

Republic of Paraguay

Investor Presentation

January 2021

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Oscar Llamosas Diaz
Minister of Finance

Education

- B.S. Economics, Universidad Nacional de Asunción, Asunción, Paraguay
- Masters in Economic Policy, Universidad Nacional de Tucuman, Tucuman, Argentina

Most Recent Professional Experience

- 2020 – Present: Minister of Finance
- 2017 – 2020: Vice Minister, “Subsecretaría de Estado de Administración Financiera”
- 2014 - 2017: Public Treasury Director, dependend of the “Subsecretaría de Estado de Administración Financiera”
- 2014: Chief of Macro-Fiscal Department, dependend of the “Subsecretaría de Estado de Economía”



Jose Cantero
President of the Central Bank


Education

- B.S. Economics and Political Science, University of Kansas
- Masters in Economic Policy, University of Illinois
- Masters in International Finance, University of Illinois

Most Recent Professional Experience

- 2018 – Present: President, Central Bank of Paraguay
- 2017 – 2018: Member of the Board of Directors, Central Bank of Paraguay
- 2014 - 2017: CEO, Interfisa Banco
- 2008 – 2014: Editor in Chief, Foco Economía y Negocios Magazine

Summary of the Offering

Issuer:	Republic of Paraguay (“Paraguay”)	
Expected Ratings:	Ba1 (stable) by Moody’s / BB (stable) by S&P / BB+ (stable) by Fitch	
Ranking:	Senior Unsecured	
Currency:	USD	
Format:	144A / RegS	
Securities:	New Notes due 2033	Reopening of 5.400% Notes due 2050
Transaction Size:	Benchmark	Benchmark
Existing Amount:	-	USD 950,000,000
Maturity:	January 29, 2033	March 30, 2050
Amortization:	Equal amortizations in years 2031, 2032 and 2033	Equal amortizations in years 2048, 2049 and 2050
Average Life:	11.0 years	28.7 years
Coupon:	-	5.400%
Optional Redemption:	Make-Whole Call 3-month Par-Call	Make-Whole Call 6-month Par-Call
Use of Proceeds:	General Government Purposes and liability management of 4.625% 2023 Notes	
Int. Payments Dates:	Fixed, paid semi-annually in arrears	
Denominations:	USD 200,000 x USD 1,000	
Listing:	Luxembourg Stock Exchange / Euro MTF	
Governing Law:	State of New York	
Bookrunners:		

Tender Offer Target Bonds & Timeline

Tender Offer Target Bonds

Series	Maturity	Coupon (%)	Outstanding Principal Amount (USD)	Repurchase Price
USD Global Notes	01/25/2023	4.625	780,000,000	1,078.75

Tender Offer Timeline

Date	New York Time	Event
Wednesday, January 20	At or around 8:00 AM	Tender Offer Announced
Wednesday, January 20	At or around 12:00 PM	Expiration Time for Non-Preferred Tenders
Wednesday, January 20	At or around 1:00 PM	Expiration Time for Preferred Tenders
Wednesday, January 20	At or around 4:00 PM	Pricing Terms for New Bonds Announced
Thursday, January 21	At or around 8:00 AM	Maximum Purchase Amount and Acceptance of Preferred and Non-Preferred Tenders announced
Wednesday, January 27	--	Tender Offer Settlement

Key Facts: Republic of Paraguay

Sovereign Credit Rating	<ul style="list-style-type: none"> Moody's: Ba1 (stable) S&P: BB (stable) Fitch: BB+ (stable)
Geography	<ul style="list-style-type: none"> Capital City: Asuncion
Population	<ul style="list-style-type: none"> 7.25 million (2020) Over half the population lives in urban areas in the eastern portion of the country
Currency	<ul style="list-style-type: none"> Paraguayan Guaraní, ₲ Exchange Rate G. 7,036.7 per U.S. dollar (YE 2020)
GDP	<ul style="list-style-type: none"> Nominal GDP: USD 35,679 million (2020) GDP per capita: USD 4,919 USD (2020)
President	<ul style="list-style-type: none"> Mario Abdo Benítez (Colorado Party) Start of five-year term on August 15, 2018



Paraguay is Underpinned by its Competitive Profile in The Region

Item				
Indirect Tax Rate	10%	17%	21%	19%
Corporate Tax Rate	10%	34%	35%	25%
Trade Weighted Average Duty (%)	7.0%	10.0%	14.8%	5.8%
Social Security Contribution (*)	25.5%	31.0%	40.0%	32.0%
Energy Cost (c\$/kWh)	6.6	16.8	10.8	10.2

- ✓ **Lowest indirect tax rate in the region**
- ✓ **Lowest corporate tax rate in the region**
- ✓ **Second lowest trade weighted average duty**
- ✓ **Lowest energy costs in the region**

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

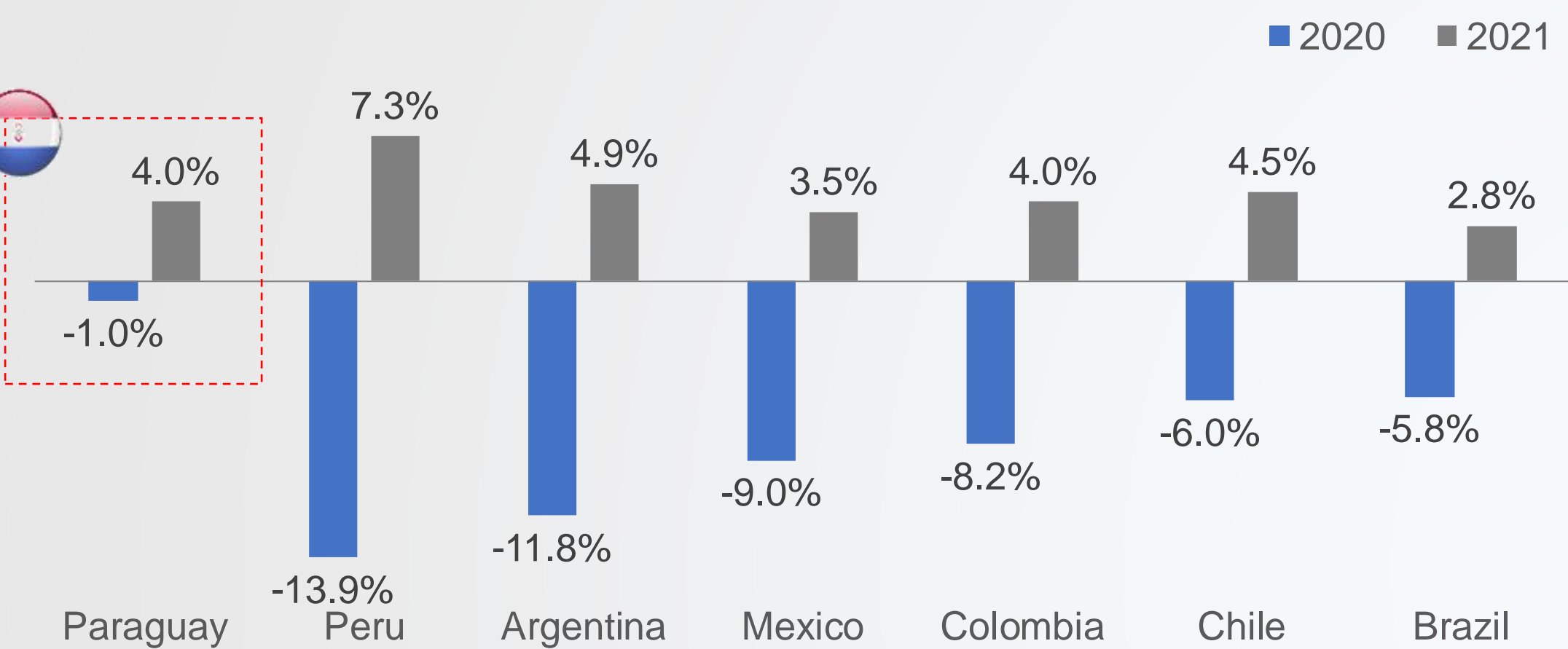


- 1 Resilient Economy amid Swift and Decisive Response to COVID-19 Pandemic**
- 2 Effective Counter Cyclical Policies Demonstrated by Economic Stabilization & Recovery**
- 3 Committed & Independent Central Bank**
- 4 Strong Institutional Reforms to Reinstate the Path to Fiscal Consolidation & Economic Reactivation**
- 5 Conservative Debt Profile Supportive to Growth**

