000,000	US	Asset Manager
NN Investment Partners	70,000,000	12,000,000	US	Asset Manager
Stone Harbor Investment Partners LP	50,000,000	12,000,000	US	Hedge Fund
Trust Company of the West - TCW	40,000,000	12,000,000	US	Asset Manager
APG Investments US	60,000,000	10,000,000	US	Asset Manager
EMSO Asset Management Ltd	75,000,000	10,000,000	Europe	Asset Manager
Invesco Capital Management	70,000,000	10,000,000	US	Asset Manager
Neuberger & Berman	50,000,000	10,000,000	US	Asset Manager
HSBC Global Asset Management USA	20,000,000	8,000,000	US	Asset Manager
AMIA CAPITAL	65,000,000	7,000,000	Europe	Hedge Fund
Aviva Investors Global Serv	46,000,000	7,000,000	Europe	Asset Manager
Candriam	40,000,000	7,000,000	Europe	Asset Manager
Legal and General	9,000,000	7,000,000	Europe	Asset Manager
Marathon Asset Management LLC (NY)	25,000,000	7,000,000	US	Hedge Fund
TIAA Global Asset Mgmt	14,100,000	7,000,000	US	Asset Manager
Union Investment Gesellschaft	74,000,000	7,000,000	Europe	Asset Manager
Wells Capital Management	60,000,000	7,000,000	US	Asset Manager
Western Asset Mgmt US -WAMCO	10,000,000	7,000,000	US	Asset Manager
AIG Asset Management	10,000,000	5,000,000	US	Insurance
Banca IMI SPA	35,000,000	5,000,000	Europe	Private Bank
DANSKE CAPITAL	30,000,000	5,000,000	Europe	Bank & Trust
Northwestern Mutual	25,000,000	5,000,000	US	Bank & Trust
Oppenheimer Funds	25,000,000	5,000,000	US	Hedge Fund
Morgan Stanley Inv Mgmt	12,000,000	4,000,000	US	Asset Manager
Fideuram	20,000,000	3,000,000	Europe	Asset Manager



Paraguay | Orderbook Drill Down (cont'd)

Investor	Indication	Allocation	Region	Type
Global Evolution AS	21,500,000	3,000,000	Europe	Asset Manager
Pictet	20,000,000	3,000,000	Europe	Asset Manager
Adar Capital Partners Ltd	15,000,000	2,000,000	Asia	Hedge Fund
Aetna Asset Mgmt	10,000,000	2,000,000	US	Insurance
ANALYTICAL RESEARCH CM LP	25,000,000	2,000,000	US	Hedge Fund
ANCHORAGE ADVISORS (ACHA)	20,000,000	2,000,000	US	Hedge Fund
Eurizon Capital SGR SPA	10,000,000	2,000,000	Europe	Hedge Fund
Glen Point Capital LLP	30,000,000	2,000,000	Europe	Hedge Fund
GoldenTree Asset Mgmt	10,000,000	2,000,000	US	Asset Manager
Munich Reinsurance Group	7,000,000	2,000,000	Europe	Insurance
Newfleet Asset Management LLC	10,000,000	2,000,000	US	Asset Manager
SONA ASSET MANAGEMENT	15,000,000	2,000,000	Europe	Hedge Fund
State of California (Calpers)	5,000,000	2,000,000	US	Asset Manager
Suva Swiss Nat Accidents Insurance	15,000,000	2,000,000	Europe	Insurance
UBS AM (US)	5,000,000	2,000,000	US	Asset Manager
VR Capital Group	35,000,000	2,000,000	US	Hedge Fund
Millennium Fixed Income Ltd	10,000,000	1,500,000	US	Hedge Fund
Carmignac Gestion SA	2,750,000	1,250,000	Europe	Asset Manager
Aktia Asset Management	5,800,000	1,000,000	Europe	Asset Manager
AVENTICUM CAPITAL MANAGEMENT	15,000,000	1,000,000	Europe	Asset Manager
Blue Mountain Capital Management LLC	20,000,000	1,000,000	US	Hedge Fund
CAPITAL UNION BANK LIMITED	10,000,000	1,000,000	US	Bank & Trust
COLEMAN ASSET MANAGEMENT	10,000,000	1,000,000	Europe	Hedge Fund
Eurizon Capital SGR SPA	5,000,000	1,000,000	Europe	Hedge Fund
Euromobiliare Asset Management	8,000,000	1,000,000	Europe	Asset Manager
ExodusPoint Capital Man LP	10,000,000	1,000,000	US	Hedge Fund
First State Investment Management (UK) Ltd	6,000,000	1,000,000	US	Asset Manager
Inverseguros	3,000,000	1,000,000	Europe	Insurance
Jupiter Asset Management Ltd	25,000,000	1,000,000	Europe	Hedge Fund
LINEAR INVESTMENTS LIMITED	12,000,000	1,000,000	Europe	Hedge Fund
Lord Abbett & Co	1,000,000	1,000,000	US	Asset Manager
Merian GI UK	2,200,000	1,000,000	Europe	Asset Manager
MN Services	4,000,000	1,000,000	Europe	Asset Manager
Observatory Capital Mgmt LLP	15,000,000	1,000,000	Europe	Hedge Fund
Quish & Co. Ltd	15,000,000	1,000,000	US	Private Bank
Silver Ridge Asset Mgmt US LP	20,000,000	1,000,000	US	Hedge Fund



Paraguay | Orderbook Drill Down (cont'd)

Investor	Indication	Allocation	Region	Type
Vanguard Funds Group	1,000,000	1,000,000	US	Asset Manager
Wells (Strong) Capital	1,000,000	1,000,000	US	Asset Manager
Invex, Casa De Bolsa	10,000,000	690,000	LatAm	Bank & Trust
40/86 Advisors Inc	5,000,000	500,000	US	Asset Manager
Berkeley Asset Management LLP	10,000,000	500,000	US	Asset Manager
BlueCrest Capital Management (UK) LLP	20,000,000	500,000	Europe	Hedge Fund
Cargill Inc	10,000,000	500,000	US	Asset Manager
Decade Capital Management LLC	30,000,000	500,000	US	Asset Manager
EFG Capital International	7,000,000	500,000	US	Hedge Fund
Federated Investors	2,000,000	500,000	US	Asset Manager
Fincor Lisbon	4,000,000	500,000	Europe	Hedge Fund
First Capital Management Group GMBH	10,000,000	500,000	Europe	Asset Manager
FUNDAMENTA ASSET MGMT	10,000,000	500,000	LatAm	Hedge Fund
GML Capital LLP	10,000,000	500,000	Europe	Asset Manager
Gulf International Bank	7,500,000	500,000	Asia	Bank & Trust
Helaba Invest	1,600,000	500,000	Europe	Asset Manager
Joh Berenberg Gossler & Co KG	4,000,000	500,000	Europe	Private Bank
MAC CAPITAL MANAGEMENT LTD	3,000,000	500,000	Europe	Hedge Fund
Magnetar Capital	10,000,000	500,000	US	Hedge Fund
Mid Atlantic Capital Management	7,000,000	500,000	US	Hedge Fund
MM WARBURG BRINCKMAN HAMBURG	5,000,000	500,000	Europe	Bank & Trust
NEGOCIOS Y VALORES SA CORR DE	2,000,000	500,000	LatAm	Broker Dealer
Nomura Asset Management	1,000,000	500,000	US	Asset Manager
PensionDanmark	1,000,000	500,000	Europe	Asset Manager
Susquehanna Intl Group LLC	20,000,000	500,000	Europe	Hedge Fund
Tanner Corredores de Bolsa SA	10,000,000	500,000	LatAm	Broker Dealer
Allianz Global Inv Frankfurt	400,000	400,000	Europe	Insurance
State Street Bank & Trust	400,000	400,000	US	Bank & Trust
Bank Vontobel AG	6,000,000	250,000	Europe	Private Bank
Bluefin Inv Mgmt LLC	5,000,000	250,000	US	Hedge Fund
Coherence Capital Partners, LLC	8,000,000	250,000	US	Asset Manager
Goldcin Partners	3,000,000	250,000	Europe	Hedge Fund
MOUNT VERNON CAPITAL LLC	3,500,000	250,000	US	Hedge Fund
Pictet & Cie PB Geneva	2,300,000	250,000	Europe	Private Bank
RVX Asset Mgmt LLC	5,000,000	250,000	US	Asset Manager
Honeywell	200,000	200,000	US	Asset Manager