Resilient Economy amid Swift and Decisive Response to COVID-19 Pandemic

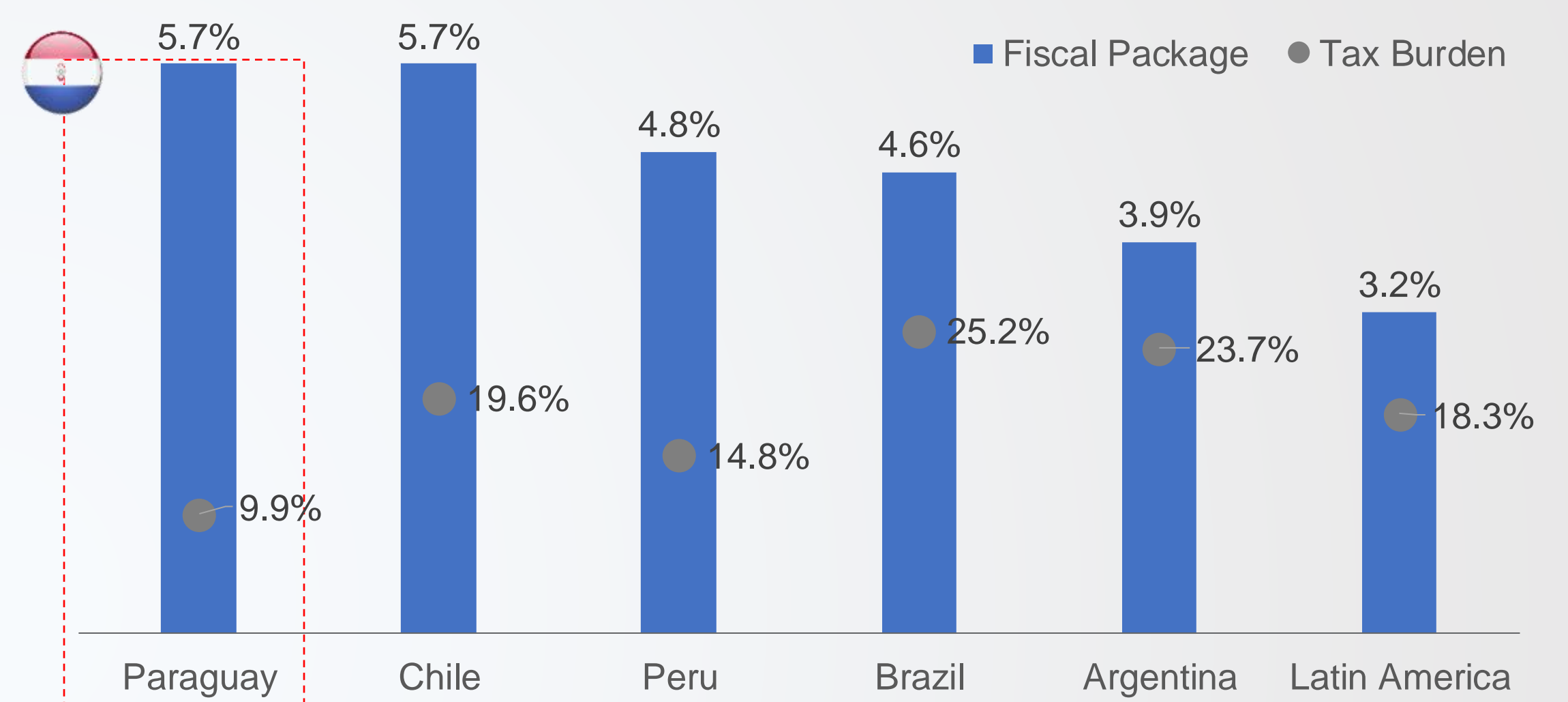
Paraguay has shown greater resilience to the pandemic compared to regional peers...

Projected Economic Growth (% GDP)



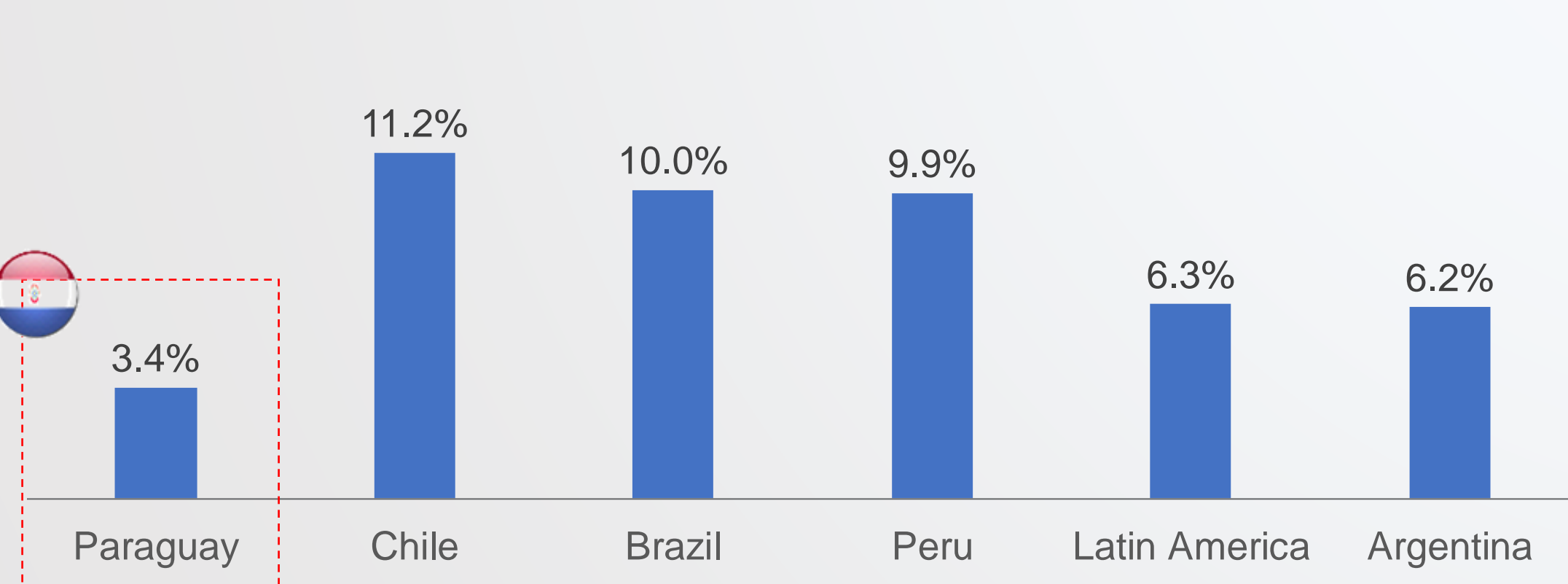
...executing an effective stimulus package...

Fiscal Support Packages & Tax Pressure (% GDP)



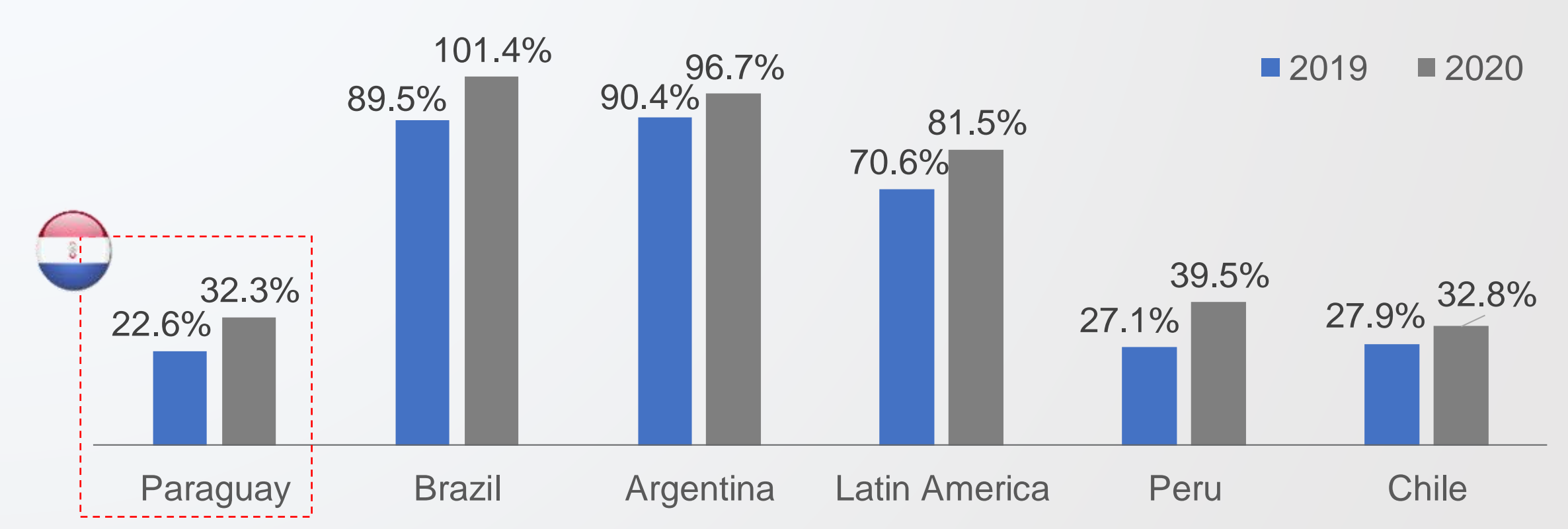
...while containing its fiscal balance

2020 vs. 2019 Fiscal Deficit (% of GDP)



...and minimizing the impact on public debt

Increase in Public Debt 2020 vs. 2019 (% of GDP)¹



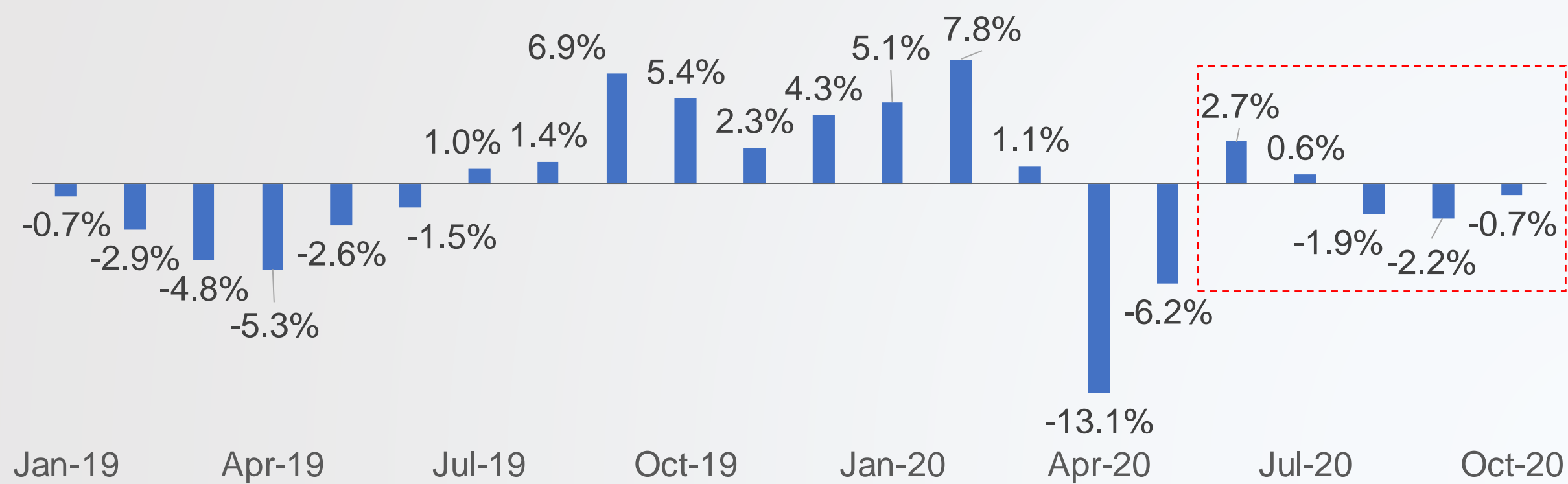
Source: Central Bank of Paraguay, IMF, Ministry of Finance

Notes: 1. As of November 2020

Effective Counter Cyclical Policies Demonstrated by Economic Stabilization & Recovery

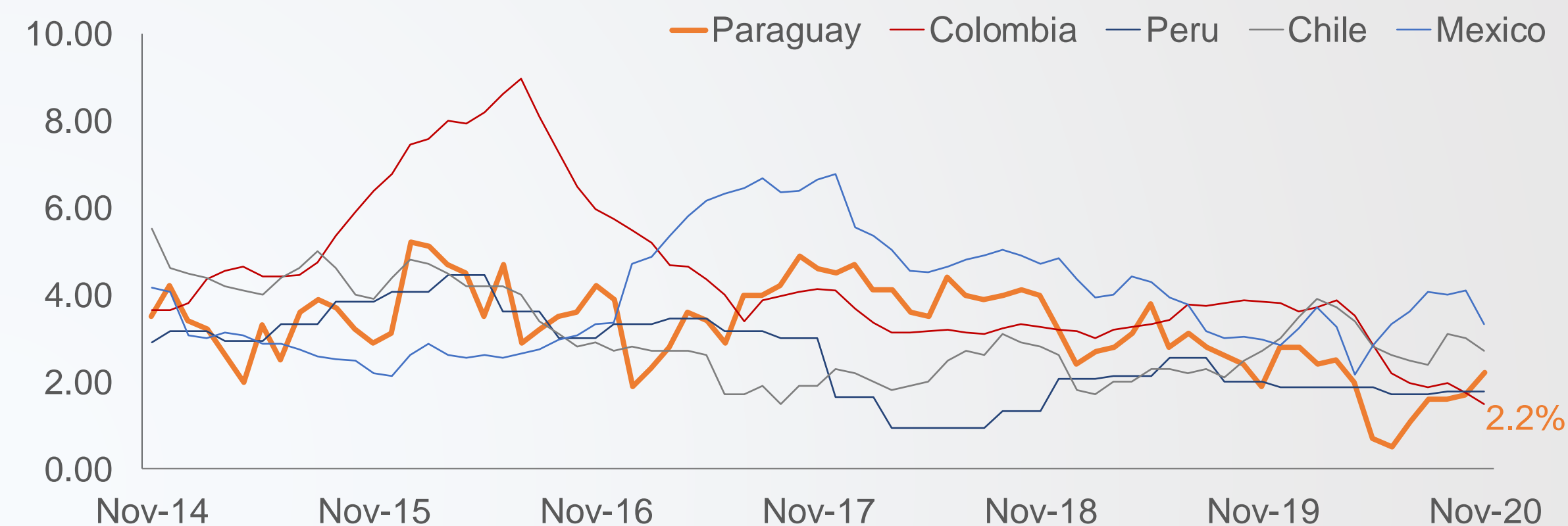
Paraguay's economic strength is showcased through the rapid economy recovery...

Monthly Economic Indicator (YoY, %)



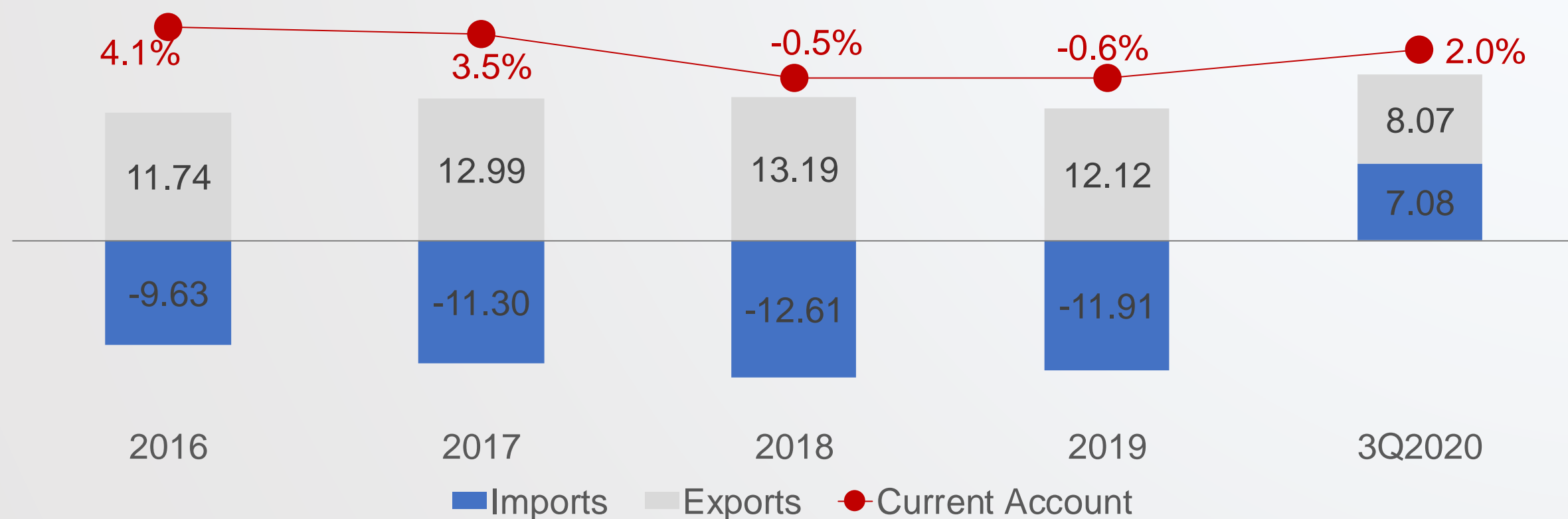
...lower and more stable inflation vs. Investment Grade peers...

CPI (Annual Year-End Growth Rate, %)



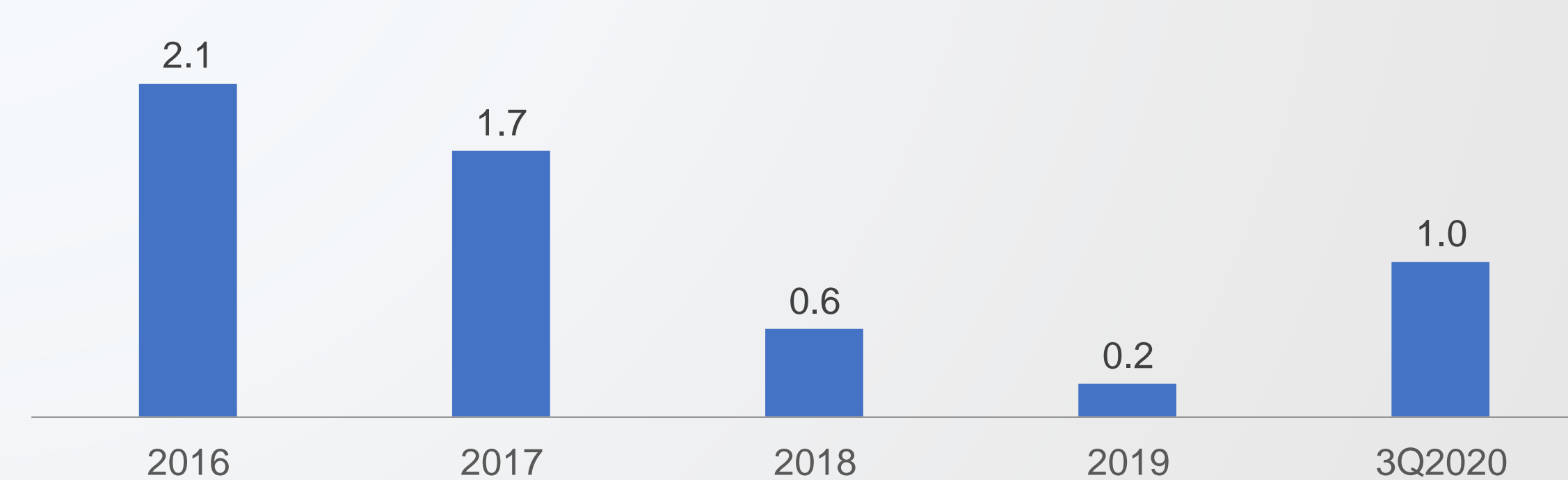
...positive external balance...

Exports & Imports (USD bn), Current Account (% of GDP)



...and a positive trade balance account

Trade Balance (USD bn)



Source: Ministry of Finance, Central Bank of Paraguay

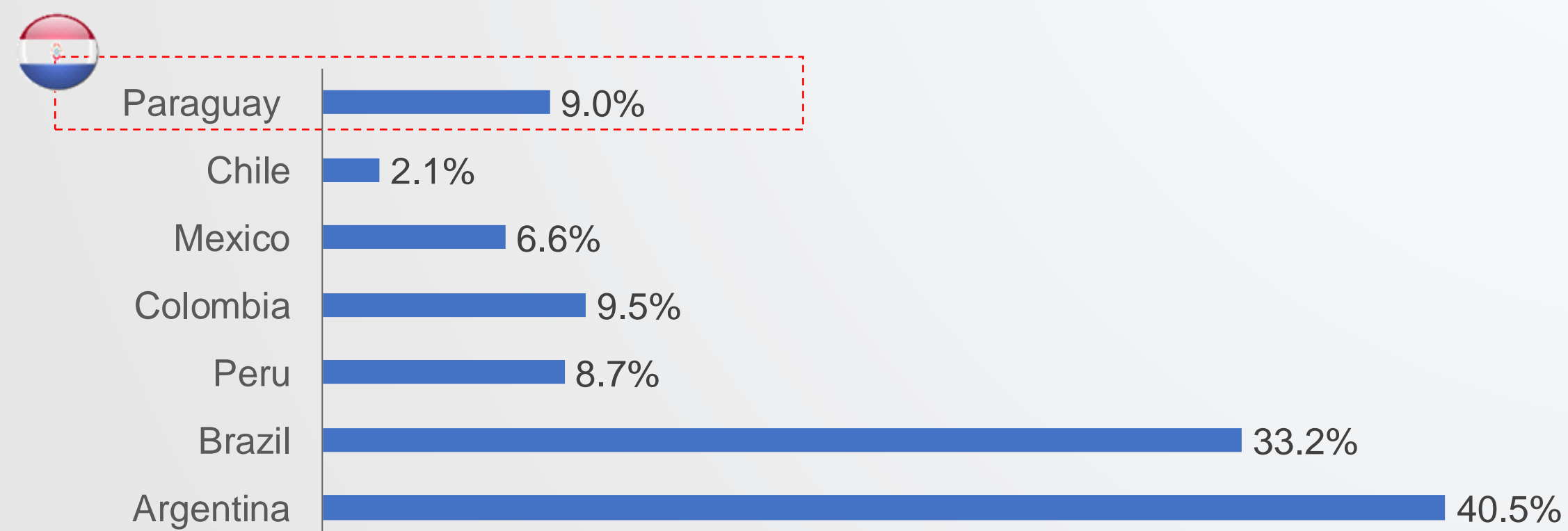
Paraguay's Central Bank was key in mitigating the economic impact of COVID-19...

Through a series of resolutions approved since March 13, 2020, the Central Bank enacted a variety of measures to mitigate the economic impact of COVID-19:

- Reduced the interest rates of the 1-day Permanent Liquidity Facility ("FPL")
- Reduced the 30-day FPL
- Reduced the 60-day FPL
- Reduced the legal reserve rate for deposits in national and foreign currency thereby providing financial entities
- Special credit facility to provide liquidity to financial institutions affected by the healthcare crises, especially MSMEs
- Loan Portfolio Repo Operation
- Lower costs for early cancellation of the monetary regulation instruments
- Renewal of credits without payment and interruption of default
- Extension of the term for the sale of foreclosed assets
- Ease in the constitution of provisions for new credits

The Central Bank has remained committed to developing a monetary policy that focuses primarily on achieving price stability...

Cumulative Depreciation against the Dollar (As of Nov. 30, 2020, %)

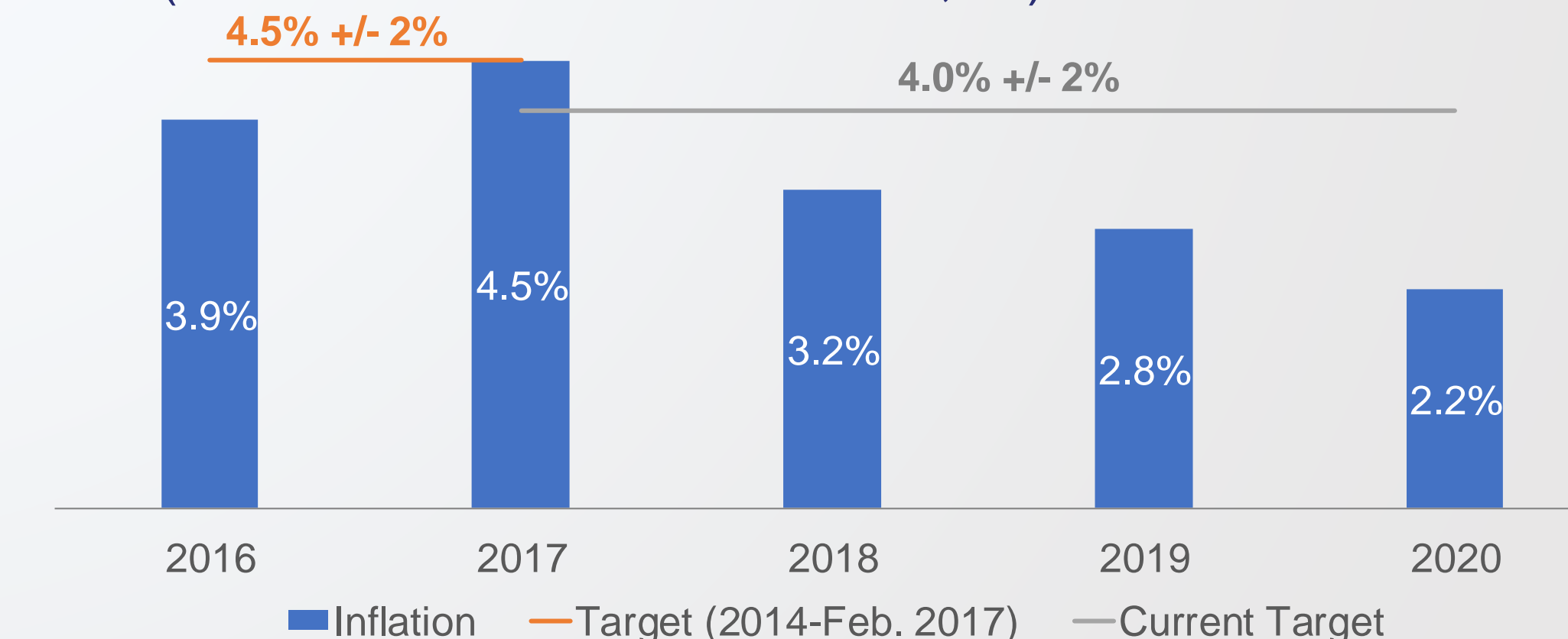


...reducing the reference rate amid decreased inflationary pressures resulting from the COVID-19 pandemic

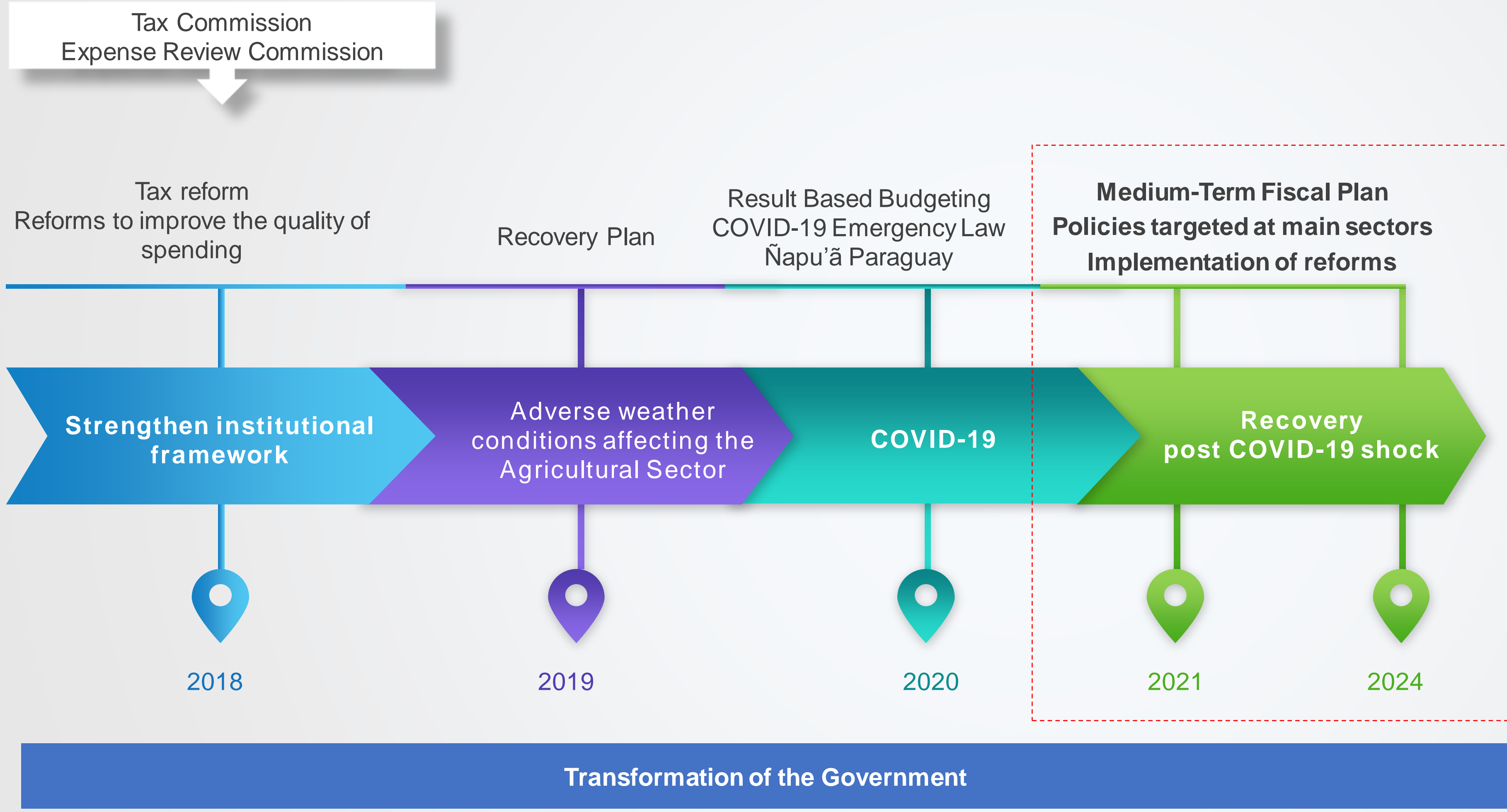


...and maintaining low inflation rates within the Central Bank's target range

CPI (Annual Year-End Growth Rate, %)

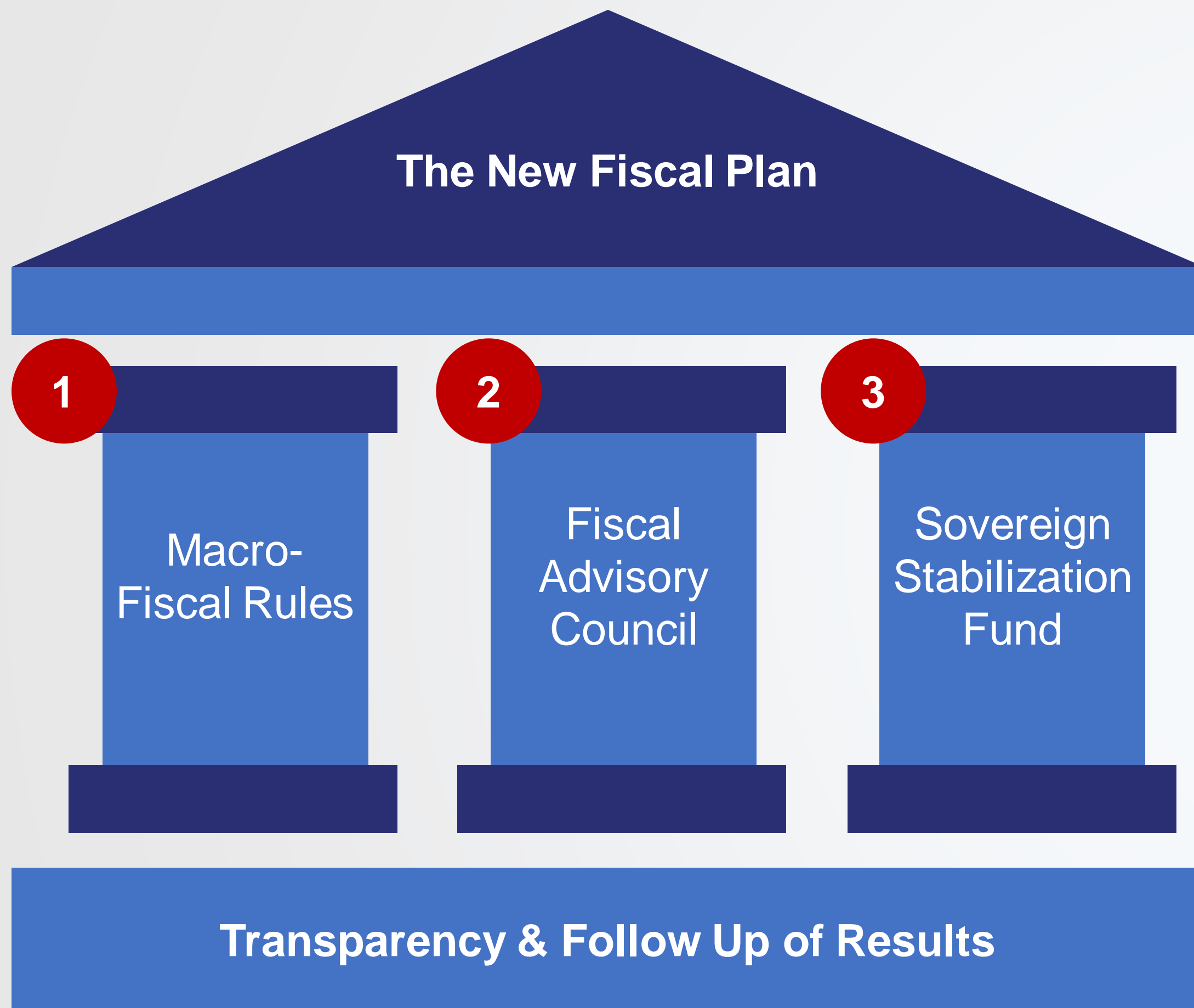


Strong Institutional Reforms to Reinststate the Path to Fiscal Consolidation & Economic Reactivation



Measures for the Fiscal Consolidation (2021-2024)

- 0% real growth of primary current expenditure
- No salary increases
- Keep only priority expenses; increases only in food and medicine
- Universities and decentralized entities will not have increases in their budgets
- Gradual return of public investment to historical levels



1 Macro Fiscal Rules

Sustainability Rules

- Maximum debt: 40% of GDP
- Fiscal deficit of 1.5% of GDP when debt < 36% of GDP

Rules to Current Expenditures

- Basic and per diem salaries, and representation expenses
- Primary current expenditure < inflation + 2%

2

Fiscal Advisory Council

Transparency in the management of public finances through the participation of independent economic experts

Council with powers to issue opinions, analyze budget results, prepare studies, estimation of fiscal impact, among others

Semi-annual report on compliance with the terms established in the fiscal law that will be published

3

Sovereign Stabilization Fund

Administrated by the Ministry of Finance with the aim of contribute with the stability of the national economy

The resources will be used to fund investment and eventual fiscal deficits

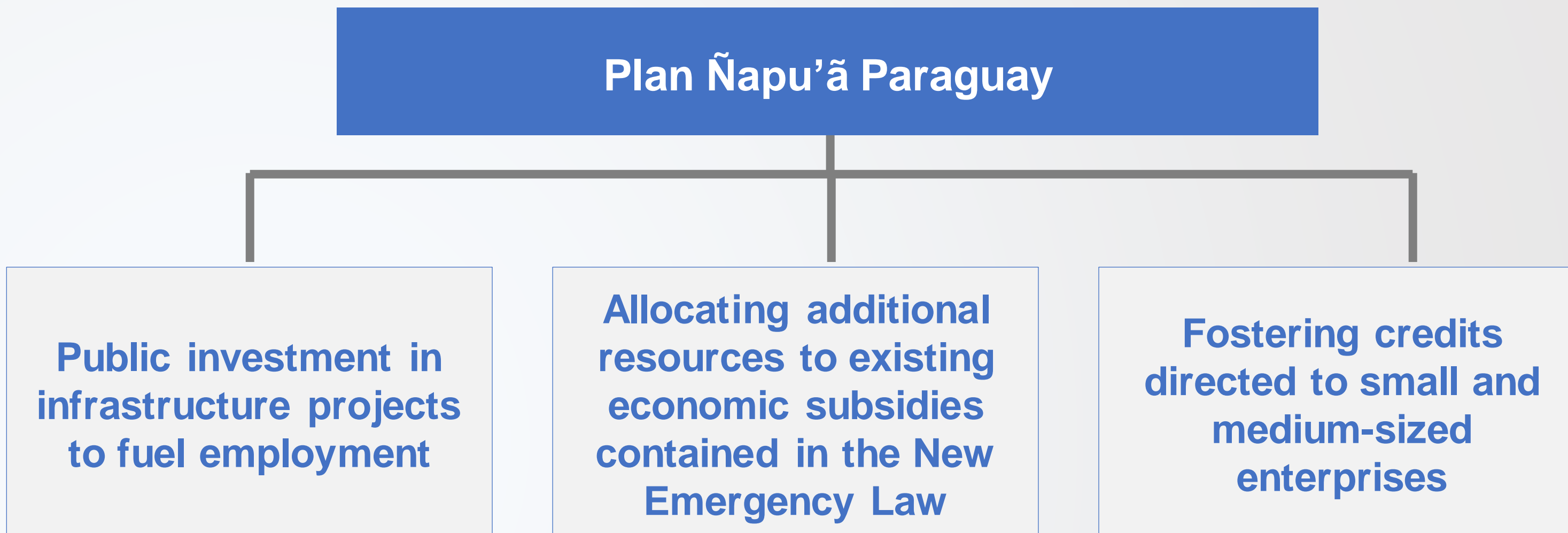
Resources will come from fiscal surpluses, net income from the investments of the fund and other resources authorized by law

Economic Reactivation Plan and Institutional Reforms to Continue Improving People's Living Conditions

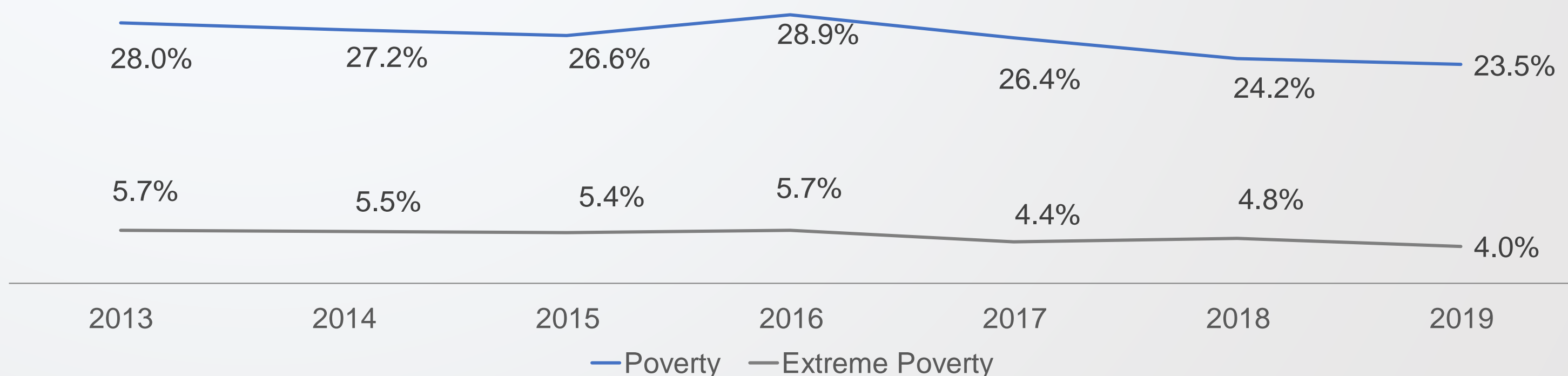
In July 2020, the national government launched the Ñapu'a Paraguay Program ("the Economic Recovery Plan") aimed at mitigating the economic downturn due to the COVID-19 pandemic...

Government Transformation Proposals of the Executive Branch

- ✓ Fiscal Institutionalality
- ✓ State Structure
- ✓ Liability Management
- ✓ Public Function and Civil Service
- ✓ Public Procurement
- ✓ Superintendency of Retirement and Pensions
- ✓ Health
- ✓ Financial Development Agency Charter
- ✓ Business Climate



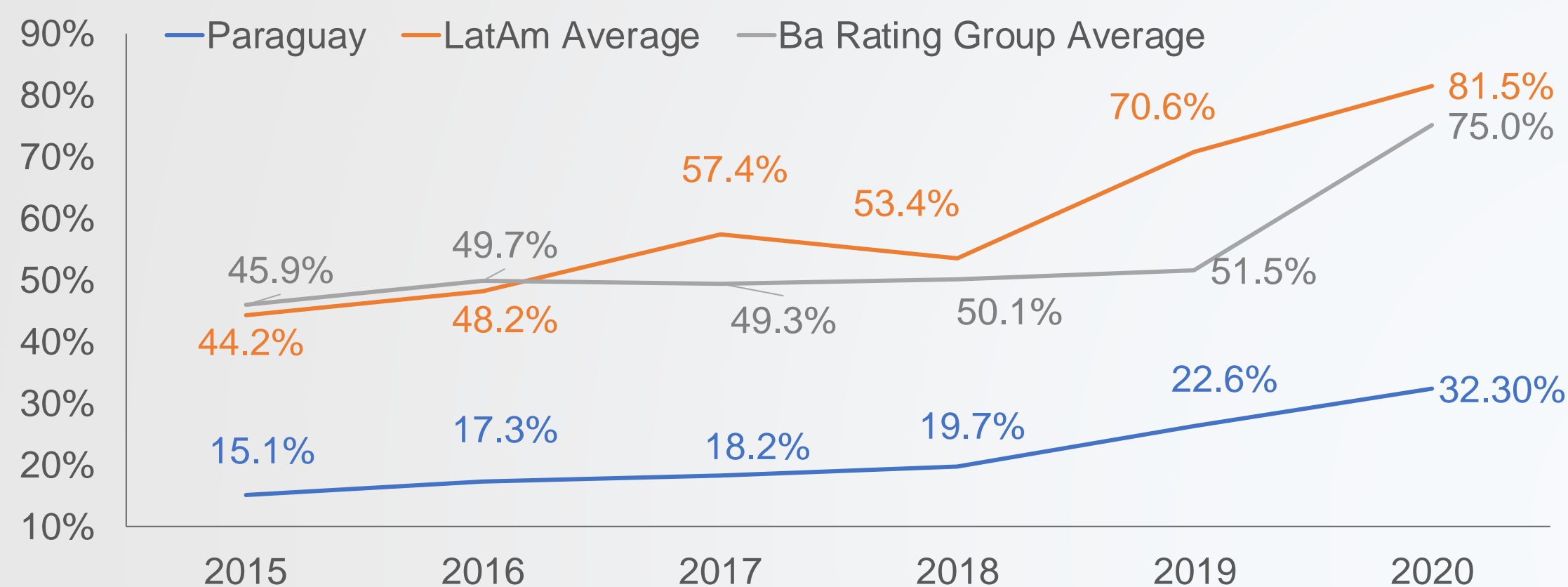
... and continuing reducing the amount of people living in poverty
Poverty & Extreme Poverty (as % of Population)



Conservative Debt Profile Supportive to Growth

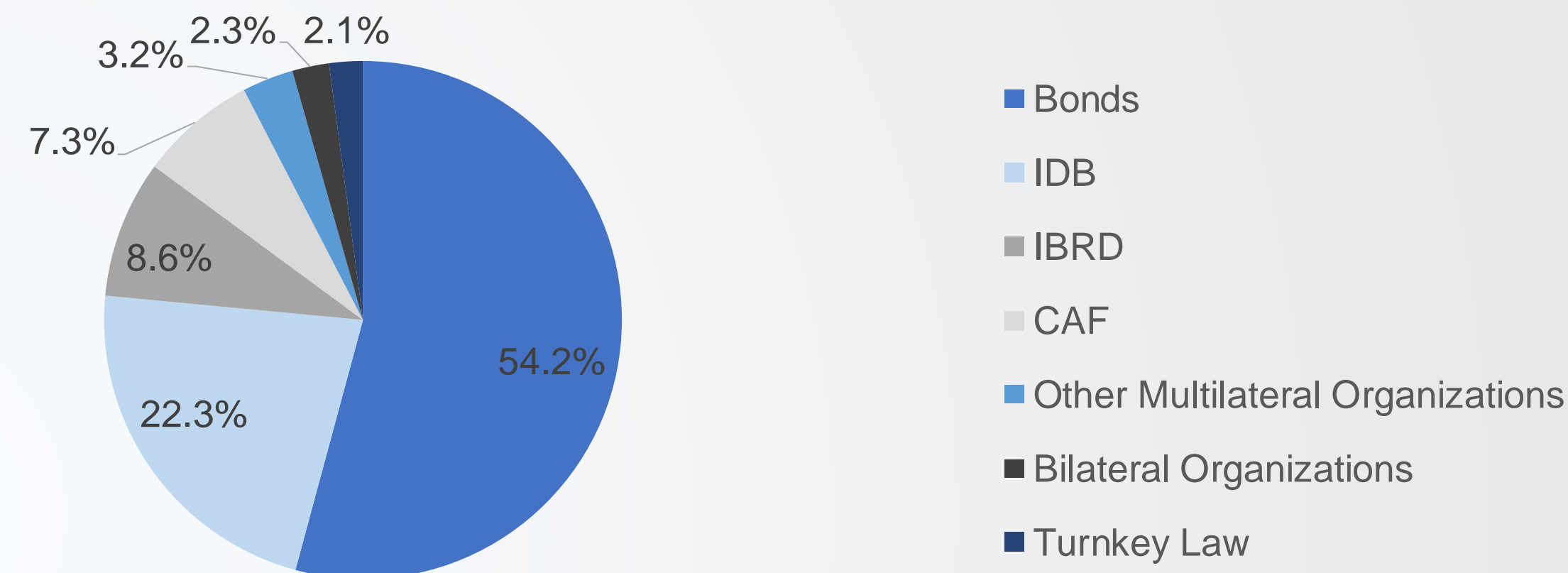
Total debt increased amid COVID-19 Pandemic, yet still the lowest in its category...

Government Debt (as % of GDP)¹



...with a diversified debt in terms of funding instruments...

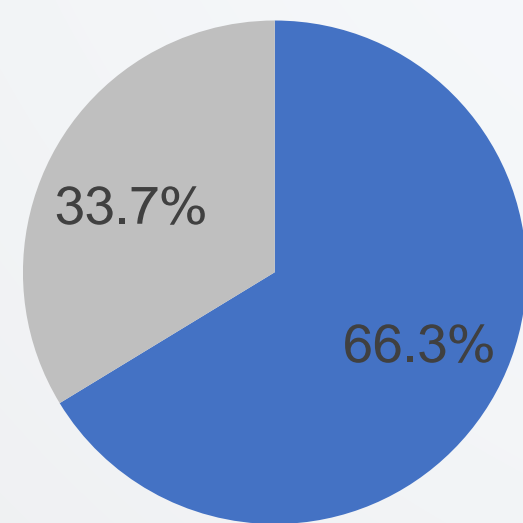
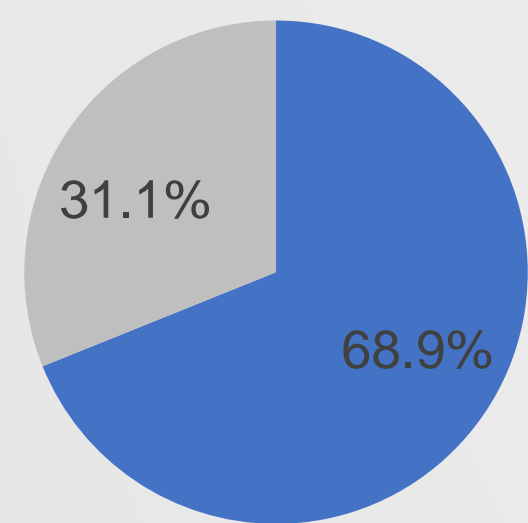
2020 External Debt¹



...a big proportion denominated in fixed rate...

2019

2020¹



■ Fixed Rate ■ Floating Rate

■ Fixed Rate ■ Floating Rate

...and a proactive debt management approach

Liability Management

- On November 18, 2020, Law No. 6638/20 (the “**Liability Management Law**”) was enacted by the executive branch and entered into force
- Paraguay will be executing for the first time a tender offer targeting its shortest dated USD Global Note, emphasizing the Republic’s proactive commitment to maintain a healthy debt profile
 - ✓ Extend duration
 - ✓ Limited operational risk
 - ✓ Simplicity of execution for investors
 - ✓ Reduce nominal debt at an attractive rate

Domestic Market

- Paraguay has improved considerably its domestic market, executing in August 2020 its first issuance of fifteen-year bonds in Guaraníes in the local market in an amount equal to USD 2.84mn and in September 2020, Paraguay made its first issuance of twenty-year bonds in Guaraníes in the local market in an amount equal to USD 14.2mn
- Significant increase of Treasury Bonds denominated in Guaranies: **from USD-equiv. 85.3mn in 2019 to USD-equiv. 187.7mn in 2020**

Source: Ministry of Finance

Notes: 1. As of November 2020

Republic of Paraguay

Investor Presentation

January 2021