LATINFINANCE

Paraguay cuts funding costs with new bonds

February 5, 2019

Paraguay has sold \$500m in 31-year bonds at its lowest rate for long-term notes, as investors rewarded the country for solid economic growth and low debt levels.

The underwriters Citi, Goldman Sachs and Morgan Stanley priced the new notes with a coupon of 5.4%, or 234bp over US Treasury bonds, the lowest spread for any of Paraguay's 30-year paper.

"They did well and had no shortage of appetite," said a debt capital markets banker in New York who was not on the deal.

Demand for the new notes reached roughly the same levels as the \$530m in 30-year notes that Paraguay sold in March last year, when the order books were roughly five times oversubscribed, said an analyst from Fitch Ratings

"Paraguay is a really good story," the analyst said. "They have very good debt levels, pretty strong economic growth and a good balance of payments."

Paraguay paid slightly more than Colombia, which issued \$1.5bn in 30-year bonds at 5.2%, but less than half than Ecuador, which sold \$1bn in 10-year notes at 10.75%.

Before last year's bond sale, Paraguay sold \$1bn in 30-year notes at 6.1% in August 2014.

Paraguay's Finance Minister Benigno López said in July last year that the country could issue up to \$1bn in bonds in the local and international markets in 2019.



Paraguay has resounding success with USD500m due 2050

February 5, 2019

The Republic of Paraguay (Ba1/BB/BB+) returned to the international debt capital markets on 04 February 2019, with a USD500m 31-year due March 2050, priced at a yield of 5.40% - a spread of T+233.6bp. Since 2013, the borrower has undertaken one annual funding exercise in the international markets per year, and this transaction was its longest dated yet. However it featured an amortising structure which will see the bond repaid in three equal parts in 2048, 2049 and 2050. This allows the issuer to spread its repayments to minimise any potential refinancing risks. Additionally, the bond is callable on (and any time after) 30 September 2049, thereby affording Paraguay further flexibility in its liability management.

The new issue was announced in the morning of the US market open - in 144A/RegS format - with IPTs of 5.65% area for a deal size set at USD500m via lead managers Citigroup, Goldman Sachs and Morgan Stanley. The transaction quickly gathered momentum and it was formally launched a couple of hours later at a revised yield of 5.40%, and priced later during the New York session. The orderbook was six-times oversubscribed, according to a statement by the Paraguay Ministry of Finance.

There were several notable highlights to the successful new issue; the borrower achieved the lowest yield for its long-dated bond curve - the 2014 30-year bond was launched at 6.10% and the 2018 30-year at 5.60%. Furthermore this yield also equated to its lowest spread versus US Treasuries (T+233.6bp) yet.

In terms of a pricing point, when the new issue was announced, Paraguay's existing 5.60% due 2048 (last year's 30-year) was quoted in the secondary market at a yield of 5.30% according to buy-side sources. It remained at that level as the yield for the new issue was set at 5.40%. A buy-side institution in the orderbook considered this new issue concession to be fair value. A source away from the deal also saw the NIP at flat to Paraguay's existing curve.

The early London trading session saw the issue quoted at a cash price of 100.75/101.50 (yield 5.35/5.30%) from the reoffer cash price of 99.987.

[...]

IRS Circular 230 Disclosure: Citigroup Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of any transaction contemplated hereby ("Transaction"). Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the information contained herein and the existence of and proposed terms for any Transaction.

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

Although this material may contain publicly available information about Citi corporate bond research, fixed income strategy or economic and market analysis, Citi policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citi has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2019 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.

Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi's unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting \$50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation