

OFFERING MEMORANDUM



REPUBLIC OF PARAGUAY

G. 6,506,960,000,000 8.500% Bonds due 2038

Payable in U.S. dollars

The Republic of Paraguay (the “Republic” or “Paraguay”) is offering G. 6,506,960,000,000 aggregate principal amount of 8.500% bonds due 2038 (the “Bonds”). The Bonds will bear interest on their outstanding principal amount from the date of issuance, expected to be March 4, 2026, at a rate of 8.500%, payable semi-annually in arrears on April 4 and October 4 of each year, commencing on October 4, 2026 and ending on April 4, 2038. Principal on the Bonds will be repaid in full at maturity. All amounts due in respect of principal or interest to holders of Bonds will be made in U.S. dollars, based upon the Observed Exchange Rate (as defined below) on the applicable Rate Calculation Date (as defined below). For more information see “Description of the Bonds—General—Basic Terms.”

The Republic may redeem the Bonds, in whole or in part, prior to maturity on the terms described herein. For more information see “Description of the Bonds—Redemption and Repurchase—Optional Redemption.” The Bonds constitute and will constitute direct, general, unconditional and unsubordinated External Debt (as defined herein) of the Republic for which the full faith and credit of the Republic is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated External Debt of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Bonds ratably with payments being made under any other External Debt. The Bonds will contain provisions commonly known as “collective action clauses.” Under these provisions, which differ from the terms of the Republic’s public external indebtedness issued prior to March 31, 2016, the Republic may amend the payment provisions of any series of debt securities issued under the indenture (including the Bonds) and other reserved matters listed in the indenture with the consent of less than all of the holders of the debt securities. For more information see “Description of the Bonds—Meetings, Amendments and Waivers—Collective Action.”

Application will be made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to have the Bonds trade on the Euro MTF Market of the Luxembourg Stock Exchange.

See “Risk Factors” beginning on page 13 to read about important factors you should consider before investing in the Bonds.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) unless the Bonds are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and applicable state securities laws is available. The Bonds are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act (“Rule 144A”) or to non-U.S. persons in accordance with Regulation S. For a description of certain restrictions on transfer of the Bonds, see “Notice to Investors” and “Transfer Restrictions.”

Public Price: 99.983% plus accrued interest, if any, from March 4, 2026.

Purchasers will make the payment of the public price in U.S. dollars based on an exchange rate for the conversion of the Guaraníes into U.S. dollars of G. 6,506.96 per US\$1.00, which is the Observed Exchange Rate in effect on February 24, 2026.

Delivery of the Bonds in book-entry form will be made through the facilities of The Depository Trust Company (“DTC”) and its direct and indirect participants, including Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”) on or about March 4, 2026.

Citigroup

Joint Book-Running Managers
Goldman Sachs & Co. LLC

J.P. Morgan

The date of this Offering Memorandum is February 24, 2026.



Paraguay has provided you only with the information contained in this Offering Memorandum (the “Offering Memorandum”). Paraguay has not authorized anyone to provide you with different information. Paraguay is not, and the initial purchasers (as defined under “Plan of Distribution”) are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

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NOTICE TO INVESTORS

The Bonds will be available in book-entry form only. Paraguay expects that the Bonds sold pursuant to this Offering Memorandum will be issued in the form of one or more global certificates, which will be deposited with, or on behalf of, DTC and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global certificates will be shown on, and transfers of the global certificates will be effected only through, records maintained by DTC and its participants, including Euroclear and Clearstream. After the initial issuance of the global certificates, Bonds in certificated form will be issued in exchange for the global certificates only as set forth in the indenture governing the Bonds. For more information see “Book-Entry, Delivery and Form.”

This Offering Memorandum does not constitute an offer of or an invitation by or on behalf of Paraguay or the initial purchasers to subscribe or purchase any of the Bonds in any jurisdiction where the offer or sale would not be permitted or is not authorized. The distribution of this Offering Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. People in possession of this Offering Memorandum are required by Paraguay and the initial purchasers to inform themselves about and to observe any such restrictions.

The Bonds offered in this Offering Memorandum are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption from such laws. You should be aware that you may be required to bear the financial risk of this investment for an indefinite period of time. For more information see “Transfer Restrictions.”

The information contained in this Offering Memorandum is provided by Paraguay in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider a purchase of the Bonds, as described herein, and should be used for this purpose only. No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of such information and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers. Neither the initial purchasers nor any of their agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this Offering Memorandum.

The Bonds offered in this Offering Memorandum have neither been approved nor disapproved by the Securities and Exchange Commission (the “SEC”) or any state or foreign securities commission or any regulatory authority. These authorities have not passed on or determined the adequacy or the accuracy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

Paraguay is making this offering subject to the terms described in this Offering Memorandum and the purchase agreement relating to the Bonds offered.

Paraguay confirms that, to the best of its knowledge, the information given in that part of the Offering Memorandum for which it is responsible is in accordance with the facts and contains no omissions likely to affect the import of the Offering Memorandum on the Official List of the Luxembourg Stock Exchange. This Offering Memorandum constitutes a Prospectus for the purpose of Part IV of the Luxembourg law on Prospectuses for Securities dated July 16, 2019. Paraguay accepts responsibility for the information it has provided in this Offering Memorandum.

In connection with the issuance of the Bonds, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, and J.P. Morgan Securities LLC (the “Stabilizing Managers”) (or persons acting on behalf of any Stabilizing Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that a Stabilizing Manager (or persons acting on behalf of any Stabilizing Manager) will undertake stabilization action. Such stabilization, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on behalf of any Stabilizing Manager) in accordance with all applicable laws and rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Bonds have not been and will not be registered under the laws of any member state of the European Economic Area (the “EEA”). The offering of the Bonds is being made, and the Bonds are being offered and issued, only to persons other than retail investors in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds 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 (“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 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, 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. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum has not been approved by an authorized person for the purposes of section 21 of the FSMA. Accordingly, this Offering Memorandum is for distribution only to, and is directed solely at, persons who are: (i) outside the UK; (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”); (iii) persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Bonds may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

CONVENTIONS

Unless otherwise specified or unless the context requires so, “dollars,” “U.S. dollars” and “US\$” refer to United States dollars and “G.” or “Guaraníes” refer to Paraguayan Guaraníes. Where noted, exchanges from Guaraníes to U.S. dollars have been provided solely for the convenience of the reader. Amounts converted from Guaraníes to U.S. dollars in this Offering Memorandum were converted at a rate of G. 6,774 per US\$1.00 for 2021 data, G. 6,983 per US\$1.00 for 2022 data, G. 7,289 per US\$1.00 for 2023 data, G. 7,560 per US\$1.00 for 2024 data and G. 7,545 per US\$1.00 for 2025 data, which represent the annual arithmetic average of monthly average bid/offer Guaraníes/U.S. dollar exchange rates as reported by the Central Bank of Paraguay (Banco Central del Paraguay) (the “Central Bank”) as of December 31, 2025, and G. 7,881 for 2026 data, which represents the implicit Guaraníes/U.S. dollar exchange rate that has been assumed for the purpose of preparing the 2026 budget. The Federal Reserve Bank of New York does not report a noon buying rate for Guaraníes. No representation is made that the Guaraníes or the U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Guaraníes at any particular rate or at all. The exchange rate for the sale of U.S. dollars for Guaraníes, which is used as a reference rate by financial institutions in the commercial market, as reported by the Central Bank for December 31, 2025 was G. 6,575.71 per US\$1.00. References to “billion” are to thousands of millions.

The fiscal year of the government ends on December 31, and all figures for 2023, 2024 and 2025 included in this Offering Memorandum are preliminary. Unless otherwise indicated, all annual information is based upon a January 1 to December 31 calendar year. Certain monetary amounts included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. All references herein to the “government” are to the central government of Paraguay (including governmental agencies and subdivisions and excluding financial and non-financial public sector institutions and the Itaipú and Yacyretá hydroelectric plants).

In 2018, Paraguay conducted a periodic re-basing of its real GDP calculations, updating the base year of such calculations from 1994 to 2014. One effect from this re-basing is the reduction of the historical volatility of GDP growth and a decrease in the debt-to-GDP ratio when compared to the same statistics but based on 1994 dollars.

Unless otherwise indicated, (i) all annual rates of growth are average annual rates using current or nominal numbers; (ii) all rates of growth or percentage changes in financial data are based upon such data expressed in constant prices (i.e., prices as adjusted for inflation); and (iii) all financial data are presented in current nominal prices.

The terms set forth below have the following meanings for the purposes of this Offering Memorandum:

- Gross Domestic Product, or “GDP”, means the total value of final products and services produced in Paraguay during the relevant period, using nominal prices. Real GDP instead measures GDP based on constant prices using 2014 as the base year.
- Imports are calculated based upon cost, insurance and freight, or “FOB” values.
- Exports are calculated based upon free on board, or “FOB” values.
- The rate of inflation is measured by the percentage change between two periods in consumer price index, or “CPI.” CPI is an index that comprises a basket of goods and services that reflects the pattern of consumption in Asunción and major urban areas. CPI is calculated on a monthly basis by the Central Bank based on surveys conducted by the Central Bank.
- Balance of payments data is presented according to the Sixth Edition of the Balance of Payment and International Investment Position Manual of the International Monetary Fund (“IMF”).
- Foreign direct investment (“FDI”) flows are based on the sum of positive and negative transactions. The positive flows consist of capitalization, reinvested earnings and loans from a foreign office to a

local branch. The negative flows consist of decapitalization, divestment of profits, losses for the period and loans from a local branch to a foreign office.

Paraguay’s official financial aid and economic statistics are subject to a review process by the Central Bank. Accordingly, certain financial and economic information in this Offering Memorandum may be subsequently adjusted or revised. The government believes that this practice is substantially similar to the practices of many industrialized nations. The government does not expect revisions to preliminary statistics to be material, but cannot assure you that material changes will not be made to preliminary data. The Bureau of Statistics, Surveys and Census of Paraguay (Instituto Nacional de Estadística – “INE”) is the government agency responsible for generating, systematizing, analyzing and distributing certain statistical and cartographic information about Paraguay.

Unless otherwise indicated in this Offering Memorandum, the information and data provided in this Offering Memorandum have been prepared and published in accordance with the IMF Government Finance Statistics Manual 2001 (“GFSM 2001”) standards.

Itaipú Binational and Yacyretá Binational, in each case to the extent of Paraguay’s 50% equity interest, are considered Paraguayan residents for accounting purposes in accordance with the standards of the IMF Balance of Payments Manual. Their contribution to Paraguay’s economy is identified as the “binational sector” in this Offering Memorandum.

Paraguayan Guaranies Information

For the purpose of calculating payments to be made in respect of the bonds, all references to “G.” or “Guaranies” refer to Paraguayan Guaranies.

Payments of principal and interest on the bonds will be translated from Guaranies into U.S. dollars and paid in U.S. dollars, based upon the Observed Exchange Rate (as defined below) on the applicable Rate Calculation Date, as such terms are defined under “Description of the Bonds.”

On February 24, 2026, the Representative Market Rate (as defined under “Description of the Bonds”) was G. 6,506.96 per US\$1.00.

The following table sets forth the high, low, average and period end Guaranies to U.S. dollar exchange rates for the dates and periods indicated.

Exchange Rates⁽¹⁾

	<u>High⁽²⁾</u>	<u>Low⁽²⁾</u>	<u>Average⁽³⁾</u>	<u>Period End⁽⁴⁾</u>
	(Guaranies per US\$)			
2020.....	7,061.0	6,463.7	6,771.1	6,916.8
2021.....	6,993.7	6,092.7	6,774.2	6,879.1
2022.....	7,370.1	6,794.1	6,982.8	7,331.3
2023.....	7,482.7	7,116.6	7,288.9	7,273.6
2024.....	8,010.5	7,251.2	7,560.2	7,827.8
2025.....	8,031.2	6,362.1	7,545.4	6,579.0
2026 (through February 13, 2026)	6,790.9	6,498.9	6,639.8	6,536.0

(1) Exchange rates for transactions between financial institutions and non-financial clients.

(2) Daily Bid and Offer exchange rates for transactions between financial institutions and non-financial clients.

(3) Annual simple average of monthly average bid/offer exchange rates.

(4) Average bid/offer US\$/G. exchange rate as of the close of business for the last business day of December each year.

Source: Central Bank.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum may contain, and Paraguay's officials and representatives may from time to time make, projections and forward-looking statements concerning financial information, future economic performance or international dispute resolution or international institution decisions and expectations, plans and objectives relating to economic policy, budgets, plans and expectations, and assumptions underlying these projections and statements. These projections and forward-looking statements are not historical facts but instead represent the central government's belief regarding the impact of current events, including the COVID-19 pandemic and any economic and other effects associated therewith, that are not reasonably foreseeable or known at this time and that may differ materially from those contemplated by the forward-looking statements, and future events, many of which, by their nature, are inherently uncertain and outside Paraguay's control. You should not place undue reliance on these projections and forward-looking statements. These projections and forward-looking statements speak only as of the date they are made, and Paraguay undertakes no obligation to update them in light of new information or future events.

Projections and forward-looking statements involve inherent risks. Paraguay cautions you that many factors could cause actual results to differ materially from those expressed in projections, budgets and other information concerning future events, including those discussed in "Risk Factors" beginning on page 13. These factors include, but are not limited to:

- adverse external factors, such as:
 - public health crises and epidemics/pandemics, and worldwide effects thereof, including the impact in Paraguay's economy, and responses thereto;
 - severe weather, natural disasters and adverse climate changes, whether global or regional in nature, such as severe droughts;
 - a global or regional financial crisis or downturn;
 - higher international interest rates;
 - decisions and policies of international institutions such as the International Monetary Fund, the World Bank, the World Trade Organization, the United Nations, the Organization of American States, the Inter-American Development Bank ("IDB") or the Southern Common Market ("MERCOSUR");
 - adverse court decisions;
 - a downgrade of Paraguay's sovereign credit ratings by international rating agencies;
 - changes in MERCOSUR import tariffs;
 - changes in international commodity prices, in particular soy beans and bovine meat;
 - recession, low economic growth or economic contraction affecting Paraguay's trading partners, or international conflicts, including the war between Russia and Ukraine, the current situation in Venezuela and the conflict in the middle-east;
 - suspension or termination of trade agreements or treaties;
 - the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;

- deterioration in the economic condition of or Paraguay’s relationship with neighboring countries; and
- volatility in the international capital markets for emerging market issues caused by geopolitical pressures.
- adverse domestic factors, such as:
 - deterioration or non-improvement in general economic and business conditions;
 - reduction in foreign currency reserves;
 - volatility of exchange rates of Guaraníes against key currencies;
 - reduction in fiscal revenue;
 - the ability of the government to enact key economic reforms;
 - higher domestic debt;
 - increased rates of domestic inflation;
 - the level of foreign direct and portfolio investment in Paraguay;
 - the level of Paraguay’s domestic interest rates;
 - political instability;
 - increase in crime rates; and
 - natural events, such as climatic changes, droughts and floods, which may have a negative impact on soy and bovine meat production and exports.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. It is not complete and may not contain all the information that you should consider before purchasing the Bonds. You should carefully read the entire Offering Memorandum, including “Risk Factors” (beginning on page 13), before purchasing the Bonds.

Selected Economic Information (in millions of US\$, except as indicated)

THE ECONOMY	For the year ended December 31,					
	2021	2022	2023	2024	2025⁽¹⁾	
Nominal GDP ⁽²⁾	\$ 40,270	\$ 41,981	\$ 43,194	\$ 45,221	\$ 49,488	
% Change of Real GDP from the Previous Year	4.0%	-	5.3%	4.7%	6.0%	
Population (in thousands) ⁽³⁾ ...	6,248	6,284	6,327	6,373	6,417	
Per Capita GDP (in US\$)	6,445	6,681	6,827	7,096	7,712	
Inflation Rate ⁽⁴⁾	6.8%	8.1%	3.7%	3.8%	3.1%	
Unemployment Rate.....	6.8%	5.8%	5.2%	4.5%	4.9% ⁽⁸⁾	
Exchange Rate (Guaraníes/per US\$) ⁽⁵⁾	G.6,774	G.6,983	G.7,289	G.7,560	G.7,546	
	For the year ended December 31,				Nine-month period ended September 30,	
BALANCE OF PAYMENTS⁽⁶⁾⁽⁷⁾	2021⁽¹⁾	2022⁽¹⁾	2023⁽¹⁾	2024⁽¹⁾	2024⁽¹⁾	2025⁽¹⁾
Export of Goods (FOB)...	13,223.0	12,815.5	16,125.5	14,681.9	11,493.0	11,741.8
Imports of Goods (FOB) .	12,567.3	14,664.9	15,342.4	15,835.3	11,721.0	12,805.7
Current Account Surplus (Deficit).....	(243.2)	(2,699.5)	61.0	(1,521.7)	(615.1)	(902.5)
Net Foreign Direct Investment.....	(161.0)	(508.3)	(807.0)	(931.0)	(726.4)	(633.2)
Overall Balance of Payments Surplus (Deficit).....	593.0	(134.3)	356.7	(492.7)	(479.4)	132.3
Total International Reserves (end of period).....	9,946.6	9,825.0	10,196.8	9,872.3	9,876.2	10,337.2
Reserves (in months of imports).....	11.5	9.6	10.4	9.0	9.3	8.7

(1) Preliminary data.

(2) GDP includes Paraguay's share of Itaipú Binational and Yacyretá Binational.

(3) Population data is based on the 2015 revision to the projection of the National Institute of Statistics.

(4) Percentage change of consumer prices measured by CPI over the 12-month period ended December 31 of each year.

(5) Annual arithmetic average of monthly average bid/offer exchange rates.

(6) Includes Paraguay's exports of Itaipú Binational and Yacyretá Binational electricity, trade registered by customs and re-exports, among others.

(7) Negative amounts indicate budget deficit.

(8) Information as of September 30, 2025.

Source: Ministry of Economy and Finance and Central Bank.

For the year ended December 31,					
PUBLIC SECTOR FINANCES	2021	2022⁽¹⁾	2023⁽¹⁾	2024⁽¹⁾	2025⁽¹⁾
Central Government					
Revenues	5,477.0	5,889.1	6,028.6	6,730.5	7,047.5
% of nominal GDP .	13.7%	14.1%	14.0%	15.0%	14.3%
Central Government					
Expenditures.....	5,764.7	5,919.8	6,654.8	7,024.4	7,274.8
% of nominal GDP .	14.4%	14.1%	15.4%	15.7%	14.8%
Central Government					
Net Operating					
Balance.....	(287.8)	(30.7)	(626.1)	(293.9)	(227.4)
% of nominal GDP .	(0.7)%	(0.1)%	(1.5)%	(0.7)%	(0.5)%
Consolidated Public					
Sector Revenues	8,849.6	9,807.5	10,249.3	11,323.3	n.a.
Consolidated Public					
Sector Expenditures	8,556.3	9,040.7	10,083.1	10,695.9	n.a.
Consolidated Public					
Sector Balance.....	(1,493.7)	(1,137.0)	(1,590.7)	(863.9)	n.a.
PUBLIC SECTOR DEBT	2021	2022	2023	2024⁽¹⁾	2025⁽¹⁾
	(in millions of US\$ and percentage of nominal GDP)				
Public Sector Domestic Debt.	1,819.3	1,730.6	2,227.6	2,361.1	3,062.4
Public Sector External Debt ..	11,812.0	13,323.1	14,338.3	15,722.2	17,346.1
Total Public Sector Debt ..	13,631.3	15,053.7	16,565.9	18,083.2	20,408.6
Total Public Sector Debt as					
% of nominal GDP	33.8%	35.8%	38.4%	40.0%	41.2%

(1) Preliminary data.
n.a. = not available.
Source: Ministry of Economy and Finance and Central Bank.

Republic of Paraguay

Paraguay is located in central South America and, as of 2023, had an estimated population of approximately 6.37 million. The population is distributed unevenly across the country. Over half the population lives in urban areas in the eastern portion of the country. Less than 3% of the population resides in regions that account for 61% of the country's land mass.

Paraguay is rich in hydroelectric power capacity thanks to a wealth of rivers. It has dense forests and extensive farmlands.

Because of its predominantly agrarian economy and unevenly distributed population, Paraguay's growth has historically been volatile. Compared to its neighboring countries, Paraguay has a considerable low-income population although some improvements in poverty reduction were made in recent years. Government economic policies have focused on poverty, adopting measures intended to increase the overall income levels of Paraguay's population through investment in infrastructure, education and health. Such policies are designed to provide a foundation for sustainable economic development and diversification of productive capacity across the country.

Paraguayan Economy

Economic Performance

Paraguay's macroeconomic performance showed robustness for 15 years through 2018. In the period between 2004 and 2018, the economy grew at an average rate of 4.4%, a stronger pace than its regional peers. Growth during this period was the result of sound macroeconomic policies and an increase in agricultural commodity prices, which, as a result, positively impacted the services sector. In 2019, real GDP contracted by 0.4%, largely due to adverse climatic factors that persistently affected key sectors of the economy.

In 2020, real GDP decreased by 0.8% and real GDP per capita decreased by 1.7%. The economic contraction in 2020 was mainly due to the restrictive measures implemented by the national government in an effort to contain the spread of the COVID-19 virus. The services sector was particularly impacted, namely transportation, business services, restaurants and hotels and household services. Manufacturing was also significantly affected, particularly textiles and clothing, paper and paper products, timber, machinery and equipment, leather and shoes, oil products, beverages and tobacco and metal products. Finally, commerce was greatly affected, particularly the sale of durable goods, such as vehicles and home equipment and semi-durable goods, such as clothing, and fuel. In addition to the poor performance of certain sectors as a result of the restrictive measures implemented by the national government to contain the spread of the COVID-19 virus, the decline in year-over-year economic performance in April and May 2020 is also partly due to declines in electricity generation resulting from decreased river water flow caused by droughts. Notwithstanding the contraction in each of the services, manufacturing and commerce sectors and the electricity generation subsector, growth in the agriculture, livestock, construction, communications and finance sectors helped mitigate the decline in aggregate economic activity resulting from the impact of the COVID-19 pandemic and continued droughts.

Paraguay has pursued various fiscal and monetary policy responses to mitigate the economic impact of COVID-19. In March 2020, the national government enacted the National Emergency Law No. 6524/20 (the "NEL"), which was in force until June 30, 2022. The NEL declared a state of emergency in the entire country and provided administrative, fiscal and financial measures to mitigate the effects of the COVID-19 pandemic, including US\$1.99 billion for social protection, the healthcare system, the functioning of the government and support for micro, small and medium-sized enterprises ("MSMEs"). In March and April 2020, the Central Bank guaranteed sufficient liquidity to the financial system and began implementing monetary stimulus and temporary credit measures to support economic activity. As part of these measures, the Central Bank reduced the Monetary Policy Rate (MPR) by 325 basis points between March and June 2020, from 4.00% to 0.75%, the lowest level since the adoption of the inflation targeting scheme in 2011.

Economic activity and aggregate demand began to recover from the pandemic in the first quarter of 2021, consistent with the easing of restrictive measures implemented by the national government to contain the spread of COVID-19. This trend continued into the second quarter of 2021, with a 14.0% increase in real GDP compared to the same period in 2020. Real GDP also increased by 2.5% in the third quarter of 2021 compared to the same period in 2020. This increase was considerably less than the second quarter, but still indicative of the ongoing recovery in the construction and manufacturing sectors. Investment grew by 10.9% in the third quarter of 2021 compared to the same period in 2020, and private consumption increased by 7.1% during the same period. However, net external demand showed a negative trend throughout 2021.

As of the fourth quarter of 2021, real GDP had grown for four consecutive quarters compared to the same period in 2020. By the end of the year, real GDP had increased by 4.0% compared to 2020, a significant improvement from the 0.8% decrease observed in 2020. This was largely driven by the services, construction and manufacturing sectors' recoveries.

However, 2022 brought new challenges. A severe drought hindered economic recovery, leading to a drop in GDP in the first and second quarters (-1.2% year over year and -3.4% year over year, respectively). From the third quarter of 2022, a rebound in the agricultural sector contributed to a recovery in economic activity, with real GDP increasing by 2.7% year over year, a trend that continued into the fourth quarter of 2022 (1.9% year over year). As a result, this improvement observed in the second half of the year broadly offset the losses recorded earlier, resulting in a broadly unchanged real GDP on an annual basis in 2022. This outcome reflected positive contributions

from restaurants and hotels, business services and commerce, as well as electricity and water, which helped counterbalance the contraction caused by adverse climatic conditions.

The central government implemented a package of contingency measures related to the country's primary sector to mitigate the impact caused by the droughts in 2021 and 2022. These measures are based on four main lines of action established to prevent the impact caused by weather-related events: (i) assistance to small producers with inputs (e.g., fuels, seeds, agricultural defensives) for the replanting of crops; (ii) tax measures such as the suspension of withholdings related to the corporate income tax as well as delays of withholdings of the simplified tax regime applicable to SMEs; (iii) support measures through the establishment of credit facilities by public financial institutions, such as the National Development Bank (*Banco Nacional de Fomento*), the Financial Development Agency (*Agencia Financiera de Desarrollo*) and the Agricultural Credit (*Crédito Agrícola de Habilitación*) and (iv) the refinancing of certain loans in the agricultural and livestock sector through transitory facilities issued by the Central Bank. Since the beginning of 2023, temporary support measures have been adopted for the renegotiation of debts in sectors related to agriculture and livestock to alleviate the effects of adverse weather conditions.

In 2023, economic activity showed robust dynamism compared to 2022, with a real GDP growth of 5.3%. In the first two quarters of 2023, real GDP increased by 4.9% and 6.0%, respectively, on a year-over-year basis, driven mainly by a recovery in the agriculture sector, an increase in the electricity generation sector and, to a lesser extent, the livestock, manufacturing and services sectors, which were partially offset by a decline in the construction sector. In the last two quarters of 2023, GDP increased by 4.4% and 5.8%, respectively, on a year-over-year basis, with positive results mainly due to the growth in the services sector, along with the manufacturing and the electricity generation sectors, while the agriculture and construction sectors contracted. Overall, the main sectors that contributed to GDP growth in 2023 were (i) the services sector, with a strong impulse from commerce, (ii) the manufacturing sector, with a positive result from most of the industries, and (iii) the agriculture sector.

Economic performance in 2024 was characterized by resilience and a more diversified growth pattern. Despite the negative performance of the electricity and water sector for most of the year, reflecting lower power generation due to adverse weather conditions, economic activity was supported by positive outcomes in other sectors. Notably, the services sector performance stood out, driven mainly by the commerce and other service segments. The manufacturing sector also contributed to overall GDP expansion, alongside construction, livestock, and other subsectors of the primary sector. As a result, the year-over-year real GDP growth remained positive throughout the year, reaching 5.3% in the first quarter, 5.7% in the second quarter, 3.6% in the third quarter, and 4.0% in the fourth quarter, resulting in an annual expansion of 4.7%.

In 2025, economic activity continued its growth path, supported by increases across all sectors and reflecting a more balanced and diversified expansion. Growth was driven mainly by the services sector, particularly commerce and other service activities, including restaurants and hotels, as well as household and business-oriented services. The secondary sector also showed strong performance, supported by manufacturing, especially oils, textiles, beverages, and tobacco, as well as a solid expansion in construction. The electricity and water sector recorded robust growth, reflecting increased domestic electricity distribution, with the primary sector also growing and contributing to the overall economic performance. On the demand side, private consumption continued to support activity, and investment showed significant growth, especially in the second quarter. In year-on-year terms, real GDP growth remained strong and stable throughout the year, reaching 6.5% in the first quarter, 6.5% in the second quarter, and 6.6% in the third quarter, reflecting a broad-based economic performance.

The Maquila Regime

The maquila regime established in 1997 (the “Maquila Regime”) is an export production framework and important source of employment aimed at supporting Paraguayan companies that seek to export domestically produced goods and services. This regime provides exemptions from import tariffs for several inputs involved in these production processes, as well as other tax benefits. Except for the Maquila Only Tax, which equals one percent of value added in Paraguay, maquiladoras are exempt from all other Paraguayan taxes, including the Value Added Tax (VAT). In September 2025, Paraguay enacted Law No. 7,547, which replaced Law No. 1,064/97 and updated the legislation regarding the Maquila Regime, with the purpose of modernizing, strengthening, and adapting the maquila system to the new demands of global trade and international industry. Although production under the Maquila Regime is primarily destined to promote exports, maquiladoras are permitted to sell in the domestic market

as well, up to a cap of ten percent of the volume of their previous year's exports. As of December 31, 2025, there were enterprises operating under the Maquila Regime in 13 departments of Paraguay and in the city of Asunción, with exports reaching US\$1.3 billion in the aggregate. During 2025, 22 programs were approved under the Maquila Regime, representing US\$50.0 million in private investment and creating 5,401 new jobs. The main maquila export items were auto parts, clothing and textiles, food products, aluminum, and plastic.

Paraguay's Hydroelectric Power Generation

Paraguay is the largest exporter of electricity in South America, and the sixteenth largest in the world, the bulk of which is produced at the Itaipú hydroelectric plant located on the Paraná River on the border between Paraguay and Brazil and, to a lesser extent, by the Yacyretá hydroelectric plant located on the Paraná River on the border between Paraguay and Argentina. Electricity accounted for approximately 11.0% of Paraguay's registered exports in the twelve-month period ended December 31, 2025. During such period, 15,685.7 GW were exported. Each hydroelectric plant is managed and operated by a binational company created pursuant to a treaty between Paraguay and Brazil, in the case of Itaipú Binational, and Paraguay and Argentina, in the case of Yacyretá Binational. Paraguay owns a 50% equity stake in each binational entity and is entitled to 50% of the electricity produced by each of the two plants. Revenues generated by its participation in each of the Itaipú and the Yacyretá hydroelectric plants contribute significantly to Paraguay's GDP. The electricity and water sector, which includes generation, transmission and distribution of electricity (including the Paraguayan portion of electricity generated by the Binationals), distribution of water, and collection, treatment, and recycling of sewage and waste, accounted for 7.0% of Paraguay's GDP in 2025, compared to 6.8% of Paraguay's GDP in 2024 and 7.5% in 2023. High levels in the electricity and water sector as a percentage of GDP in 2023 and 2025 have primarily been a result of an increase in river water flow during such years.

Balance of Payments and Foreign Trade

During the nine-month period ended September 30, 2025, Paraguay recorded a balance of payments surplus of US\$132.3 million (0.4% of GDP), an improvement compared to the US\$479.4 million deficit (1.4% of GDP) recorded in the same period in 2024. During the nine-month period ended September 30, 2025, Paraguay recorded a current account deficit of US\$902.5 million (2.5% of GDP) compared to a current account deficit of US\$615.1 million in the same period in 2024, mainly attributable to the trade balance deficit. This outcome was mainly due to a deficit in trade balance, primarily driven by an increase in imports of capital goods. However, positive developments were seen in the services sector and in secondary income.

In 2024, Paraguay recorded an overall balance of payments deficit of US\$492.7 million (1.1% of GDP), compared to a US\$356.7 million (0.8% of GDP) surplus in 2023. This outcome can be attributed to a decline in exports of corn, electricity, and soybeans. However, increased inflows of workers' remittances in 2024 and positive developments were seen in the services sector. In 2023, the balance of payments recorded a surplus of US\$356.7 million (0.8% of GDP), compared to a deficit of US\$134.3 million (0.3% of GDP) in 2022. This positive outcome was primarily driven by the recovery of exports, mainly in the agriculture sector following a recovery from the 2022 drought that adversely impacted the export levels of key agricultural products. In 2022, the balance of payments recorded a deficit of US\$134.3 million (0.3% of GDP), compared to a surplus of US\$593.0 million (1.5% of GDP) in 2021. The deficit in 2022 was predominantly attributable to an increased deficit in the current account, due mainly to a sharp increase in imports and a decrease in exports. The surplus in the balance of payments in 2021 was primarily driven by a surplus in the balance of goods and in secondary income.

In 2024, Paraguay recorded a current account deficit of US\$1,521.7 million (3.4% of GDP), a significant shift compared to a surplus of US\$61.0 million (0.1% of GDP) in 2023. This shift was primarily driven by a trade balance deficit due to an increase in imports and a decrease in exports, and an increase in the primary income deficit, influenced by higher remittances and dividend payments from majority foreign-owned companies to their foreign shareholders and affiliates. Meanwhile, positive developments in the services sector and in secondary income were seen.

In 2023, Paraguay recorded a current account surplus of US\$61.0 million (0.1% of GDP) resulting primarily from a trade balance surplus due to a significant increase in exports that more than compensated the

increase in imports. In 2022, Paraguay recorded a current account deficit of US\$2,699.5 million (6.4% of GDP), due to a trade balance deficit. Exports decreased and imports increased in 2022 compared to 2021. In 2022, the decrease in exports was driven by the negative performance of primary products, due to the drought that adversely impacted the export levels of key agricultural products such as soybeans. On the other hand, the rise in imports resulted from greater demand across all categories of goods. In 2021, the current account recorded a deficit of US\$243.2 million (0.6% of GDP) due to negative results in the services sector and primary income. Paraguay primarily engages in trade with MERCOSUR members, countries in the European Union, Russia and China. MERCOSUR members remain Paraguay's main export partners. Paraguayan exports to MERCOSUR members increased from US\$6.3 billion in 2021 to US\$6.9 billion in 2025. In 2025, exports to MERCOSUR accounted for 62.4% of Paraguay's registered exports, compared to 65.2% in 2024. The European Union, China, Russia, and the rest of the world accounted for 3.5%, 0.5%, 1.5% and 32.1% of registered exports, respectively, compared to 3.9%, 0.2%, 1.8% and 28.9%, respectively, in 2024. Brazil is Paraguay's largest trading partner, accounting for 31.0% and 23.4% of registered exports and imports, respectively, in 2025, compared to 32.4% and 24.7%, respectively, in 2024, followed by Argentina, with 29.6% and 6.1% of registered exports and imports, respectively, in 2025, compared to 30.8% and 6.9%, respectively, in 2024. FDI flows totaled US\$3.1 billion between 2021 and 2024. The sectors of the economy that have attracted most of the FDI in this period have been financial intermediation, commerce, business services, forestry, and meat production.

Paraguay's international reserves increased by US\$1,054.2 million between December 31, 2021, and December 31, 2025, primarily as a result of bond issuances by the public and private sectors between 2020 and 2021 and, to a lesser extent, FDI inflows recorded between 2020 and 2024.

Monetary System

The Central Bank is independent of the government. Its fundamental objectives are to preserve and safeguard the stability of Paraguay's currency, the Guaraní, and promote efficiency and stability in the financial system. The Central Bank has focused its efforts on maintaining a stable and predictable level of inflation.

Paraguay has a floating exchange rate regime. From time to time, the Central Bank intervenes in the foreign exchange market in order to stabilize the Guaraní. In 2020, during the early months of the pandemic, the Guaraní exhibited a significant depreciation against the U.S. dollar consistent with other South American currencies. However, towards the end of 2020, the U.S. dollar lost value against the Guaraní, as well as against most currencies in the South American region, in the context of optimism related to COVID-19 vaccines, partially reversing the depreciation in early 2020.

The Guaraní appreciated against the U.S. dollar in the first quarter of 2021 as a result of a large inflow of U.S. dollars from agricultural exports. A subsequent decrease in agricultural exports between the second and third quarters of 2021 resulted in the depreciation of the Guaraní against the U.S. dollar. The exchange rate remained relatively stable from August 2021 to the end of 2021. In 2022, the cumulative depreciation of the Guaraní against the U.S. dollar was 3.1%. Although the nominal exchange rate remained relatively stable during the first half of 2022, the Guaraní depreciated rapidly from the third quarter onward. This depreciation of the Guaraní was driven by the appreciation of the U.S. dollar within the global market during that year, triggered by upwards adjustments to the Federal Reserve's interest rates and the heightened likelihood of a global recession. The average exchange rate as of December 31, 2022, was G.6,983.3 per US\$1.00.

In 2023, despite higher exports and a positive trade balance in the first three quarters, the Guaraní depreciated by 4.44% against the U.S. dollar, averaging G.7,288.9 per US\$1.00, mainly due to persistently high U.S. treasury interest rates. In 2024, the average exchange rate was G.7,560.2 per US\$1.00, reflecting a depreciation of 3.72%, mainly driven by strengthening of the U.S. currency resulting from persistently high bond reference rates.

In 2025, the Guaraní faced temporary depreciation pressures during the first half of the year, driven by domestic factors, particularly expectations regarding the impact of the soybean harvest and the related foreign exchange inflows, which prompted targeted interventions by the Central Bank. From mid-year onward, the currency corrected its trajectory, aligning with the regional trend of appreciating currencies and the weakening of the U.S. dollar internationally. The Guaraní averaged G.7,545 per US\$1.00 for the year, reflecting a cumulative appreciation of 0.2%.

In 2020, the Central Bank reduced the reference interest rate in March, April, and June. Throughout 2020, the reference interest rate decreased by 325 basis points, from 4.00% to 0.75%. In 2021, a recovery in economic activity and a rise in commodity prices led to an increase in inflation. In order to contain future inflationary pressures and avoid a de-anchoring of expectations, the reference rate was adjusted by 25 basis points in August 2021, 50 basis points in September 2021 and 125 basis points in each of October, November and December 2021, reaching 5.25% as of December 31, 2021. This normalization process continued in 2022, with the Central Bank increasing its Monetary Policy Rate (“MPR”) by 325 basis points from December 2021 to September 2022, reaching 8.50% in September 2022. This increase in the MPR by the Central Bank were made in response to unexpected external shocks, particularly the escalating conflict between Russia and Ukraine, which significantly impacted local food and fuel prices and resulted in medium-term inflation expectations exceeding the Central Bank’s target. During the second half of 2023, the Central Bank reduced the MPR from 8.50% in July to 6.75% at the end of December, mainly due to a moderation in inflation and a decrease in commodity prices. In 2024, the Central Bank lowered the MPR from 6.75% to 6.00%, continuing its process of monetary easing, aiming to position the MPR within the neutral range. The Central Bank maintained the MPR at 6.00% in 2025, reflecting anchored inflation expectations and economic activity operating near its potential. For a summary of adjustments to the MPR over recent years, see “Monetary System.”

The Central Bank remains committed to conducting monetary policy with a primary focus on achieving price stability. Monetary policy is anchored under an inflation targeting framework. In 2020, inflation stood at 2.2%, remaining within the target range of 4.0%, with a tolerance band of +/- 2 percentage points (“p.p”). In 2021, however, inflation rose to 6.8%, exceeding the target range. Inflation remained above target at 8.1% in 2022 but returned to its tolerance range in 2023, closing the year in 3.7%. Throughout 2024, inflation remained close to the 4.0% target, standing at 3.8% at year-end.

The inflation dynamics through 2021 and 2022 were explained primarily by sharp increases in food and fuel prices, both driven by higher international prices, and the recovery of economic activity. In contrast, during 2023 and 2024, inflationary pressures moderated, reflecting lower commodity prices, which impacted on food and fuel prices, and the tightening of MPR, which helped contain inflationary pressures, align expectations and promote convergence of inflation toward the target. A key factor behind the rapid convergence of inflation to the target was the credibility of the Central Bank’s monetary policy framework. In 2024, despite supply shocks that caused price increases in volatile items, such as fruits and vegetables during the first half of the year, inflation remained close to the target as these effects dissipated in the second half. In December 2024, the Board of Directors of the Central Bank decided to lower the inflation target for the monetary policy horizon from 4.0% to 3.5%, while maintaining the tolerance range at +/- 2 p.p. This decision was based on several key factors, including the favorable evolution of inflation under the targeting framework, the effectiveness of the monetary policy and the Central Bank’s credibility in managing the expectations of economic agents.

In 2025, inflation continued to moderate, with annual inflation declining to 3.1% by year-end, explained by lower inflation in non-food goods, particularly fuels and durable goods, and reduced external pressures associated with the weakening of the U.S. dollar in international markets. Food inflation also contributed to the moderation of inflation, mainly due to lower inflation in beef prices, while service inflation remained relatively stable. Inflation expectations remained aligned with the monetary policy target.

Dollarization

High dollarization is one of the primary characteristics and risks of the Paraguayan financial system. As of December 30, 2025, dollar deposits represented 38.3% of total deposits and dollar-denominated loans represented 36.8% of total loans extended by Paraguay’s public and private banks, financial corporations and cooperatives. High dollarization generates systemic risks and liquidity risks in the financial system, which stem from the Central Bank’s limited capacity to be a lender of last resort in providing dollar liquidity, as well as solvency risks linked to U.S. dollar credits held by unhedged borrowers who do not earn their income in U.S. dollars and who may be unable to refinance their debt in case of a sudden depreciation of the Guaraní. As of December 31, 2025, Paraguay’s total international reserves amounted to US\$11.0 billion. See “The Paraguayan Economy—Current Economic Policy—Overview.”

However, Paraguay is working on de-dollarizing its financial system. In November 2023, Paraguay successfully carried out a key step into the de-dollarization process by converting loans denominated in U.S. dollars to the local currency, securing highly favorable financial conditions for the country. This strategic operation involved the conversion of US\$100 million into Guaraníes with a remaining average term of 13 years and an interest rate of 6.3%, significantly lower than market rates under similar circumstances. Furthermore, in February 2024, the Paraguayan government successfully issued its first set of sovereign bonds denominated in Guaraníes in international financial markets. The issuance totaled the equivalent of US\$500 million, with an interest rate of 7.9% and a maturity term of seven years. In 2025, the de-dollarization of public debt advanced further with a new issuance of sovereign bonds denominated in Guaraníes, equivalent to US\$600 million, an interest rate of 8.5% and a maturity of ten years. In addition to improving the currency composition of the debt portfolio, these operations contribute to mitigating risks associated with exchange rate fluctuations.

Public Sector Finances

Paraguay's public sector consists of the central government, public financial institutions, public non-financial institutions and other general government agencies. Central government revenues are derived mainly from tax collection (VAT, income tax and excise taxes) and non-tax revenue (royalty payments from Itaipú Binational and Yacyretá Binational, compensation payments from the Brazilian and Argentine governments for sales of electricity generated at Itaipú and Yacyretá, respectively, unused by Paraguay, and social security contributions). Central government expenditures consist mainly of compensation of employees, payments for goods and services, transfer payments, interest on public debt and investments in infrastructure.

Other public sector institutions derive revenue from operating income or transfers from the central government. The budgets of all public sector institutions are included in the government's annual budget.

Municipalities are not included in the government's annual budget and do not require authorization from the government to obtain financing, and there would be no recourse to the central government for any such financing. However, in accordance with the IMF's Government Finance Statistics Manual (GFSM 2001), consolidated public sector finance statistics also include finances related to municipalities.

In 2025, the central government's fiscal balance recorded a deficit of US\$991.3 million (2.0% of GDP), while the central government's primary balance showed a deficit equivalent to 0.1% of GDP. In 2024, the central government's fiscal balance recorded a deficit of US\$1,135.0 million (2.5% of GDP), while the central government's primary balance showed a deficit equivalent to 0.6% of GDP. In 2023, the central government's fiscal balance recorded a deficit of US\$1,759.9 million (4.1% of GDP), while the central government's primary balance showed a deficit equivalent to 2.4% of GDP. In 2022, the central government's fiscal balance recorded a deficit of US\$1,230.7 million (2.9% of GDP), while the central government's primary balance showed a deficit equivalent to 1.7% of GDP. In 2021, the central government's fiscal balance recorded a deficit of US\$1,450.6 million (3.6% of GDP), while the central government's primary balance showed a deficit equivalent to 2.5% of GDP.

The main component of Paraguay's central government expenditures in the period from 2021 through 2025 was payroll, representing on average approximately 43.8% of total expenditures (excluding the acquisition of non-financial assets). The percentage of total expenditures represented by payroll amounted to 45.7% in 2021. In 2025, payroll represented 43.5% of total expenditures, a 2.1% decrease compared to 2021; this is mainly explained by better containment of wage expenditure.

The Fiscal Responsibility Law ("FRL") regulates the creation and approval of the government's annual budget, although it does not govern its execution. This law aims to prevent discretionary increases in spending by establishing targets for the central government's overall balance. Ultimately, the FRL advocates balanced budgets that align with the government's financial capabilities. Additionally, the FRL imposes restrictions on the executive branch's primary expenditures during the first seven months of election years. From January to July in years when elections take place, the Executive is permitted to spend only up to 60% of the funds allocated in the annual budget on primary expenditures. In essence, the FRL sets a limit on primary expenditures during these months of election years. These constraints apply equally to general and local municipal elections.

Between 2020-2025, the country experienced higher deficit levels than those provided for in the FRL. In 2020, and in response to COVID-19 pandemic, Congress enacted Law No. 6524/2020 declaring a state of emergency throughout the country. Law No. 6524/2020 included administrative, fiscal, and financial measures, and suspended some fiscal rules established in the Fiscal Responsibility Law for 2020. In 2021, to provide the government with fiscal flexibility in managing the economic impacts of COVID-19, the application of the FRL was suspended. Consequently, the fiscal deficit ceiling for the central government in 2021 was increased from 1.5% to 4% of GDP. Likewise, in 2022, the fiscal deficit ceiling for the central government was raised from 1.5% to 3.0% of GDP, following the convergence process to more sustainable fiscal outcomes after the 6.1% GDP deficit recorded in 2020. In 2023, an initial deficit limit of 2.3% of GDP was approved through the Budget Law but was later expanded to 4.1% to fulfill pending payment commitments from previous years with the health sector and public works, while maintaining investment levels for the benefit of the economy.

In 2024, the government recorded a fiscal deficit of 2.6% of GDP, in line with the approved 2024 budget and consistent with the medium-term goal of reducing the deficit to 1.5%, as outlined in the FRL.

In 2025, the government recorded a deficit of 2.0% of GDP, the best fiscal result since 2019 and confirms, for the second consecutive year, progress on the path of convergence toward compliance of the FRL in 2026.

Following the approval of the 2026 budget by both chambers of Congress in December 2025, the executive branch enacted the 2026 budget on December 31, 2025. The 2026 budget prioritizes strategic sectors such as health, education, security, and social protection, which the government considers fundamental pillars for the country's sustainable development. Furthermore, the 2026 budget aligns with the government's fiscal convergence plan and Fiscal Responsibility Law, establishing a maximum fiscal deficit of 1.5%. This fiscal framework aims to preserve macroeconomic equilibrium and ensure the orderly, efficient, and responsible management of public finances. The enactment of the 2026 budget represents a significant step toward consolidating public policies geared toward the well-being of the population, with a particular focus on the most vulnerable sectors.

Public Sector Debt

The ratio of total public sector debt to GDP stood at 41.2% as of December 31, 2025 compared to 40.4% as of December 31, 2024. Paraguay's public sector external debt totaled US\$17.3 billion as of December 31, 2025. As of December 31, 2025, the total outstanding public sector domestic debt was approximately US\$3.0 billion.

The Inter-American Development Bank (IDB) and the Development Bank of Latin America ("CAF") are Paraguay's largest creditors, accounting, as of December 31, 2025, for 19% and 12.4%, respectively, for Paraguay's total public sector external debt. Paraguay's borrowings from multilateral organizations are used primarily for infrastructure and social development programs. For a breakdown of the loans from multilateral organizations and credit agencies approved in 2025, see "Public Sector Debt—Public Sector External Debt—Public Sector External Debt Owed to Multilateral Organizations and Credit Agencies.

Since 2013, Paraguay has issued sovereign bonds in the international capital markets. As of the date of this Offering Memorandum, Paraguay has issued a total of fourteen series of bonds, for a total of US\$9.3 billion.

Recent Developments

Sovereign rating upgrade to Investment Grade

In December 2025, S&P upgraded Paraguay's long-term credit rating from BB+ to BBB- and changed the outlook from positive to stable. This change mainly reflects a history of prudent and consistent macroeconomic policies that have favored the implementation of large private investment projects that contributed to the diversification of the Paraguayan economy.

As of the date of this Offering Memorandum, Paraguay's Moody's long term credit rating is Baa3 (Stable), its Standard & Poor's long term credit rating is BBB- (Stable), and its Fitch's long term credit rating is BB+ (positive).

Sovereign rating outlook upgrade

In October 2025, Fitch Ratings affirmed Paraguay's long-term credit rating at BB+ and revised the outlook to positive, highlighting the potential improvement in economic growth, fiscal trajectory, and structural advances in governance.

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Bonds, see “Description of the Bonds” in this Offering Memorandum.

Issuer	Republic of Paraguay.
Securities Offered	G. 6,506,960,000,000 principal amount of 8.500% Bonds due 2038.
Issue Price of the Bonds	99.983% of the principal amount of the Bonds, plus accrued interest, if any, from March 4, 2026. The Issue Price will be payable in U.S. dollars based on an exchange rate for the conversion of Guaraníes into U.S. dollars of G.6,506.96 per US\$1.00, which is the Observed Exchange Rate in effect on February 24, 2026.
Maturity Date	April 4, 2038.
Principal	Principal will be paid in full at maturity.
Interest	The Bonds will bear interest on their outstanding principal amount from the date of issuance, at a fixed rate of 8.500%, payable semi-annually in arrears on April 4 and October 4 of each year, commencing on October 4, 2026, payable in U.S. dollars calculated as described below.
Conversion of Payment Amounts	All amounts due in respect of principal and interest on the Bonds will be paid in U.S. dollars, as calculated by the calculation agent by converting the Guaraníes amounts into U.S. dollars at the Observed Exchange Rate on the applicable Rate Calculation Date. See “Description of the Bonds—General Terms of the Bonds.”
Optional Redemption	The Bonds will be subject to redemption at the option of Paraguay before maturity. For more information see “Description of the Bonds—Redemption and Repurchase—Optional Redemption” in this Offering Memorandum.
Status	The Bonds constitute and will constitute direct, general, unconditional and unsubordinated External Debt of the Republic for which the full faith and credit of the Republic is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated External Debt of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Bonds ratably with payments being made under any other External Debt.
US\$ Offering	Concurrently with this offering, the Republic is also offering US\$300,000,000 principal amount of 6.650% bonds due 2055 (the “dollar-denominated bonds”) as debt securities under the indenture referred to below. The dollar-denominated bonds will constitute a further issuance of, be consolidated, form a single series, and be fully fungible with the Republic’s outstanding 6.650% Bonds due 2055 originally issued on March 4, 2025, in the aggregate principal amount of US\$600,000,000. The Republic will apply to list the dollar-denominated bonds on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market.
Tender Offer	On February 17, 2026, the Republic intends to launch an offer to purchase (the “Tender Offer”) a portion of its outstanding 4.700% Bonds due 2027 and 4.950% Bonds due 2031 (collectively, the “Existing Bonds”).

The initial purchasers are acting as dealer managers for the Tender Offer. In addition, the initial purchasers may tender Existing Bonds they hold in the Tender Offer and receive proceeds from this offering in payment thereof.

Use of Proceeds Paraguay expects to apply the net proceeds of the Bonds for general government purposes, in accordance with the Annual Budget Law No. 7,609/2025, Liability Management Law No. 6,638/2020, the Regulatory Decree No. 1,519/2024, the Regulatory Decree No. 9,301/2023, the Regulatory Decree No. 5,311/2026 and Resolutions No. 21/2026, 22/2026, 23/2026 and 136/2026 issued by the Ministry of Economy and Finance.

Taxation..... Paraguay will make all interest payments on the Bonds without withholding or deducting any Paraguayan taxes, unless required by law. If Paraguayan law requires Paraguay to withhold or deduct taxes, Paraguay will pay bondholders, subject to certain exceptions, additional amounts to provide the equivalent of full payment of interest to bondholders. For more information see “Description of the Bonds—Additional Amounts” in this Offering Memorandum. For a discussion of the Paraguayan and United States federal income tax consequences of owning the Bonds, see “Tax Considerations—Paraguayan Tax Considerations,” and “Tax Considerations— Certain United States Federal Income Tax Considerations.”

Risk Factors See “Risk Factors” starting on page 13 for a discussion of certain factors you should consider before deciding to invest in the Bonds.

Form and Denomination of the

Bonds The Bonds will be issued in the form of one or more registered global securities without coupons, which will be deposited with a custodian for DTC. The Bonds will not be issued in bearer form.

The Bonds will be issued in denominations of G.1,000,000 and integral multiples of G.1,000,000 in excess thereof.

Transfer Restrictions The Bonds have not been registered under the Securities Act and will be subject to restrictions on transferability and resale. For more information see “Notice to Investors” and “Transfer Restrictions.”

Listing..... Application will be made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of the Luxembourg Stock Exchange.

Indenture..... The Bonds will be issued under the indenture dated March 31, 2016 (as amended, modified and/or supplemented from time to time) between Paraguay and The Bank of New York Mellon, as trustee, which indenture provides for the issuance from time to time of one or more series of debt securities.

Trustee, Paying Agent, Transfer

Agent and Registrar The Bank of New York Mellon.

Calculation Agent.....

The Bank of New York Mellon.

Governing Law The Bonds will be, and the indenture is, governed by and construed in accordance with the laws of the State of New York, except that the laws of Paraguay will govern all matters relating to authorization and execution by Paraguay.

RISK FACTORS

This section describes certain risks associated with investing in the Bonds. You should consult your financial and legal advisors about the risks of investing in the Bonds and the suitability of your investment in light of your particular situation.

The risks described below are not the only ones that Paraguay faces. Additional risks that are not currently known to Paraguay or that Paraguay currently believes are immaterial may also adversely affect it. Many of these risks are interrelated and occur under similar economic conditions, and the occurrence of certain of them may in turn cause the emergence, or exacerbate the effect, of others. Such a combination could materially increase the severity of the impact on Paraguay. As a result, if certain of these risks emerge, Paraguay may need to raise additional funds through borrowing in the internal or external capital markets, and there is no assurance that Paraguay will be able to borrow needed funds on terms that it considers acceptable or at all.

Risk Factors Relating to Paraguay

Certain economic risks are inherent in any investment in an emerging market country such as Paraguay.

Investing in an emerging market country such as Paraguay carries economic risks. These risks include many different factors that could affect Paraguay's economy, including the following:

- changes in the global economy, interest rates and financial markets;
- changes in economic conditions of Paraguay's main trading partners and the demand that such economies have for Paraguay's exports;
- changes in governmental economic or tax policies;
- the imposition of trade barriers by the government or by third parties, including sanctions imposed by other governments on any country with which Paraguay has significant trade relationships;
- general economic and business conditions in Paraguay;
- uncertainties relating to political and economic conditions in Paraguay and the South American region;
- the impact of political developments on demand of Paraguay's securities;
- high interest rates;
- capital and foreign exchange controls;
- wage and price controls;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- future decisions by international financial institutions regarding the terms of their financial assistance to Paraguay; and
- limitations in terms of human resources and infrastructure (and in several respects the institutional and regulatory framework) needed to develop the economy more rapidly.

Any of these factors, as well as volatility in the markets for securities similar to the Bonds, could adversely affect the liquidity of, and trading markets for, the Bonds.

The Paraguayan economy may contract in the future, which could have a material adverse effect on public finances and on the market price of the Bonds.

The Paraguayan economy experienced a real GDP growth of 4.0% in 2021, no significant variation in 2022, a growth of 5.3% in 2023, 4.7% in 2024, and 6.0% in 2025. Between 2021 and 2025, real GDP grew at an annual average rate of 4.0%. Paraguay cannot assure investors that its economy will grow in the future. Paraguay's economic growth depends on a variety of factors, including, among others, international demand and prices for Paraguayan exports, economic conditions in the countries that serve as Paraguay's most important trading partners, climatic factors affecting Paraguay's agricultural sector, fiscal and monetary policies, confidence among Paraguayan consumers and foreign and domestic investors and their rates of investment in Paraguay, the willingness and ability of businesses to engage in new investment, the exchange rate and the rate of inflation. Some of these factors are outside Paraguay's control. A sustained economic slowdown or recession could result in a material decrease in Paraguay's fiscal revenues, or a significant depreciation of the Guaraní over an extended period of time could adversely affect Paraguay's debt/GDP ratio, either of which in turn would materially and adversely affect the ability of Paraguay to service its public debt, particularly its debt obligations denominated in foreign currencies, including the Bonds.

Severe weather, natural disasters and adverse climate changes, as well as species-based diseases affecting crops and livestock, may materially adversely affect Paraguay's economy.

Paraguay's economy is heavily reliant on the agriculture and livestock sectors, which represent a significant share of gross domestic product and export revenues. As of 2024, the agricultural sector (including agriculture, livestock, forestry and fishing) accounted for approximately 10.7% of Paraguay's GDP, underscoring the structural relevance of primary activities to the country's economic performance. Paraguay's economy is very susceptible to severe weather conditions, such as droughts and floods, as well as species-based diseases, which can significantly affect crop production and livestock.

The Paraguayan economy has historically exhibited sensitivity to adverse climatic conditions. During 2022, the primary sector experienced a sharp contraction because of a severe drought affecting the country at the beginning of the year, while secondary and tertiary sectors registered only marginal growth. Such climatic events have repeatedly demonstrated their capacity to materially affect agricultural output, export volumes, and overall economic growth.

Agricultural commodities continue to dominate Paraguay's export profile. Soybeans and soybean-derived products constitute the country's principal export category. As of November 2025, soybeans have represented approximately 22.6% of total exports, while soybean flour and soybean oil have accounted for an additional 5.6% and 5.5%, respectively. Beef products also represent a substantial portion of export revenues representing 19.1% of total exports, ranking among the country's largest export products.

The Paraguayan agricultural and the livestock industry may also be significantly affected by species-based diseases. Moreover, the livestock industry is susceptible to diseases such as Foot and Mouth Disease ("FMD") and spongiform encephalopathy (commonly referred to as "mad cow disease" or "BSE"). Paraguay had outbreaks of FMD in 2011, which led to a temporary ban in September 2011 of Paraguayan livestock production from the Chilean and European markets. As of the date of this Offering Memorandum, Paraguay is categorized by the OIE as having insignificant risk of BSE, bovine pleuropneumonia, also known as lung plague, FMD, swine fever, African horse sickness, among other similar diseases. It is impossible to predict eventual outbreaks of FMD, BSE or other species-based diseases affecting livestock, which could result in further restrictions on Paraguayan beef exports and concerns that these diseases may occur and spread in the future, whether or not resulting in regulatory action, may lead to cancellation of orders by customers of Paraguayan beef products and create adverse publicity that may have a material adverse effect on customer demand for Paraguayan beef products.

A number of internal and external factors may decrease agricultural production or cause a significant drop in the production of beef or soybean products, which would adversely affect Paraguay's economy significantly and, as a result, could have an adverse effect on Paraguay's ability to perform its obligations under the Bonds.

Paraguay's credit ratings could be negatively affected by internal and external factors. Any adverse change in Paraguay's credit rating would negatively affect the liquidity of and demand for Paraguay's debt securities, as well as its access to the international financial markets.

As of the date of this Offering Memorandum, Paraguay's long-term credit rating assigned by Moody's is Baa3 (Stable), the long-term credit rating assigned by Standard & Poor's is BBB- (Stable), and the long-term credit rating assigned by Fitch is BB+ (Positive).

However, Paraguay's ratings or outlooks may be downgraded or placed on watch by Standard & Poor's, Fitch and Moody's or any other rating agency in the future, which would make financing more expensive for Paraguay than in the past and potentially render it completely inaccessible.

In addition, successive rating downgrades could occur as Paraguay's borrowing needs increase, and any event that could weaken economic growth would affect its credit rating. Paraguay's economy is small, but efforts have been made to improve growth dynamics by modernizing and diversifying the economy, with the aim of strengthening economic resilience. Government policies (including fiscal reform and the ability to maintain balanced budgets) and their implementation, including infrastructure and other capital-intensive investments, as well as monetary and capital controls, would have a direct and indirect impact on Paraguay's credit ratings. If Paraguay's relations with its neighbors and trading partners deteriorate, this could have a significant adverse effect on the country's economy and, therefore, on its credit ratings.

Any negative changes in Paraguay's credit rating could impact the trading prices, liquidity, and demand for Paraguay's debt securities, including the Bonds. This, in turn, could increase the cost of financing in the international markets and affect the country's ability to service its public debt, including the Bonds.

A decrease in Brazilian demand for electricity, political instability arising out of negotiations related to allocation and usage of Itaipú Binational's power production could significantly adversely affect Paraguay's economy and Paraguay's ability to perform its obligations under the Bonds.

Paraguay's state-owned electric utilities company (Administración Nacional de Electricidad — "ANDE"), owns a 50% equity stake in Itaipú Binational, while Eletrobras, a partially state-owned Brazilian company, owns the remaining 50%. The Itaipú hydroelectric plant serves as a substantial source of revenue for the government. In 2021, 2022, 2023, 2024 and 2025, payments to Paraguay with respect to energy generated at the Itaipú hydroelectric plant accounted for approximately 1.0%, 0.9%, 1.1%, 1.1% and 0.8% of Paraguay's GDP, respectively.

Payments to Paraguay by Itaipú Binational consist of royalty payments based on revenues from electricity sales and compensation payments from the Brazilian government for the unused portion of Paraguay's share of the electricity produced at Itaipú Binational. The two governments negotiate the amount of these compensation payments periodically. Currently, they have agreed on a tariff of US\$19.28 kW/month until 2026 for the energy generated from Itaipú. Additionally, in December 2025, Brazil's electricity regulator (ANEEL) approved the electricity tariff applicable to Brazilian consumers for energy generated by Itaipú for 2026, maintaining the level applied in 2025 at approximately US\$16.71 per kW-month, with any difference between such tariff and Itaipú's operating costs being addressed through sector-specific regulatory mechanisms in Brazil. The amount of compensation stood at US\$12,584 per GW/hour as of December 31, 2025, an increase compared to the US\$12,404 per GW/hour registered on December 31, 2024. All compensation payments Paraguay receives from Brazil for the sale of its unused electricity are contingent on the amount of electricity sold to Brazil. As of December 31, 2024, Itaipú Binational supplied approximately 6.7% of Brazil's electricity needs and approximately 77.9% of Paraguay's electricity needs, reflecting no significant variation compared to 2023. Furthermore, as of December 31, 2025, Paraguay's electricity exports to Brazil decreased by 19.4% compared to December 31, 2024 as measured in volume of electricity exported.

Recent performance indicators illustrate the sensitivity of these flows: in 2025, Itaipú Binational transferred approximately US\$462 million to the government, which was reported as approximately US\$87 million less than the amount transferred in 2024 (US\$549 million). Furthermore, publicly available information released in 2025 indicates a reduction in the amounts paid by Brazil to Paraguay in connection with compensation for Paraguay's

unused share of electricity generated at Itaipú, reflecting lower volumes of electricity transferred to Brazil during that period.

A decrease in electricity consumption in Brazil would adversely affect Paraguay's compensation revenues, which, in turn, could adversely affect Paraguay's ability to perform its obligations under the Bonds.

Previous negotiations and agreements regarding compensation payments have led to political instability in Paraguay. For example, in mid-2019, the Chamber of Deputies received a formal request to initiate impeachment proceedings against President Mario Abdo Benitez, Vice President Hugo Velazquez and Minister of Finance Benigno Lopez from various members of Congress, triggered by the political crisis that ensued following the disclosure of the May 2019 diplomatic agreement governing the allocation and usage of the power production of Itaipú Binational for 2019 between ANDE and Eletrobras. Even though the political crisis was resolved, and the impeachment proceedings were ultimately dismissed, future agreements on the allocation and usage of the power production of Itaipú Binational and/or compensation payments from Itaipú Binational could lead to political instability in Paraguay, which could adversely affect Paraguay's ability to perform its obligations under the Bonds.

In May 2024, Paraguay and Brazil reached a historic agreement on the Itaipú energy tariff, marking a significant milestone in bilateral relations and economic cooperation

However, in April 2025, Paraguay recalled its ambassador to Brazil and announced the suspension of ongoing Itaipú-related negotiations following revelations regarding alleged espionage against Paraguayan officials connected to tariff negotiations.

In July 2025, following a meeting between Presidents Santiago Peña and Luiz Inácio Lula da Silva, the governments signaled that they would resume discussions on the review of Annex C of the Itaipú Treaty. In November 2025, the foreign ministers of Brazil and Paraguay publicly agreed to resume the Annex C negotiations in the first half of December 2025. As of January 2026, the revision of Annex C and related financial/commercial arrangements remains a live bilateral agenda item, and its outcome may affect the future level and structure of Itaipú-related revenues received by Paraguay.

A reduction or discontinuation of Yacyretá's payments to Paraguay could adversely affect Paraguay's economy and Paraguay's ability to perform its obligations under the Bonds.

Yacyretá Binational administers, supervises and operates the Yacyretá hydroelectric plant. The company is owned by ANDE and Emprendimientos Binacionales S.A., an Argentine state-owned company, in a 50/50 joint venture. Because of cost overruns in the project, Argentina unilaterally decided in 1992 that accumulated royalties and compensation for the years 1994 to 2004 should be deferred until 2019. However, since Yacyretá commenced operations in 1994, Paraguay has received royalties and compensation payments from Yacyretá Binational, although a substantial part of such payments is at Yacyretá Binational's discretion and is subject to agreement by Argentina and Paraguay on an annual basis. Beginning in 2014, the Argentine government halted the transfer of any revenue from Yacyretá to Paraguay. In 2016, Argentina promised to honor the royalties and compensation payments for 2014 and 2015 due to Paraguay from the Yacyretá hydroelectric plant. In 2021, 2022, 2023, 2024 and 2025, Paraguay received US\$45.8 million, US\$78.9 million, US\$54.3 million, US\$116.8 million and US\$43.5 million, respectively, from Yacyretá Binational on account of royalties and compensation due for prior years. Should Yacyretá Binational decide in its discretion to discontinue these payments, Paraguay's economy would be adversely affected, which in turn would adversely affect Paraguay's ability to perform its obligations under the Bonds.

Fluctuations in exchange rates between Guaraníes and the U.S. dollar may adversely affect Paraguay's ability to perform its obligations under the Bonds.

From time to time, the Central Bank intervenes in the foreign exchange market to stabilize the Guaraní. Despite these interventions, the Guaraní has depreciated in the past and may in the future depreciate significantly. If the Guaraní should depreciate significantly over an extended period, economic growth in Paraguay could be adversely affected or even reversed, and it would be more burdensome for Paraguay to repay debt obligations denominated in foreign currency. In that event, Paraguay may not be able to perform its obligations under the

Bonds, which are denominated in U.S. dollars. Alternatively, if the Guaraní should appreciate significantly, Paraguay's exports may become less competitive, which would adversely affect Paraguay's economy and, ultimately, Paraguay's ability to perform its obligations under the Bonds. As of December 31, 2025, the average exchange rate was G.7,545.4 per U.S. dollar. Paraguay's dollarization level is high, which could limit the effectiveness of monetary policy. As of the date of this Offering Memorandum, Paraguay's debt denominated in foreign currency amounts to US\$14.4 billion.

Paraguay experienced a gradual decline in dollarization in the early 2000s as macroeconomic stability improved and inflation declined. However, progress on de-dollarization has reversed somewhat since 2010, driven by fluctuations in commodity prices and the exchange rate, and global economic uncertainty. As of December 31, 2025, dollar deposits represented 38.3% of total deposits and dollar-denominated loans represented 36.8% of total loans extended by Paraguay's public and private banks, financial corporations and cooperatives. Such levels of financial dollarization could weaken monetary transmission and reduce the Central Bank's capacity as lender of last resort.

Commodity prices are volatile, and a significant decline in commodity prices would adversely affect Paraguay's economy and affect its ability to perform its obligations under the Bonds.

Paraguay's economy is exposed to commodity price volatility, especially with regard to soybeans, which made up approximately 56.8% of Paraguay's total agricultural production in 2025, compared to 62.5% in 2024. In addition, soybeans made up approximately 21.2% of registered exports in 2025, compared to 29.0% in 2024. A significant drop in the price of commodities, such as soybeans, would adversely affect Paraguay's economy and could affect Paraguay's ability to perform its obligations under the Bonds.

Paraguay's economy remains vulnerable to external shocks, including international financial downturns or events affecting other emerging market sovereigns, which could adversely affect its ability to grow, as well as Paraguay's ability to service its public debt.

Paraguay's economy remains vulnerable to conditions and events in the global markets and other international economic and political developments, which are outside the control of the central government.

Paraguay's balance of trade and economic growth are also vulnerable to adverse developments affecting its principal trading partners (such as Brazil and Argentina, each of which have recently experienced recessions and strong currency depreciation). A significant decline in the economic growth of any of Paraguay's major trading partners could have a material adverse impact on Paraguay's balance of trade and adversely affect Paraguay's economic growth.

In addition, because reactions of international investors to events occurring in one market, particularly in emerging markets, frequently appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Paraguay could be adversely affected by negative economic or financial developments in other markets. Paraguay's economy may also be affected by conditions in developed economies, such as the United States, that are significant trading partners of the Republic or have influence over world economic cycles. For example, if interest rates increase significantly in developed economies, including the United States and Europe, the Republic and its developing economy trading partners, such as Brazil and Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries.

Decreased growth on the part of Paraguay's trading partners could have a material adverse effect on the markets for Paraguay's exports and, in turn, adversely affect economic growth. Decreased growth on the part of the Republic's trading partners could have a material adverse effect on the Republic's ability to service its public debt generally, including the Bonds.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Paraguay's trading partners and adversely affect Paraguay's economic growth and Paraguay's ability to make payments on its outstanding public debt, including the Bonds.

An increase in international interest rates, similar to the surge experienced in the United States during 2022 and 2023, may result in adverse effects on Paraguay and its primary trading partners, particularly the EU and Brazil. This echoes the impact seen in the previous year when the uptick in the U.S. interest rates directly affected the Paraguayan economy, making international financing, including from multilaterals, more expensive and difficult to procure. The repercussions of these shifts reverberate through the domestic market, prompting, for instance, the suspension of the local issuance programs as a result of unfavorable market conditions.

Moreover, increased interest rates may impact borrowings and make refinancing of existing debt more cumbersome for Paraguay's trading partners, thereby elevating costs that might obstruct economic growth in those countries. This could potentially trigger negative implications for the markets that Paraguay exports to, eventually impacting Paraguay's own economy. Furthermore, higher interest rates would increase Paraguay's debt service requirements, particularly in relation to its debt obligations with floating interest rates. This could detrimentally affect Paraguay's ability to make timely payments on its outstanding public debt, including the Bonds.

A significant depreciation of the currencies of Paraguay's trading partners or trade competitors may adversely affect the competitiveness of Paraguayan exports and cause an increase in Paraguay's imports, thus adversely affecting Paraguay's economy.

During 2025, the Guaraní appreciated 5.8% against the Brazilian Real and 38.6% against the Argentine Peso. The depreciation of the currencies of one or more of Paraguay's trade partners (including, Brazil and Argentina) or trade competitors relative to the Guaraní may result in Paraguayan 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 Paraguay's economic growth, its financial condition and the ability of Paraguay to service its debt.

In the case of Argentina, following the significant depreciation of the Argentine Peso in December 2023 as part of economic stabilization measures, President Javier Milei's government maintained a monthly devaluation rate of 2% for the official exchange rate of the Peso against the US dollar throughout 2024. In 2026, the Central Bank of the Argentine Republic announced changes to the monthly adjustment mechanism of the exchange rate band, along with the implementation of a reserves accumulation program.

In Brazil, following global dollar trends, the Real appreciated 11.18% during 2025, representing the biggest appreciation of the past 10 years.

The Guaraní has also appreciated against the U.S. dollar, and in line with other regional currencies, it lost less value compared to its main trading partners, Brazil and Argentina. This could lead to a loss of competitiveness for Paraguayan exports and/or increased demand for imported products, which in turn would adversely affect Paraguay's international reserves and, in turn, its ability to perform its obligations under the Bonds.

A significant increase in non-tariff trade barriers by MERCOSUR members would negatively affect Paraguay's economy and Paraguay's ability to perform its obligations under the Bonds.

In 2015, MERCOSUR countries agreed to analyze alternatives with a view to the future elimination of tariff barriers and other equivalent measures that exist in the bloc. Since then, MERCOSUR has made progress in eliminating measures that affect the trade of each member country. In 2025, non-tariff measures or measures with equivalent effect, border distortionary practices, and tax measures were addressed in the realm of the MERCOSUR Trade Commission.

In 2016, Argentina shifted from a requirement of affidavits for imported goods to a more predictable and flexible system for monitoring imports. Argentina's stance on imports has continued to evolve under the administration of former President Alberto Fernandez, who was in office until December 9, 2023 and taken steps to

increase import controls. Under President Javier Milei, who took office on December 10, 2023, Argentina has implemented significant changes to its trade policies, reversing many previous protectionist measures. The Milei administration abolished the Argentine Republic's Import System licensing regime to promote free trade. In January 2025, Argentina announced reforms to its anti-dumping system aimed at enhancing competition and reducing prices. These reforms include shortening the maximum duration of anti-dumping duties and simplifying procedures. The government also reduced or eliminated tariffs on various imported goods to lower consumer prices and stimulate competition. Despite these liberalizing measures, Argentina remains one of Paraguay's most important trade partners. However, if Argentina reinstates or expands protectionist policies, particularly those affecting the agribusiness sector, Paraguay's economy and its ability to meet its obligations under the Bonds may be adversely affected.

Since January 2023, Argentina has implemented a toll collection to fund the dredging and beaconing activities along the Parana Waterway, specifically in the Santa Fe North section of the Trunk Navigable Way. Argentina set the toll rate at \$1.47 per ton of net registration for ships navigating through the mentioned waterway section. In August 2024, the Argentine administration implemented a 63% increase in tolls, raising the rate to \$4.98 per Net Register Ton (NRT). However, in September 2024, Argentina and Paraguay reached an agreement to temporarily adjust the toll rate to US\$1.20 per NRT, effective for six months from September 2024 through February 28, 2025. Additionally, a compensation mechanism was established for shipowners who had paid the higher toll rate, retroactively adjusting the charge to \$0.80 per NRT for the period from February 2023 to August 2024. Even though President Milei has indicated that his administration intends to review this toll, it remained in effect with a rate of US\$1.25 NRT as of December 2025.

Argentina is one of Paraguay's most important trade partners, accounting for approximately 29.5% and 6.2% of Paraguay's total exports and imports, respectively, as of December 31, 2025. If Argentina maintains, reinstates or expands its protectionist policies, specifically those affecting the agribusiness sector, Paraguay's economy and its ability to perform its obligations under the Bonds may be adversely affected.

In 2021, Uruguay expressed its interest in negotiating trade agreements unilaterally. The founding principles of MERCOSUR stipulate that the formation of a common market includes, among other items, the necessity for a unified foreign trade policy, which is the foundation of the current bloc negotiations. In December 2022, Uruguay's president contended that MERCOSUR benefits only a select few of its members and criticized its protectionist policies. Uruguay has pursued formal negotiations with China and has shown interest in joining the Trans-Pacific Partnership (TPP). These actions have caused tensions within MERCOSUR, as other member countries emphasize the importance of unified trade policies. On January 17, 2026, after more than 25 years of negotiations, MERCOSUR and the European Union signed a historic trade agreement in Asunción to reduce trade barriers and create a broader free-trade framework for goods and services among bloc members and EU counterparts. The agreement has not yet entered into force and requires approval from the European Parliament and ratification by Mercosur parliaments before full implementation. On January 21, 2026, the European Parliament approved a measure to request the European Court of Justice to rule on whether the free trade agreement can be applied before full ratification, measure that could potentially delay the effectiveness of the agreement by up to two years.

For more information on MERCOSUR, see "Balance of Payments and Foreign Trade—MERCOSUR."

The government may be unable to obtain financing on satisfactory terms in the future, which could have a material adverse effect on Paraguay's ability to make payments on its outstanding public debt, including the Bonds.

Paraguay's future tax revenue and fiscal results may be insufficient to meet its debt service obligations and Paraguay may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, the government may not be able or willing to access international or domestic capital markets, and Paraguay's ability to service its outstanding public debt, including the Bonds, could be adversely affected.

Any revision to Paraguay's official financial or economic data resulting from any subsequent review of such data by the Central Bank or other government entities may reveal that Paraguay's ability to make payments on its outstanding public debt, including the Bonds, has deteriorated.

Certain financial 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 Paraguay official financial and economic statistics. Such revisions could reveal that Paraguay's economic and financial conditions as of any particular date are materially different from those described in this Offering Memorandum. Paraguay can give no assurance that such adjustments or revisions will not have a material adverse effect on the interests of Paraguay's creditors, including any purchasers of the Bonds.

An increase in inflation and government measures to curb inflation may adversely affect the Paraguayan economy.

Paraguay's economy has experienced high levels of inflation in the past and may experience high levels in the future. Periods of rapid economic expansion and contraction in Paraguay have resulted in volatile rates of inflation. More specifically, fluctuations in food prices and oil derivatives and, more generally, increases in agricultural commodity prices, have led to drastic volatility in Paraguay's rate of inflation. For information on inflation in Paraguay in recent years, see "Monetary System—Monetary Policy—Inflation."

In the future, significant inflation may cause Paraguay to impose controls on credit and/or prices, or to take other action, which could inhibit Paraguay's economic growth. In addition, inflation can result in greater market volatility by causing economic uncertainties and reduced consumption, GDP growth and consumer confidence. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed to economic uncertainty in Paraguay in the past and could produce uncertainty in the future. Any of these factors can have a material adverse effect on Paraguay's results of operations and financial condition.

Paraguay has experienced and may continue to experience internal security issues that could have a negative effect on the Paraguayan economy and political situation.

Paraguay has experienced internal security issues in the past, primarily due to the activities of the Ejército del Pueblo Paraguayo (the "EPP"), a small guerrilla group operating in central-eastern Paraguay, and land invasions by landless farmers.

On September 2, 2020, Paraguayan armed forces inadvertently killed two female Argentinean teenagers believed to be related to EPP members in an assault on an EPP camp near Yby Yáu. One week later, the EPP kidnapped former vice president of the Republic Oscar Denis and his assistant Adelio Mendoza. Although Adelio Mendoza was released a few days later, as of the date of this Offering Memorandum, former vice president Oscar Denis continues to be held by the EPP.

On December 6, 2021, Peter Reimer, a Paraguayan citizen, was kidnapped by the EPP. As a condition to his release, the EPP demanded that Mr. Reimer's family donate over US\$500,000 in food supplies to vulnerable communities in Amambay, San Pedro, Canindeyú and Asunción in order to release him. On December 14, 2021, Peter Reimer was released after his family and the community complied with the EPP's demands.

Due to the challenges that internal security issues in rural areas create for the government, in August 2013, Congress granted the executive branch the authority to deploy armed forces to address security challenges in the northern departments of Concepción, San Pedro and Amambay without having to declare a formal state of emergency. In April 2024, the government expanded the coverage area to include the department of Canindeyú. Although the troops have been successful either in capturing or killing leaders of the terrorist group, as of the date of this Offering Memorandum, the EPP remains active in Paraguay, with an estimate of 10 members.

Moreover, organized crime has been increasing in Paraguay. Due to the increasing occurrence of contract killings, Congress has enacted legislation introducing this particular crime into the penal code. Such legislation

specifically addresses and imposes penalties on individuals engaged in contract killings. This legislation is a step forward in the need for comprehensive legal measures to combat such crimes and strengthen the country's security.

Any worsening of the internal security situation may have a negative effect in the future on Paraguayan economic and political conditions. As a result, Paraguay's ability to make payments on its outstanding public debt generally, including the Bonds, could be adversely affected.

The imposition of sanctions may have reputational consequences, affect political stability or lead to the isolation of the country.

On January 26, 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") sanctioned former Paraguayan President Horacio Cartes and former Vice President Hugo Velázquez under U.S. Executive Order 13818 for alleged involvement in corrupt practices, including, among others, bribery, interference with legal processes and, in Velázquez's case, protecting criminal associates from criminal investigations. OFAC also designated Tabacos USA Inc., Bebidas USA Inc., Dominicana Acquisition S.A., and Frigorífico Chajha S.A.E. for being owned or controlled by Cartes. On October 6, 2025, OFAC updated its List of SDN, to remove Horacio Cartes, as well as the companies previously linked to him, including Tabacalera del Este S.A. (Tabesa), Tabacos USA Inc., Bebidas USA Inc., Frigorífico Chajha S.A.E. and Dominicana Acquisition S.A. See "The Republic of Paraguay—U.S. Sanctions."

The imposition of sanctions on high-ranking officials may also impair political stability within the country. It may contribute to domestic conflicts, polarization among political factions, and a potential erosion of public trust in government institutions. Consequently, this may lead to increased political unrest and social divisions. Governance challenges may arise as a result of these sanctions, impeding the government's ability to effectively address pressing issues, implement policies, and promote socio-economic development. This may hinder economic growth, social welfare, and overall governance effectiveness.

Furthermore, the imposition of sanctions may result in international isolation for the country. It may limit the country's participation in global forums, organizations, and diplomatic initiatives, thereby reducing its influence in international decision-making processes and impeding Paraguay's ability to advocate for its interests on the global stage.

The development of a possible concurrent outbreak of arbovirus, strains of influenza and COVID-19, if occurring, may cause a significant strain on Paraguay's healthcare system, which could adversely affect Paraguay's economy and its ability to perform its obligations under the Bonds.

Paraguay is becoming increasingly susceptible to outbreaks of mosquito-borne arbovirus diseases, such as dengue, chikungunya, zika and mayaro. Although the peak of arbovirus cases occurs usually during the summer season from January to March, current and former health authorities underscored that arbovirus cases are endemic to Paraguay the entire year. Paraguayan health authorities have issued national management strategies to prevent and treat arbovirus diseases.

During 2024, Paraguay was significantly affected by outbreaks of arbovirus, particularly dengue. In the first half of 2024, the country faced a dengue epidemic, with 101,602 cases and 132 deaths reported as of July 31, 2024. The second half of 2024 saw a 48% decrease in cases. The country did not experience any dengue epidemics in 2025, with only 9,361 cases reported during the second half of 2025.

We cannot predict the evolution of any epidemics and other public health crises in the world or Paraguay, nor any related restrictions that may be imposed as a result and their impact in our economy.

Part of the offering proceeds could be attached by creditors to satisfy outstanding judgments against Paraguay.

Creditors holding outstanding court judgments present a risk of disruption to the offering. The risk with respect to the offering is that the initial purchasers could be said to have an obligation to pay money to Paraguay, and Paraguay's judgment creditors may attempt to restrain Paraguay's interest in any such obligation. Further,

Paraguay's creditors could attempt to attach the proceeds of the offering. For more information on proceedings against Paraguay, see "Public Sector Debt—Contingencies."

Risk Factors Relating to the Bonds

Paraguay is a foreign sovereign state and, accordingly, it may be difficult to obtain or enforce judgments against it.

Paraguay is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or enforce judgments against it.

The Bonds are governed by the law of the State of New York, and accordingly, Paraguay has irrevocably agreed that any legal action or proceedings in respect of the Bonds issued may be brought in the federal and state courts in the Borough of Manhattan, The City of New York and for such purpose will accept irrevocably, generally and unconditionally, the jurisdiction of such courts. Paraguay has irrevocably designated, appointed and empowered the Consul General of Paraguay in The City of New York for the time being and from time to time to receive for and on its behalf service of process in such jurisdiction in any legal section or proceedings in respect of the Bonds issued. Holders of the Bonds may, however, be precluded from initiating actions based on the Bonds in courts other than those mentioned above.

Paraguay will, to the fullest extent permitted by law, irrevocably waive and agree not to plead any immunity from the jurisdiction of any of the above courts in any action based upon the Bonds. This waiver covers Paraguay's sovereign immunity and immunity from prejudgment attachment, post-judgment attachment and execution. A judgment obtained against Paraguay in a foreign court can be enforced in the courts of Paraguay if such judgment is ratified by the Paraguayan courts. Based on existing law, Paraguayan courts will ratify such a judgment if (i) a formal request for the payment of the award under the judgment is lodged with the Paraguayan government and not honored (it is not clear how such request must be made, and how and when such request must not have been honored, in order for a party to have the right to seek such ratification) and (ii) there exists a treaty with the country where such judgment was issued providing for reciprocal enforcement of foreign judgments (no such treaty exists at the present time between Paraguay and the United States); or if no such treaty exists (A) such judgment has *res judicata* effects in the jurisdiction where it was rendered, (B) such judgment was issued by a competent court with *in personam* jurisdiction or (if the relevant assets were transferred to Paraguay during or after the complaint was filed) *in rem* jurisdiction, (C) there is no legal action filed and pending judgment at a Paraguayan court with the same cause of action and among the same parties, (D) any person or entity domiciled in Paraguay against whom such judgment is sought to be enforced must have been duly served with process and represented during the trial or adjudged to have failed to appear in accordance with the laws of the country where the trial was held, (E) the obligation that gave rise to the complaint must be valid under Paraguayan law, (F) such judgment is not contrary to the public policy of Paraguay, (G) such judgment must comply with all necessary requirements to be considered as a valid judgment in the foreign jurisdiction and (H) such judgment must not conflict with a judgment rendered previously or simultaneously by a Paraguayan court.

Once a foreign judgment is ratified by the Paraguayan courts, payment of such judgment should be included by Congress as a liability under the budget law for the following fiscal year. Under Paraguayan law, creditors may not be able seek attachment prior to judgment and attachment in aid of execution with respect to property of Paraguay located in Paraguay.

Nevertheless, Paraguay reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976, as amended (the "Immunities Act"), in actions brought against it under the United States federal securities laws or any state securities laws. Paraguay's appointment of its process agent will not extend to these actions. Without Paraguay's waiver of immunity, you will not be able to obtain a United States judgment against Paraguay unless the court determines that Paraguay is not entitled under the Immunities Act to sovereign immunity in such action. In addition, execution upon property of Paraguay located in the United States to enforce a judgment obtained under the Immunities Act may not be possible except in the limited circumstances specified in the Immunities Act.

The trading market for the Bonds may be volatile and may be adversely affected by many factors.

There can be no assurance that an active trading market for the Bonds will be maintained. If an active trading market for the Bonds is not maintained, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and the market or trading price and liquidity of the Bonds may be adversely affected. In addition, the Bonds may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of Paraguay. Although an application will be made to list the Bonds on the Luxembourg Stock Exchange, there can be no assurance that such application will be accepted or that an active trading market will be maintained. Illiquidity may have a material adverse effect on the market value of the Bonds.

The Bonds contain provisions that permit Paraguay to amend the payment terms without the consent of all holders.

The Bonds contain provisions, commonly known as “collective action clauses.” Under these provisions, certain key terms of the Bonds may be amended, including the maturity date, interest rate and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, 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, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 ⅔% of the aggregate principal amount of the outstanding debt securities of all series 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 affected by the proposed modification, taken individually. For more information see “Description of the Bonds—Meetings, Amendments and Waivers—Collective Action.” These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

Payments to holders of the Bonds could be attached by creditors to satisfy outstanding judgments against Paraguay. As a result, Paraguay may not be able to make payments to holders of the Bonds.

Judgment creditors may seek to attach payments of interest and principal by Paraguay to holders of the Bonds outside Paraguay claiming that, until payments reach holders of the Bonds, payments could be deemed Paraguay’s assets. As of the date of this Offering Memorandum, there is a court judgment in favor of nine banks in the amount of approximately US\$85 million, and a judgment in favor of one additional bank in the amount of approximately CHF10 million plus interest outstanding against Paraguay. In July 2015, SACE S.p.A. (“SACE”) filed an action in D.C. District Court (as defined herein) seeking recognition of the Swiss Judgments against Paraguay, in which SACE holds rights as a result of a settlement agreement between SACE and each of the ten banks, but on March 21, 2017, the D.C. District Court granted Paraguay’s motion to dismiss, and the court’s judgment is now final and non-appealable. Although SACE’s action seeking recognition of the Swiss Judgments against Paraguay was dismissed and is not appealable in the United States, SACE may seek recognition of the Swiss Judgments in other jurisdictions in the future.

For more information on these outstanding judgments and the SACE action, see “Public Sector Debt—Contingencies—Gramont Berres Litigation.” If SACE or other creditors are successful in attaching payments to holders of the Bonds, Paraguay may not be able to make payments to holders of the Bonds.

The ability of holders to transfer the Bonds in the United States and certain other jurisdictions will be limited.

The Bonds issued pursuant to this offer 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 Bonds 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 Bonds.

Credit ratings may not reflect all risks of investment in the Bonds.

Credit ratings are an assessment by rating agencies of Paraguay's ability to pay its debts when due. Consequently, real or anticipated changes in Paraguay's credit ratings will generally affect the market value of the Bonds. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Bonds. Agency 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. Each agency's rating should be evaluated independently of any other agency's rating.

Any significant real depreciation of Guaraníes against the U.S. dollar or other major currencies could have a material adverse effect on our ability to make payments on our outstanding debt, including the Bonds.

Any significant real depreciation of Guaraníes against the U.S. dollar or other major currencies might have a negative effect on our ability to repay our debt denominated in currencies other than the Guaraní.

Any significant real change in the value of Guaraníes or the currency of our trading partners against the U.S. dollar or other major currencies might adversely affect our economy and financial condition, which could have a negative effect on our ability to make payments on our outstanding public debt, including the amounts due under the Bonds.

Risk Factors Relating to Foreign Currency-Denominated Debt Securities

A depreciation in the value of the Paraguayan Guaraní will adversely affect the value in U.S. dollars of the payments of principal of, and interest on, the Bonds and may reduce the market value and liquidity of the Bonds.

Paraguay will make payments of principal of and interest on the Bonds in U.S. dollars converted from Guaraníes at the Observed Exchange Rate on the applicable Rate Calculation Date. Currency exchange rates between the Paraguayan Guaraní and the U.S. dollar, as in other emerging markets, can be volatile and unpredictable.

If the Paraguayan Guaraní depreciates against the U.S. dollar (everything else constant), the effective yield on the Bonds, measured in U.S. dollars, will be less than the interest rate on the Bonds, and the amount payable on the Bonds at maturity may be less than your investment in U.S. dollar terms, resulting in a loss to you. Depreciation of the Paraguayan Guaraní against the U.S. dollar could also adversely affect the market value and liquidity of the Bonds.

Government policy or actions could adversely affect the exchange rate between the Guaraní and the U.S. dollar and an investment in the bonds.

The Republic has a floating exchange rate. However, in order to mitigate the unfavorable effects of exchange rate volatility, the Central Bank intervenes from time to time in the foreign exchange market. In the past, the Central Bank's interventions in the foreign exchange market have been strictly limited to those required by law, and have been subject to monitoring by the IMF. Such interventions or other governmental actions could adversely affect the value of the Bonds, as well as the yield on the bonds and the amount payable to you at maturity.

Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the Republic or elsewhere could lead to significant and sudden changes in the exchange rate between the Paraguayan Guaraní and the U.S. dollar.

Exchange controls could affect the Guaraní/U.S. dollar exchange rate and the amount payable on the bonds.

The Paraguayan Guaraní/U.S. dollar exchange rate is set by the market, based upon the supply of, and demand for, U.S. dollars. Currently, the Central Bank does not impose any limit on the fluctuation of the free market exchange rate; however, we cannot assure you that any exchange control regulations will not be instituted in the future. In such event, exchange control regulations could cause the value of the Guaraní to depreciate against the

U.S. dollar, resulting in a reduced yield to you, a possible loss on the bonds and a possible adverse impact on the market value of the Bonds.

USE OF PROCEEDS

The net proceeds of the issuance and sale of the Bonds, after deduction of underwriting fees, are anticipated to be approximately G. 6,499,346,856,800. Paraguay expects to apply the net proceeds of the Bonds for general government purposes, in accordance with the Annual Budget Law No. 7,609/2025, Liability Management Law No. 6,638/2020, the Regulatory Decree No. 1,519/2024, the Regulatory Decree No. 9,301/2023, the Regulatory Decree No. 5,311/2026 and Resolutions No. 21/2026, 22/2026, 23/2026 and 136/2026 issued by the Ministry of Economy and Finance.

REPUBLIC OF PARAGUAY

Introduction

Paraguay is located in central South America and, as of 2025, had an estimated population of approximately 6.41 million, based on the results of the 2022 National Population and Housing Census. The population is distributed unevenly across the country, with less than 3.6% of the population residing in regions that account for 61% of the country's land mass. The estimated gender distribution of the population was 50.4% men and 49.6% women as of 2025.

Paraguay is rich in hydroelectric power capacity, thanks to a wealth of rivers. It is densely forested in parts, and has extensive farmlands.

Although agriculture continues to play a prominent role in the Paraguayan economy and Paraguayan agricultural resources have attracted significant FDI in recent years, the economy is increasingly diversified, and manufacturing is now the country's largest economic sector.

Paraguay fosters FDI and other investments in the country, in agricultural and other sectors. Paraguay's market economy has been characterized in recent years as having one of the highest growth rates in GDP of any country in Latin America.

Because of its predominantly agrarian economy and unevenly distributed population, Paraguay remains a developing country, with a considerable low-income population. Government economic policies have focused on this issue, adopting measures to increase the overall income levels of Paraguay's population through investment in infrastructure, education and health. Such policies are designed to provide a foundation for sustainable economic development and diversification of productive capacity across the country.

Territory and Population

Paraguay is located in central South America bordering Argentina to the south and west, Bolivia to the north and Brazil to the east. Its territory covers an area of approximately 407,000 square kilometers (157,048 square miles). Paraguay's major cities are Asunción, the nation's capital and seat of government, Ciudad del Este, on the Paraguayan-Brazilian border and a major trading city, and Encarnación, an agricultural center on the Paraguayan-Argentine border.

At present, official data are available through the Departmental Population Estimates and Projections by Sex and Age Groups, 2000–2035 (2025 Revision), which provide updated estimates and projections of the population at the departmental level. Spanish and Guaraní are the official languages of Paraguay.

The following table sets forth comparative per capita GDP figures and other selected comparative statistics.

Comparative Per Capita GDP and Other Statistics

Indicators	Paraguay ⁽¹⁾	Guatemala	Honduras	Bolivia	Colombia	Brazil	Peru	Venezuela	Argentina	United States of America
Per Capita (Nominal) GDP ⁽²⁾ (US\$).....	15,252	12,459	6,065	9,445	18,666	18,011	14,339	7,157	25,876	73,650
Human Development (World Ranking) ⁽³⁾ .	99	136	139	113	85	86	79	121	47	18
Life Expectancy at Birth (years) ⁽⁴⁾	73.8	72.6	72.9	77.7	77.7	75.8	77.7	72.5	77.4	79.3

(1) This data may differ from official Government data.

(2) 2023 data.

(3) 2022 data.

(4) 2023 data.

Source: United Nations Development Programme, Human Development Report 2025

The following table sets forth population by gender and age group figures as of 2025.

2025 Population by Gender and Age Group

Age /years	Total Population	Percentage	Cumulative Percentage	Gender	
				Men	Women
0-4.....	497,795	7.8	7.8	254,569	243,226
5-9.....	559,867	8.7	16.5	286,149	273,718
10-14.....	549,927	8.6	25.1	281,330	268,597
15-19.....	525,904	8.2	33.2	269,133	256,771
20-24.....	541,572	8.4	41.7	275,720	265,852
25-29.....	534,070	8.3	50.0	272,279	261,791
30-34.....	528,286	8.2	58.2	270,414	257,872
35-39.....	484,697	7.6	65.8	247,370	237,327
40-44.....	431,139	6.7	72.5	217,303	213,836
45-49.....	365,897	5.7	78.2	184,173	181,724
50-54.....	313,177	4.9	83.1	157,518	155,659
55-59.....	281,746	4.4	87.5	139,746	142,000
60-64.....	253,079	3.9	91.4	122,738	130,341
65-69.....	200,430	3.1	94.6	96,616	103,814
70-74.....	142,778	2.2	96.8	68,791	73,987
75-79.....	98,534	1.5	98.3	46,665	51,869
80 and above.....	108,178	1.7	100.0	46,141	62,037
Total.....	6,417,076			3,236,655	3,180,421

Source: INE. Estimates and projections of the departmental population by sex and age groups, 2000-2035. 2025 Revision.

As of 2024, out of every 100 individuals, 25 fall within the age bracket of under 15 years old, while 66 belong to the age group of 15 to 64 years old.

History, Government and Political Parties

Paraguay declared its independence from Spain in 1811 after almost 300 years of colonial rule. In 1864, Paraguay was involved in a five-year war against Argentina, Brazil and Uruguay (known as the “Triple Alliance”), during which half of Paraguay’s population was killed. Brazilian troops occupied the country for a decade, until 1874. A succession of presidents governed Paraguay under the banner of the Colorado Party from 1880 until 1904, when the Liberal Party seized control, ruling until 1940.

From 1932 to 1935, Paraguay was involved in the Chaco war against Bolivia. Paraguay was successful in regaining part of its territory but lost a significant part of its male population. The Chaco War resulted in political instability that led to a *coup d’état* by Colonel Rafael Franco and the subsequent establishment of an authoritarian regime in 1940 by General Higinio Morinigo, who was overthrown in 1948. Another period of political instability ensued from 1948 until 1954, when General Alfredo Stroessner assumed power in a military *coup*. As the Colorado Party presidential candidate, Stroessner was elected president of Paraguay in 1954. President Stroessner remained in power until 1989. During his 34-year presidency, the Colorado Party dominated Paraguayan politics.

During President Stroessner’s presidency, significant efforts were made to increase Paraguay’s business relations with its neighboring countries. The construction of the Itaipú dam (14,000 megawatt capacity), the largest hydroelectric facility in the world measured by annual electricity generation, was completed in 1986 by Paraguay and Brazil, and Paraguay began construction of the Yacyretá dam (3,200 megawatt capacity), a smaller hydroelectric facility, in cooperation with Argentina. See “The Paraguayan Economy—Principal Sectors of the Economy—Binational Entities (Binationals)—Electricity Production at Itaipú and Yacyretá Hydroelectric Plants” for information on the hydroelectric projects built during the Stroessner presidency.

In 1989, President Stroessner was overthrown in a coup led by General Andrés Rodríguez, who assumed the presidency and was elected president shortly thereafter. His administration pledged to respect human rights, to establish new links with the international community, to improve relations with the Roman Catholic Church, and to relinquish power to a civilian successor in 1993. The Rodríguez administration has been credited with commencing Paraguay’s economic liberalization. In 1993, the Colorado Party’s presidential candidate, Juan Carlos Wasmosy, was elected president for a five-year term. President Wasmosy consolidated Paraguay’s democratic transition, completed a comprehensive reorganization of the military high command and undertook important reforms to the judicial and electoral systems.

Raul Cubas Grau, the Colorado Party candidate, was elected president in May 1998 and took office three months later. This presidential election marked the first transition of power from one civilian president to another in 50 years. During the 1998 congressional elections, the Colorado Party also won a majority of seats in Congress.

Following a seven-month period of political instability during which Vice President Luis Maria Argaña was killed and President Cubas resigned, the president of the Senate, Luis Gonzalez Macchi of the Colorado Party, became the president of Paraguay in March 1999, as mandated by the Constitution, until 2003.

In May 2003, Nicanor Duarte Frutos, a politician from the Colorado Party, was elected and sworn in as president for the five-year constitutional period. During the Duarte Frutos presidency, Paraguay experienced significant macroeconomic growth, and his administration is credited with initiating the path toward fiscal stability and increasing social investments.

In the 2008 general elections, a non-politician and former Roman Catholic Bishop, Fernando Lugo, was elected president and Federico Franco was elected vice president. With the support of the *Alianza Patriótica para el Cambio* (Patriotic Alliance for Change), a political coalition of opposing parties, including the center-right Liberal Party, the Colorado Party’s traditional opposition, Mr. Lugo received approximately 41% of the votes cast, and the Colorado Party candidate received approximately 31% of the votes. This was the first time since 1954 that the Colorado Party had lost a presidential election.

Mr. Lugo’s stated key policy objectives were to reduce extreme poverty, especially in rural areas, to strengthen internal security and to achieve a more equitable distribution of land among farmers and peasants.

Mr. Lugo was impeached and removed from office in June 2012. In accordance with the Constitution, Vice-President Franco was sworn in as president and served for the remainder of Mr. Lugo's term. As a direct consequence of Mr. Lugo's impeachment and removal, Paraguay's membership in MERCOSUR and UNASUR was suspended. Such membership was re-established after the 2013 presidential elections, which resulted in the election of Horacio Cartes (a candidate for the Colorado Party).

During President Franco's term in office, President Franco implemented several initiatives to consolidate sustainable medium- and long-term economic growth. In 2012, for example, Congress enacted Paraguay's first Personal Income Tax law (*Impuesto a la Renta del Servicio de Carácter Personal*). President Franco also laid the groundwork for the proposal of the first Law of Public-Private Partnerships (the "PPP") (*Ley de Alianza Público Privadas*) and related planned infrastructure investment to support growing production through long-term financing provided by the Financial Development Agency (*Agencia Financiera de Desarrollo*), Paraguay's government-owned bank.

President Horacio Cartes succeeded President Federico Franco after the 2013 presidential election, in which he received 45.8% of the total votes cast. The primary policy objectives of the Cartes government were (i) the reduction of poverty and increase of social development, (ii) inclusive economic growth, and (iii) continued integration of Paraguay into the world economy. In addition, the Cartes government sought to increase transparency by implementing a system of public payroll information (and eliminated more than one thousand public employment positions). In light of these goals, the Cartes administration focused on generating more opportunities for the population through sustainable economic and social development. Infrastructure works were key to the Cartes administration's economic policy.

President Mario Abdo Benítez of the Colorado Party succeeded Horacio Cartes, also of the Colorado Party, on August 15, 2018, and served a five-year term. During the first year of Abdo Benítez's presidency, Paraguay experienced the adverse effects of exogenous events such as floods and droughts, which impacted the output of key economic sectors, such as agriculture, livestock, and hydroelectric power production.

In the general presidential elections held on April 30, 2023, Santiago Peña from the Colorado Party emerged as the President of Paraguay. He secured victory with 42.74% of the total votes, defeating his rivals Efraim Alegre of the Concertacion Party and Paraguayo Cubas of the National Crusade Party, who received 27.48% and 22.91% of the votes, respectively.

Furthermore, on April 30, 2023, parliamentary elections were held for the Senate and the Chamber of Deputies in Paraguay. The Colorado Party demonstrated its dominance by achieving significant victories in both chambers. They secured 23 out of 45 seats in the Chamber of Senators and obtained a majority of 49 out of 80 seats in the Chamber of Deputies, holding a majority in both chambers of Congress. In contrast, the Concertacion Party obtained 12 seats in the Chamber of Senators and 22 seats in the Chamber of Deputies.

The general elections held in Paraguay on April 30, 2023, marked the eighth national electoral event since the end of Alfredo Stroessner's dictatorship in February 1989. These elections encompassed the selection of the president, vice president, 45 senators (with 30 alternates), 80 deputies (with 80 alternates), 17 governors, and 17 departmental boards.

The current president, Santiago Peña Palacios, and vice-president, Pedro Alliana, took office on August 15, 2023, and are scheduled to serve until August 2028, with no possibility of seeking re-election. They, like their predecessors Mario Abdo Benítez and Hugo Velázquez, are members of the Colorado Party.

In August 2023, the 17 elected governors, along with their respective council members, assumed their roles. As for the senators and deputies, they were sworn in on July 1, 2023. All these positions will be held for a term of five years.

Constitution

The fundamental law of the Republic of Paraguay is the national constitution (the “Constitution”), which was ratified by a National Constitutional Convention in 1992. Pursuant to the Constitution, Paraguay is a representative democracy that embraces separation of powers. The government has three branches: legislative, executive and judiciary. The Constitution grants the president, as head of the executive branch, and Congress emergency powers to declare a state of exception (suspending the Constitution) in times of war or unrest.

Any amendments to the Constitution relating to the election, composition, term in office or powers of any of the three branches of government and fundamental rights must be introduced pursuant to a request by 25% of the members of either the Senate or the Chamber of Deputies, by the president or by a petition signed by 30,000 voters. The amendment initiative must then be approved by a two-thirds majority of each of the two chambers. If approved, the Supreme Electoral Court must call general elections for a National Constituent Assembly and the amended Constitution becomes effective upon approval by the National Constituent Assembly.

Executive. The president is the head of the executive branch and commander-in-chief of both the armed forces and the police. The president and vice president are elected jointly and directly by the people for a five-year term; neither can be re-elected. The vice president assumes all presidential powers in case of disability or temporary absence of the president, or the permanent vacancy of the presidential office. The vice president is eligible to become president in forthcoming general elections if the vice president resigns from office six months prior to the general election.

Congress. The legislative branch, or Congress, is comprised of two chambers, namely, the Senate (45 members) and the Chamber of Deputies (80 members), and is responsible for enacting all national laws, including the annual General Budget of the Nation, through which any new sovereign debt must be approved. Members of Congress are elected by direct popular vote in each of Paraguay’s 17 departments (states) for five-year terms that coincide with the president’s five-year term. General elections for the Paraguayan Parliament were held on April 30, 2023. The Colorado Party led the April elections in both Chambers of the Paraguayan Parliament, taking 23 seats in the Chamber of Senators and 49 seats in the Chamber of Deputies. The Liberal Party, the second largest political party in Congress, took 10 seats in the Chamber of Senators and 23 seats in the Chamber of Deputies.

Since the general elections in April 2023, members of Congress elected under the Concertation (*Concertación*), National Crusade (*Cruzada Nacional*), Let’s Do (*Partido Politico Hagamos*), and Dear Homeland (*Partido Patria Querida*) Parties have shifted allegiance to other political parties. The following table sets forth the representation of each political party in Congress:

Congressional Representation by Parties

Party	Senate		Chamber of Deputies	
	Seats	%	Seats	%
Colorado Party (<i>Asociación Nacional Republicana</i>).....	27	60.0	48	60.0
Liberal Party (Partido Liberal Radical Auténtico)	10	22.2	23	28.75
Dear Homeland Party (Partido Patria Querida, PPQ).....	0	0	1	1.25
Democratic Party (Partido Democratico Progresista).....	1	2.2	0	0
National Encounter Party (PEN)	1	2.2	1	1.25
National Crusade (Cruzada Nacional).....	2	4.4	0	0
Guazú Party (Frente Guazú, FG).....	1	2.2	0	0
National Democratic Consciouness (Conciencia Democrática Nacional, CDN)	2	4.4	0	0
Liberal Independent Party (Partido Liberal Independiente)	1	2.2	0	0
Solidarity Country (<i>País Solidario</i>).....	-	-	1	1.25
I Believe (Yo Creo)	-	-	3	3.75
Unspecified	-	-	3	3.75
Total	45	100.0%	80	100.0%

Judiciary. The judiciary includes a Supreme Court of nine Supreme Court Justices, who are appointed by the president and the Senate for renewable five-year terms. If elected for two consecutive terms, Supreme Court Justices cannot be removed until they reach retirement age, at 75 years. The Supreme Court controls its own budget and heads a system of lower courts and magistrates.

Political and Administrative Structure

Paraguay’s political and administrative structure is divided into 17 departments and 254 municipalities, each of which is accorded political, administrative and normative autonomy in their respective jurisdiction and autonomy in the collection and investment of their respective resources, within constitutional limitations.

The city of Asunción is the capital and the seat of all three branches of government. It is a municipality independent from the other 17 departments that constitute the Republic of Paraguay.

The departments of Presidente Hayes, Boquerón and Alto Paraguay are situated in the large western region of the country, covering 61% of the national territory. The remaining departments, which are the most heavily populated, are in the eastern region.

Pursuant to the Constitution, each department has a governor, who exercises executive authority in the department, and a departmental assembly with local legislative authority. Both the governor and members of the departmental assembly are elected by direct popular vote by voters in each department in departmental elections that coincide with general presidential and congressional elections.

Municipalities are local government entities with juridical personality. They have political, administrative and normative autonomy, as well as autonomy in the collection and investment of their respective resources. The municipal government is headed by a mayor and a municipal assembly, and is elected by direct vote. Municipal elections are held independently and do not coincide with the nation’s general presidential and congressional elections. The 2020 municipal elections were postponed due to the COVID-19 pandemic and were rescheduled for October 10, 2021, resulting in one-year extensions to the terms of existing elected municipal officials.

Municipal elections took place on October 10, 2021 to elect Mayors and municipal assemblies in all districts of the country. The ruling Partido Colorado obtained the most favorable results in the election, winning 160 of the 261 municipalities being contested. The elected authorities will serve for a four-year term until 2025.

Foreign Policy and Membership in International and Regional Organizations

Paraguay is part of strategic international organizations at the regional and multilateral level, as well as various agencies, programs, funds, specialized organizations and certain consultation forums. Paraguayan foreign policy has concentrated on maintaining good relations with its neighbors, and Paraguay has been an active proponent of regional cooperation. Paraguay is a founding member of the United Nations and actively participates in many of its specialized agencies. Paraguay is a member of the OAS and the World Trade Organization (the “WTO”). It is also a member of the IMF, the World Bank, the Multilateral Investment Guarantee Agency of the World Bank Group (the “MIGA”), the International Finance Corporation, the IDB and the CAF. Other memberships include the Ibero-American Summit, the Latin American Integration Association, the International Atomic Energy Agency and the International Telecommunications Union. For more information on our foreign relations, see “Republic of Paraguay—History, Government and Political Parties.”

In 1991, Argentina, Brazil, Paraguay and Uruguay signed the Treaty of Asunción, which resulted in the creation of MERCOSUR. MERCOSUR provides for the gradual integration of the four members’ economies, gradual economic convergence and macroeconomic policy coordination. Paraguay, as a member of MERCOSUR, has also signed trade agreements with countries of the Pacific Alliance, including the Economic Complementation Agreement (the “ECA”) No. 35 with Chile in 1996, the ECA No. 36 with Bolivia in 1996, the ECA No. 54 with Mexico in 2002, and the ECA No. 58 with Peru in 2005 and the ECA No. 74 with Colombia in 2017. See “Balance of Payments and Foreign Trade—MERCOSUR.”

Paraguay has also entered into treaties related to bilateral investments with Argentina, Austria, Belgium, Brazil, Chile, Costa Rica, Cuba, the Czech Republic, China (Taiwan), El Salvador, France, Germany, Italy, the Republic of Korea, the Netherlands, Peru, Portugal, Qatar, Romania, South Africa, Switzerland, the UK, the United States of America, Spain, Hungary, Venezuela, the United Arab Emirates, Uruguay and Japan. The Intra-MERCOSUR Investment Cooperation and Facilitation Protocol was signed in April 2017. The protocol is still pending ratification by Paraguay, while Argentina approved it on November 24, 2020 and Brazil and Uruguay approved it on July 30, 2019.

In addition, Paraguay has agreements to Avoid Double Taxation and Prevent Tax Evasion with Germany (air transport, 1985), Belgium (air transport, 1987), Uruguay (air transport, 1993 and income tax and wealth, 2019), Chile (air and land transport, 1995 and tax on the income and wealth, 2008), Argentina (air, river and land transport, 2000), China (Taiwan) (income tax, 2010), United Arab Emirates (income tax, 2019), and the State of Qatar (income tax, 2020). The latest such agreements have been entered into with Spain (income tax, 2024). These agreements aim to promote, through the elimination of double taxation, the exchange of goods and services and the movement of capital and persons, while also preventing tax avoidance and tax evasion. In order to improve the business and investment environment, Paraguay has developed and implemented reforms of its judicial system, including the introduction of amendments to the Criminal Code (made effective in 2009), with stricter provisions on money laundering, human trafficking and intellectual property rights.

In March 2016, Paraguay became the second South American country to ratify the WTO’s Trade Facilitation Agreement, which contains provisions for expediting the movement, release and clearance of goods and delineates measures for the effective cooperation between the countries’ customs officers and other relevant authorities on trade facilitation and customs compliance. As a result, the National Committee for Trade Facilitation was created in April 2017 for the purpose of developing a national strategic agenda based on the coordination of the implementation of trade facilitation measures, in accordance with a dialogue between the public administration and the private sector.

In 2024, Paraguay began the process of internalizing the WTO Agreement on Fisheries Subsidies, as well as the Joint Initiative on Services Domestic Regulation and the Mercosur Trade Facilitation Agreement. In 2025, the Fisheries Subsidies Agreement entered into force, while the completion of the internal procedures for the

incorporation of the Mercosur Trade Facilitation Agreement (initiated in December 2024) is pending. At the same time, the incorporation of the WTO Joint Initiative on Services Domestic Regulation remains ongoing.

In 2016, Paraguay joined Development Center of the Organization for Economic Co-operation and Development's ("OECD") Global Forum on Transparency and Exchange of Information for Tax Purposes, a group that works to address the risks to tax compliance posed by non-cooperative jurisdictions, and committed to adhering to OECD's new Base Erosion and Profit Shifting (BEPS) framework, consisting of the gradual adoption of fiscal reforms designed to mitigate erosion of the tax base by companies who strategically avoid taxes by shifting profits to low or no-tax locations. The Paraguay Country Programme was approved in March 2025, and the first studies for its implementation are already underway. This represents an initial, fundamental, and decisive step in the Government's intention to move toward full membership in the OECD.

In 2025, Paraguay hosted the 17th Plenary Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, which brought together more than 360 delegates from 116 OECD jurisdictions, reaffirming the country's commitment to transparency and the fight against tax evasion.

In 2018, Paraguay signed the Convention on Mutual Administrative Assistance in Tax Matters, becoming the 119th jurisdiction to sign onto. The Convention on Mutual Administrative Assistance in Tax Matters facilitates international co-operation for a better operation of national tax laws and provides for all possible forms of administrative co-operation between states in the assessment and collection of taxes, in particular with a view to combating tax avoidance and tax evasion. This co-operation ranges from exchange of information, including automatic exchanges, to the recovery of foreign tax claims.

On April 11, 2019, Paraguay gave the depositary of the UNASUR Treaty notice of its decision to withdraw from UNASUR. As of October 11, 2019, Paraguay discontinued its membership of UNASUR.

With regard to Venezuela, Paraguay severed diplomatic relations with the regime of Nicolas Maduro upon recognizing, on January 5, 2025, Edmundo González Urrutia as the legitimate winner of the July 28, 2024 presidential elections. In that context, Paraguay granted a period of 48 hours for the ambassador accredited by the Maduro regime to leave the country. In light of the events that occurred in January 2026 in Venezuela, Paraguay reaffirmed its commitment to democratic values and called for an orderly transition in Venezuela.

Paraguay is making progress toward fiscal consolidation and economic growth through a structural reform plan. As part of this effort, Paraguay introduced the Policy Coordination Instrument (PCI), approved by the IMF Board on November 21, 2022. This instrument, which does not involve financial resources, serves as a tool to support economic policies for IMF member countries. In June 2025, the Executive Board of the International Monetary Fund concluded the fifth review of Paraguay's Policy Coordination Instrument (PCI) and the third review of the Resilience and Sustainability Facility (RSF), confirming that the program and structural reforms continue to show satisfactory results and reflect the strong commitment of the Paraguayan authorities.

In November 2025, an IMF mission concluded a visit to Paraguay to discuss the sixth review of the PCI and the fourth review of the RSF, which constitute the final reviews of both programs under the arrangements that began in 2022 and 2023. On January 22, 2026, the Executive Board of the IMF completed both reviews, marking the successful conclusion of the programs and making available SDR 85.6 million (approximately U.S.\$117 million) for disbursement under the RSF.

The authorities remain committed to strengthening macroeconomic stability, advancing their structural reform program, and continuing the policy dialogue with the IMF under the PCI. The staff also supports the targets set by the Ministry of Economy and Finance, which reinforce Paraguay's commitment to implementing key reforms aimed at improving fiscal efficiency, governance, the business climate, and strengthening social programs.

Reform initiatives that have already progressed in line with the targets set in the PCI include the improvement of the business environment, rationalization of public spending, improvement of government operation efficiency, strengthening financial supervision, and formalization of SMEs and independent workers, among others. In its latest review, the IMF highlighted that Paraguay maintains strong macroeconomic fundamentals and prudent

economic management, reflected in the stability of its main indicators. It also emphasized that the banking sector is well capitalized, with adequate levels of liquidity and profitability, which contributes to the overall soundness of the financial system. The institution stressed the importance of continuing to strengthen the frameworks for the prevention of money laundering and the financing of terrorism (AML/CFT), as well as making steady progress in the fiscal consolidation process.

The IMF granted Paraguay access to approximately US\$285 million under the Resilience and Sustainability Facility (RSF), of which the country requested the disbursement of US\$195 million.

U.S. Sanctions

In accordance with the list issued by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury, the Obligated Parties are legally required to review such list. If due diligence measures reveal any individuals on the list, they are required to file a suspicious activity report with the Paraguayan Agency for Prevention of Money or Property Laundering (UIF SEPRELAD). Obligated entities must also perform ongoing monitoring and implement enhanced due diligence when dealing with OFAC-listed individuals or entities.

While UN sanctions are legally binding and involve asset freezes, U.S. sanctions serve as an alert to trigger risk mitigation measures based on a risk-focused approach. Paraguay has a comprehensive legal and regulatory framework for preventing money laundering, terrorism financing, and the proliferation of weapons of mass destruction, in line with the international standards of the Financial Action Task Force (FATF). This framework mandates policies and procedures for regulated entities across their various relationships and operations. See “Monetary System—Anti-Money Laundering.”

On January 26, 2023, OFAC sanctioned former Paraguayan President Horacio Cartes and former Vice President Hugo Velázquez under U.S. Executive Order 13818 for alleged involvement in corrupt practices, including, among others, bribery, interference with legal processes and, in Velázquez’s case, protecting criminal associates from criminal investigations. OFAC also designated Tabacos USA Inc., Bebidas USA Inc., Dominicana Acquisition S.A., and Frigorífico Chajha S.A.E. for being owned or controlled by Cartes.

As a result of the administrative sanctions imposed by the United States against Cartes and Velázquez at that time, all property and interests in property of Cartes and Velázquez located in the United States, or in the possession or control of U.S. persons, were blocked and required to be reported to OFAC. In addition, entities owned, directly or indirectly, individually or in the aggregate, 50.0% or more by one or more blocked persons were also subject to these sanctions. Consequently, on March 31, 2023, Tabacalera del Este S.A. was also included in the OFAC Specially Designated Nationals and Blocked Persons (“SDN”) List. Unless authorized by OFAC, OFAC’s regulations generally prohibited transactions by U.S. persons or transactions otherwise within U.S. jurisdiction involving blocked persons or their property or interests in property.

In March 2023, the United States also announced the imposition of travel restrictions on other Paraguayan public officials, including the former Director of Paraguay’s National Directorate of Civil Aeronautics (“DINAC”), Edgar Melgarejo; a member of the Paraguayan Panel for the Discipline of Judges and Prosecutors, Jorge Bogarín; and court clerk Vicente Ferreira, under Section 7031(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, due to their alleged involvement in significant acts of corruption.

The U.S. Embassy’s corruption allegations led to an investigation by Paraguay’s Public Prosecutor’s Office. In December 2023, the Public Prosecutor’s Office requested the dismissal of charges against Velázquez and Juan Carlos Duarte, citing insufficient evidence to support the allegations of bribery. In June 2025, the Public Prosecutor’s Office requested that the charges against Cartes be dismissed after concluding there was insufficient evidence to support the claim that he committed the alleged offenses.

The U.S. Embassy’s corruption allegations led to an investigation by Paraguay’s Public Prosecutor’s Office, which exchanged documentation with the Embassy. In December 2023, the Public Prosecutor’s Office requested the dismissal of charges against Velázquez and civil servant Juan Carlos Duarte, citing insufficient evidence to support the allegations of bribery.

The Paraguayan Agency for Prevention of Money or Property Laundering (SEPRELAD) has reminded obligated entities of their duty to verify international lists, such as the OFAC and United Nations Security Council sanctions lists, prior to establishing relationships. High-profile figures like Velázquez are included on the OFAC list. SEPRELAD emphasized the need for ongoing monitoring and enhanced due diligence when dealing with such individuals or entities. While UN sanctions involve asset freezing and are legally binding, U.S. sanctions trigger risk mitigation measures based on a risk-focused approach.

In March 2023, SEPRELAD's Board of Supervisors held coordination meetings with the U.S. Embassy and U.S. government representatives to address potential situations regarding the ownership of assets affected by financial sanctions. These meetings focused on the precautionary measures national entities should take when verifying client, user, or supplier relationships against the OFAC list.

Additionally, given the potential impact of these sanctions on Paraguay's financial system, SEPRELAD and the Superintendency of Banks held a meeting in March 2023 to stress the importance of customer due diligence and risk mitigation measures by regulated entities to identify potential red flags.

On October 6, 2025, OFAC updated its List of SDN, to remove Horacio Cartes, as well as the companies previously linked to him, including Tabacalera del Este S.A. (Tabesa), Tabacos USA Inc., Bebidas USA Inc., Frigorífico Chajha S.A.E. and Dominicana Acquisition S.A.

Since 2023, the Paraguayan government has also undertaken institutional "clean-up" measures aimed at strengthening integrity and preventing corruption, partly in response to the reputational impact of these sanctions. In late 2023, the Executive, Legislative, and Judicial branches agreed on a new National Anti-Corruption Strategy, reaffirming a commitment to improve transparency and governance. This cross-branch initiative led to the drafting and approval of Law No. 7,389/2024, the "National Integrity, Transparency, and Corruption Prevention" law, which was promulgated by President Peña on December 3, 2024. The law establishes a comprehensive integrity and anti-corruption framework, including short-, medium-, and long-term measures to curb corruption and strengthen public trust.

Paraguay has a broad legal and regulatory framework for the prevention of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction, based on the international standards of the Financial Action Task Force (FATF), which regulate the policies and procedures that must be promoted by regulated entities in their various relationships and operations. See "Monetary System—Anti-Money Laundering."

THE PARAGUAYAN ECONOMY

History and Background

Until the Spanish established Asunción in 1537, economic activity in Paraguay was limited to the subsistence agriculture of the Guaraní Indians. The Spanish, however, found little economic interest in their colony, which had no precious metals and no seacoasts. The typical feudal Spanish economic system did not dominate colonial Paraguay. Economic relations were distinguished by the *reducciones* (reductions or townships) that were established by Jesuit missionaries from the early seventeenth century until the 1760s. The inclusion of the native population in these Jesuit agricultural communes laid the foundation for an agriculture-based economy that survived into the late twentieth century.

Three years after Paraguay overthrew Spanish authority and gained its independence in 1811, the country's economy was controlled by the autarchic policies of José Gaspar Rodríguez de Francia (1814-40), who closed Paraguay's borders to virtually all international trade. Landlocked, isolated, and underpopulated, Paraguay structured its economy around a centrally administered agricultural sector, extensive cattle grazing, and inefficient shipbuilding and textile industries.

After the demise of Rodríguez de Francia, government policies focused on expanding international trade and stimulating economic development. The government built several roads and authorized British construction of a railroad. The Triple Alliance War (1864-70) with Argentina, Brazil and Uruguay fundamentally changed the Paraguayan economy. Economic resources were employed in and consumed by the war effort. Paraguay was occupied by its enemies in 1870, the countryside was in virtual ruin, the labor force was decimated, peasants migrated to Asunción from the east and south of the country, and the modernization of the preceding three decades was undone.

The late 1800s and the early 1900s saw a slow rebuilding of ports, roads, the railroad, farms, cattle stock, and the labor force. The country was slowly being repopulated by former Brazilian soldiers who had fought in the Triple Alliance War, and Paraguay's government encouraged European immigration. Although few in number, British, German, Italian, and Spanish immigrants helped modernize the country. Argentine, Brazilian, and British companies in the late 1800s purchased some of Paraguay's best land and started the first large-scale production of agricultural goods for export. One Argentine company, whose owner had purchased 15% of the immense Chaco region, processed massive quantities of tannin, which were extracted from the bark of the Chaco region's ubiquitous quebracho (break-axe) hardwood. Large quantities of the extract were used by the region's thriving hide industry. Another focus of large-scale agro-processing was the yerba mate bush, whose leaves produced the potent tea that is the national beverage. Tobacco farming also flourished.

The period of steady economic recovery came to an abrupt halt in 1932 as the country entered another devastating war with Bolivia over possession of the Chaco region. The war ended in 1935 after extensive human losses on both sides, and war veterans led the push for general social reform. During the 1930s and 1940s, the government passed labor laws, implemented agrarian reform, and assumed a role in modernization. Reformist policies, however, did not enjoy a consensus, and by 1947 the country had entered into a civil war, which in turn initiated a period of economic chaos that lasted until the mid-1950s.

After centuries of isolation, two devastating regional wars, and a civil war, in 1954, Paraguay entered a period of prolonged economic stability under the authoritarian rule of Alfredo Stroessner. Stroessner's economic policies took a middle course between social reform, *desarrollismo*, and *laissez-faire*. Relative to previous governments, Stroessner took a fairly active role in the economy but reserved productive activities for the local and foreign private sectors.

By the 1960s, the economy was on a path of modest but steady economic growth. As part of the United States-sponsored Alliance for Progress, the government was encouraged to expand its planning apparatus for economic development. With assistance from the OAS, the IDB, and the United Nations Economic Commission for Latin America, in 1962 Paraguay established the Technical Planning Secretariat (*Secretaría Técnica de Planificación* - "STP"), the major economic planning arm of the government. By 1965, the country had its first National Economic Plan, a two-year plan for 1965-66. This was followed by another two-year plan (1967-68) and

then a series of five-year plans. Compared with most Latin American countries, nevertheless, Paraguay retained a small public sector. Free enterprise dominated the economy, export promotion was favored over import substitution, agriculture continued to dominate industry, and the economy remained generally open to international trade and market mechanisms.

During the 1970s, Paraguay's real GDP grew at over 8% a year and exceeded 10% from 1976 to 1981—a faster growth rate than in any other economy in Latin America. Four coinciding developments accounted for Paraguay's rapid growth in the 1970s. The first was the completion of the road from Asunción to Puerto Presidente Stroessner (currently known as Ciudad del Este) and to Brazilian seaports on the Atlantic, ending traditional dependence on access through Argentina. The second was the signing of the Treaty of Itaipú with Brazil in 1973. The third event was land colonization, which resulted from the availability of land, the existence of economic opportunity, the increased price of crops, and the newly gained accessibility of the eastern border region. Finally, the significant increase in the price of soybeans and cotton led farmers to quadruple the number of hectares planted with these two crops. As the 1970s progressed, soybeans and cotton came to dominate the country's employment, production and exports.

The Paraguayan government's emphasis on industrial activity increased noticeably in the 1970s. Law No. 550, also referred to as Law No. 550/75 or the Investment Promotion Law for Social and Economic Development, opened Paraguay's doors further to foreign investors by providing income-tax breaks, duty-free capital imports, and additional incentives for companies that invested in priority areas, especially in the Chaco region. Law No. 550 was successful. FDI by U.S., European, and Japanese companies increased significantly during the 1970s. Industrial policies also encouraged the establishment of state-owned enterprises, including ones involved in producing liquor from sugar cane (*aguardiente*), cement and steel.

In the beginning of the 1980s, the completion of the most important parts of the Itaipú project and the drop in commodity prices ended Paraguay's rapid economic growth. Paraguay's economic performance was also set back by world recession, poor weather conditions, and growing political and economic instability in Brazil and Argentina.

The 1995-2003 Period

Paraguay's financial system experienced five financial crises during the 1995-2003 period.

By 1989, with the change in government, Paraguay embarked on a process of financial liberalization, which continued through the mid-1990s. The authorities introduced a unified, managed floating exchange rate regime, liberalized interest rates, reduced reserve requirements and freed public sector deposits from the Central Bank to the banking system. Banking regulations did not establish sufficiently robust prudential norms for asset classification and did not require arm's length lending. The required provisions did not reflect the true risks of banks' assets. In addition, lax licensing requirements and low required capitalization permitted a proliferation of new financial institutions. The 1995 crisis was the by-product of a rapid financial liberalization without adequate safeguards in terms of sound prudential regulations and enforcement.

The 1995 crisis was triggered when two large banks failed to meet their clearing obligations. An inadequate official response to the 1995 crisis was mainly responsible for the 1997 crisis. Lack of regulatory capacity and generous *de facto* deposit guarantees allowed financial institutions to pay insufficient attention to risk. In 1998, the failure of the fourth largest bank, which held approximately 6% of total deposits and whose liquidity dried up while depending increasingly on public sector deposits, had adverse consequences for the Paraguayan financial system as a whole.

The 1995 crisis resulted in the adoption of new banking regulation, intended to overhaul the country's financial system. Law No. 489 and Law No. 861, which were adopted in 1995 and 1996, respectively, continue to be in force with a few minor amendments. These statutes, which were fully implemented by 1999, aimed at increasing supervision powers of the Central Bank and strengthening the stability of the banking sector by improving internal banking procedures and enforcing minimum capitalization ratios, limitations on related party transactions, risk-weighted asset rules and risk control management.

In 2002, further to the effects of the economic downturn, the volatility in South America following Argentina's default, the freeze of deposits and adoption of exchange controls in Argentina led to a run on a Paraguayan subsidiary of an Argentine bank, which held approximately 11% of total deposits in the Paraguayan financial system. This led to a loss of confidence in the banking system as a whole and resulted in a run on several banks, which in combination with the depreciation of the Guaraní against major currencies, resulted in a system-wide financial crisis. Finally, in 2003, the Paraguayan monetary authorities were confronted with an isolated case of fraud in a medium-sized, locally owned bank that did not have systemic repercussions. The Superintendence of Banks responded more appropriately and timely to the 2002 and 2003 crises by closing the failing banks, with a cost to the public sector equivalent to approximately 1% of GDP.

Economic performance stabilized in 2003, albeit at a lower level of GDP growth, as a result of improved performance of the agricultural sector and improved regional conditions. However, there were significant difficulties in financing the fiscal deficit and problems with the government's fiscal position so that there were continued delays in the fulfillment of fixed costs, including wages, pensions and debt service, which together represented more than 90% of total spending.

Economic Recovery Structural Adjustment Loan

In 2002, Paraguay experienced an economic crisis as a result of a combination of factors, including the negative impact of adverse weather conditions on crop production, an FMD outbreak that negatively affected exports from the livestock sector and a decline in the construction sector, all of which collectively adversely affected the Paraguayan economy. In addition, in the same year, Paraguay's largest commercial bank, Banco Alemán Paraguayo S.A., which was a subsidiary of an Argentine bank, was forced into liquidation after the controlling shareholder became subject to the deposit freeze and exchange control measures adopted by the Argentine government upon abandoning 10 years of foreign exchange parity with the U.S. dollar. Paraguay was unsuccessful in negotiating a stand-by credit facility and, in 2003, the government defaulted in the payment of US\$210 million worth of debt, of which 65.7% was debt owed to local banks and government suppliers. Thereafter, the government through a law enacted by Congress restructured all of the defaulted debt by exchanging the old bonds for new bonds.

In 2003, Paraguay entered into a stand-by facility with the IMF for special drawing rights equivalent to US\$73 million. The economic agreement signed with the IMF included a series of targets that the country agreed to meet during 2004. The US\$73 million facility granted by the IMF to strengthen monetary reserves in case of an emergency was not drawn. In addition, Paraguay received an economic recovery credit-line facility from the World Bank for US\$30 million, which allowed Paraguay to resume servicing its debt by the end of the first half of 2004. An additional US\$30 million credit-line facility was granted to Paraguay by the IDB, of which US\$20 million was disbursed to Paraguay. In 2005, Paraguay gave up its right to the remaining US\$10 million disbursement.

The average annual real GDP growth from 1992 to 2002 in Paraguay was approximately 1.8%, well below the average growth rates of 8.9% and 4.2% during the 1970s and 1980s, respectively. This decline in the average real GDP growth for the period was mainly the result of an economic slowdown that affected the Paraguayan economy in 1999-2002, including declines of 2.3% in 2000, 0.8% in 2001 and 0.02% in 2002. A significant economic recovery driven by agriculture, construction and trade sectors began in 2003.

Current Economic Policy

Overview

Paraguay's macroeconomic performance showed robustness for 15 years through 2018. In the period between 2004 and 2018, the economy grew at an average rate of 4.4%, a stronger pace than its regional peers. Growth during this period was the result of sound macroeconomic policies and an increase in agricultural commodity prices, which, as a result, positively impacted the services sector. In 2019, real GDP contracted by 0.4%, largely due to adverse climatic factors that persistently affected key sectors of the economy.

The real GDP contraction in 2020 was mainly a result of the restrictive measures implemented by the national government in an effort to contain the spread of the COVID-19 virus, that negatively impacted the services

sector (namely transportation, restaurants and hotels, business services and household services), the manufacturing sector (particularly the textiles and clothing, paper and paper products, timber, machinery and equipment, leather, oil products, beverages and tobacco and metal products subsectors) and the commerce sector (particularly the sale of durable goods, such as vehicles and home equipment and semi-durable goods, such as clothing, and fuel), while the decreased river water flow caused by droughts and a lower demand of energy from Brazil explained the falls in the electricity generation subsector.

In 2021, real GDP increased by 4.0%, this result was mainly explained by the good behavior of the services sector (restaurants and hotels sector, household services and commerce) and second sector (construction and manufacturing).

The Paraguayan economy experienced no significant real GDP variation in 2022, with declines in all activities of the primary sector, as well as decreases in the manufacturing, construction, transportation, communications and finance sectors, which were offset by the positive performances of electricity and water, commerce, business services, restaurant and hotels sectors.

During 2023, economic activity exhibited a robust dynamism compared to the previous year. Real GDP expanded by 5.3%, primarily driven by a recovery in the agriculture sector and increased energy generation, in both cases, mainly as a result of favorable climate conditions. In addition, the manufacturing sector grew driven by the oilseed industry, which was partially offset by reduced meat production. Additionally, the commerce, business services, restaurants and hotels, and household services sectors experienced growth in 2023. This growth was partially offset by a decrease in the construction sector. Thus, the key sectors driving the GDP growth in 2023 included the primary sector with a 16.3% growth, and the secondary and tertiary sectors both with a 4.0% growth. In 2024, the economy continued its strong performance from the previous year. Real GDP grew by 4.7%, mainly due to steady growth in the services sector, which increased by 5.1%, fueled by expansions in restaurants and hotels, finance, commerce and household services. The primary sector also performed well, with forestry, fishery, mining, livestock and agriculture contributing to growth rates of 14.9%, 6.7% and 2.2%, respectively. As a result, the overall primary sector grew by 4.4%. On the other hand, manufacturing and construction grew by 4.5% and 5.9%, respectively, though these growths were partially offset by a 4.9% decline in electricity and water. As a result, the secondary sector grew by 2.7%.

In 2025, the Paraguayan economy reflected real GDP growth of 6.0%, driven by the positive dynamic of the three sectors. The secondary sector grew by 6.2%, mainly due to the performance of electricity and water, construction and manufacturing with 9.4%, 5.4% and 5.3% increases, respectively. The services sector experienced a 6.1% growth, with expansions in keys services like hotels and restaurants (9.9%), finance services (9.2%), transportation (9.1%) and commerce (8.0%). The primary sector increased by 5.3% as a result of increases in agriculture (5.6%), livestock (5.0%) and forestry, fishery and mining (3.9%). The evolution of nominal GDP by sector reveals that the share of manufacturing and product taxes has remained relatively constant since 2005. In 2005, their respective shares were 18.0% and 6.2%, compared to 19.4% and 7.3% in 2015, and 19.4% and 8.1% in 2025. The primary and construction sectors experienced changes between 2005 and 2015, from 12.9% to 9.8% in the case of the primary sector and from 3.7% to 6.1% in the case of construction, and then remained relatively constant between 2015 and 2025. However, a significant increase was recorded in the services sector, which rose from 41.8% in 2005 to 48.6% in 2015 and reached 48.7% in 2025.

International reserves totaled US\$9.9 billion 2021, decreased to US\$9.8 billion in 2022, mainly due to a deficit in the current account, and increased to US\$10.2 billion in 2023, mainly due to a current account surplus, and decreased again to US\$9.9 billion in 2024. As of December 31, 2025, total international reserves amounted to US\$11.0 billion, an increase of US\$1.1 billion compared to December 31, 2024.

The volatility of Paraguay's real GDP growth rate, using a 10-year rolling window and measured through the Median Absolute Deviation (MAD)—an indicator that quantifies the dispersion of growth around its median during the analyzed period, providing a measure of variability—shows that between 2014 and 2024, the volatility of economic growth has continuously decreased, from 2.18% to 1.01%.

Furthermore, between 2010 and 2024, there is evidence of a progressive decoupling of the Paraguayan economy from Argentina and Brazil, based on the relationship between the real GDP growth rates of Paraguay and Argentina, as well as Paraguay and Brazil. This relationship is calculated using the linear correlation coefficient for a 10-year rolling window, which in 2024 reached 0.4% and 0.2%, respectively.

The Economic Activity Indicator (IMAEP) showed cumulative growth of 5.9% over the first ten months of 2025. This performance was supported by positive contributions from services, manufacturing, construction, agriculture, livestock, electricity generation, and net taxes on products, reflecting a broad-based expansion across productive sectors. Likewise, economic activity, excluding agriculture and binational electricity generation, recorded cumulative growth of 6.0%, highlighting the solid performance of non-primary, domestically oriented activities in the Paraguayan economy.

National Development Plan

Paraguay has a National Development Plan (NDP) that guides public policies and government action toward long-term sustainable development, promoting the active participation of public institutions, civil society, the private sector, and academia. This instrument enables the coordination and alignment of sectoral actions of the Executive Branch with other levels of government and key development stakeholders, in line with the constitutional framework established in Articles 176 and 177 of the Constitution.

The NDP for 2030, approved by Decree No. 2,794/2014, was conceived as a fifteen-year roadmap and updated in 2021 to address new national and international challenges, incorporating adjustments to its strategic axes, objectives, targets, and indicators. Subsequently, the projection of a new horizon toward 2050 was based on the achievement of the midpoint of the NDP for 2030, the availability of updated information from national censuses, and strengthened governance between planning and budgeting. Within this framework, the implementation of the NDP for 2030 was reviewed through an analysis of public policy alignment, the allocation of resources from the Annual Budget Law, and progress on strategic indicators.

The NDP for 2050 was developed through an open, transparent, and participatory process that combined territorial workshops, technical working spaces, virtual consultations, and the citizen participation platform paraguay2050.gov.py. Its normative approval framework is currently under development. As the guiding instrument at the first level of the National Planning System, the NDP for 2050 directs public action, investment, and government policies toward a shared national vision, transforming citizens' aspirations into clear, measurable, and progressive objectives. Its strategic framework consists of the Country Vision 2050, four development pillars, sixteen strategic objectives, and sixty-six specific objectives, supported by more than 500 prioritized strategic actions and over 200 potential monitoring indicators.

The Paraguay Vision 2050 projects a country in which sustainable development ensures the well-being of people and their communities, based on four strategic pillars. Pillar 1, People and Society promote decent work, social security, comprehensive health, quality education, cultural rights, and social inclusion. Pillar 2, Infrastructure, Innovation, and Competitiveness, advances efficient connectivity, access to social infrastructure, scientific and technological development, and a predictable and competitive business environment. Pillar 3, Environment and Energy, focuses on biodiversity conservation, sustainable management of natural resources, resilience to disaster risks, and national energy security. Finally, Pillar 4, Institutions, Security, and International Projection, strengthens an efficient and innovative public administration, the social rule of law, multidimensional security, and Paraguay's competitive positioning on the global stage.

Fiscal Responsibility Law

An important component of Paraguay's economic policies is the FRL, which was enacted into law in October 2013. The FRL aims to promote fiscal discipline by containing current spending and setting limits on fiscal deficits. The FRL governs the preparation and approval of budgets, but not their execution. In order to achieve the fiscal discipline goals, the FRL establishes a ceiling of 1.5% of GDP (or 1.0% average over a three-year period) on the government's fiscal deficit, limits any increase in annual expenditures to 4.0% in real terms and provides that wage increases in the public sector must be in line with increases in the minimum wage. Following the passage of the FRL, the government has taken steps to reduce non-discretionary expenses related to the public sector payroll by controlling salary expenditures, a hiring freeze and the reallocation of existing resources within the public sector to improve performance and productivity.

Between 2020-2025, the country experienced higher deficit levels than those provided for in the FRL. In 2020, and in response to the COVID-19 pandemic, Congress enacted Law No. 6524/2020 declaring a state of emergency throughout the country. Law No. 6524/2020 included administrative, fiscal, and financial measures, and suspended some fiscal rules established in the Fiscal Responsibility Law for 2020. In 2021, to provide the

government with fiscal flexibility in managing the economic impacts of COVID-19, the application of the FRL was suspended. Consequently, the fiscal deficit ceiling for the central government in 2021 was increased from 1.5% to 4% of GDP. Likewise, in 2022, the fiscal deficit ceiling for the central government was raised from 1.5% to 3.0% of GDP, following the convergence process to more sustainable fiscal outcomes after the 6.1% GDP deficit recorded in 2020. In 2023, an initial deficit limit of 2.3% of GDP was approved through the Budget Law but was later expanded to 4.1% to fulfill pending payment commitments from previous years with the health sector and public works, while maintaining investment levels for the benefit of the economy. In 2024, the government recorded a fiscal deficit of 2.5% of GDP, in line with the approved 2024 budget and according to the medium-term convergence to the 1.5% deficit established in the FRL. In 2025, the government recorded a deficit of 2.0% of GDP, the best fiscal result since 2019 and ratified, for the second consecutive year, its progress on the path of convergence toward compliance of the FRL in 2026.

In 2023, the executive branch introduced a fiscal convergence plan aimed at returning to the maximum deficit stipulated by the FRL by 2026.

Access to the international capital markets by the public sector as well as by the private sector is viewed as a priority and has been key to the generation of the resources needed to enhance the physical and social infrastructure required to develop Paraguay's economy on a sustainable basis. The government's financing strategy, which includes accessing the international capital markets, has created greater visibility for Paraguay's economy and allowed private sector issuers to equally access the market as source of funding for the infrastructure projects to which they are being invited to participate under the public-private partnership initiatives.

Liability Management Law

In November 2020, Congress enacted Law No. 6638/20 (the "Liability Management Law"). The Liability Management Law expressly grants the executive branch and the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*) broad powers to, among others: (i) conduct liability management operations with bonds issued by the Republic without requiring additional authorizations by Congress; (ii) modify maturity dates of bonds issued by the Republic in accordance with the terms of the relevant indentures; (iii) issue bonds on par, below par or above par, according to market conditions; (iv) conduct any operation accepted in international market practice in connection with liability management operations, including debt restructuring, interest swaps and currency swaps; and (v) modify budgetary line items related to liability management operations without congressional approval. However, the Liability Management Law limits the amounts of bonds that may be subject to liability management transactions in a single fiscal year to 40% of the aggregate face value of all outstanding bonds issued by the Republic.

In addition to governing specific matters related to liability management operations, the Liability Management Law includes complementary provisions that govern general matters applicable to all bond issuances by the Republic, including: (i) granting tax exemption over capital gains, increases, interests and any income derived from the possession or transfer of public debt securities issued by Paraguay and (ii) granting powers to the executive branch and to the Ministry of Economy and Finance to submit to foreign law and foreign jurisdictions as well as to waive sovereign immunity.

Formalization of Micro, Small, and Medium-sized Enterprises (MIPYMEs)

In September 2025, the Government enacted Decree No. 4,535/2025 to implement Law No. 4457/2012 on Micro, Small and Medium Enterprises (MSMEs), as amended and expanded by Law No. 7444/2025, introducing substantive updates to the regulatory framework governing the sector. The regulation seeks to promote the creation, development, and competitiveness of MSMEs by putting in place instruments that facilitate formalization, strengthen productive integration, and improve access to economic and business opportunities.

This framework is further reinforced by the establishment of the National Fund for MSMEs (FONAMIPYMEs), created in January 2026 through Decree No. 5,270/2026, as an administrative trust. The Fund is designed to expand access to financing for working capital and productive investment, as well as to technical cooperation resources, for MSMEs registered in RENAMIPYMEs, thereby consolidating an integrated system of financial and technical support for the sector.

In addition, the Administrative Trust for Financial Support to Producers, Independent Professionals, Self-Employed Workers, and MSMEs (FIPROMIPYMES), established in September 2025 by Law No. 7,504/2025, constitutes a strategic financial inclusion instrument aimed at expanding access to credit and promoting productive investment among producers, independent professionals, and MSMEs, with a particular focus on women, youth, and economic units in the process of formalization. With resources amounting to approximately US\$10.6 million, the trust offers financing under preferential conditions, including interest rates below 10%, maturities of up to 10 years, and grace periods, enabling access to credit for both formalized enterprises and those undergoing regularization. In this way, the instrument not only facilitates productive financing but also serves as a concrete incentive for progressive formalization and the long-term sustainability of supported ventures.

Modernization and Simplification Act of the National Tax System

In September 2019, Congress enacted legislation reforming the national tax system (the “Modernization and Simplification of the National Tax System Law”), aimed at improving the current tax system by making it simpler, more efficient, equitable and competitive. The Modernization and Simplification of the National Tax System Law reflect certain principles that prevail in modern tax systems, aimed at reducing tax avoidance and tax evasion.

Through the new Modernization and Simplification of the National Tax System Law, the government seeks to raise revenue with an emphasis on fairness and direct taxation, implementing a more progressive tax system in which the tax rate increases as the taxable amount increases. In addition, the Modernization and Simplification of the National Tax System Law intend to improve fairness while maintaining market competitiveness, supporting micro and small businesses, and strengthening middle-income families.

The reform of the tax system is part of a broader reform strategy that consists of an overall fiscal reform designed to promote development, which emphasizes human capital as well as education, health and infrastructure. In addition to the commitment to maintaining fiscal balance in a medium-term sustainability framework as well as improving the quality of spending and tax equality, the government has formed two public-private commissions (the “PPC”). The first PPC, the Public-Private Inter-institutional Commission for the Analysis of Public Expenditure, was created to analyze and propose measures designed to improve the efficiency of spending and generate tax savings, with a focus on public procurement, budgets, salary policy and social protection. The second PPC, the Technical Tax Economic Commission, was largely responsible for drafting the Modernization and Simplification of the National Tax System Law.

The OECD has developed 15 actions, or standards in the context of the OECD/G20 BEPS Project, for governments with domestic and international rules and instruments to address tax avoidance, providing that profits are taxed where economic activities generating the profits are performed and where value is created. The convergence agenda to adhere to such standards poses significant challenges to Paraguay’s national tax system. Likewise, there are challenges related to the adoption of the recommendations of the Pan-American Health Organization and World Health Organization, which recommend taxing, to the extent possible, products that generate negative externalities on public health or the environment with a tax rate determined taking into account the damages caused and the expenses produced by such externalities, in order to discourage its use or consumption. Paraguay is confronting these challenges through the implementation of the Modernization and Simplification of the National Tax System Law and increasing the maximum tax rate for all goods subject to excise taxes.

The Modernization and Simplification of the National Tax System Law became effective in January 2020 and was fully implemented in 2024. Paraguay’s total tax collection in 2025 increased by approximately 8.5% relative to 2024, amounting to approximately US\$6,445 million in total tax revenues. The increase in revenues is intended to be applied to fund public expenditure in education, public health, infrastructure and social protection.

Consolidation of Certain Public Institutions

On August 4, 2023, Congress enacted Law No. 7,143, which provides for the creation of the National Directorate of Tax Revenues (Dirección Nacional de Ingresos Tributarios or DNIT). The DNIT incorporates the functions of the former Taxation Undersecretariat (Subsecretaría de Tributación) and the National Customs Directorate (Dirección Nacional de Aduanas). The DNIT is responsible for implementing policies established by the

Ministry of Economy and Finance, overseeing the collection of government resources and administering the domestic tax and customs system, while maintaining the current tax burden to ensure the country's competitiveness. In addition, the DNIT plays a key role in combating tax evasion and promoting formalization. The highest authority within the DNIT, the National Director, is responsible for interpreting tax-related provisions, approve the draft of the annual budget, and oversee public biddings processes, among other responsibilities.

Educational transformation and quality health

With the objective of guaranteeing equal opportunities for access to quality education and in alignment with the National Government Plan, the Ministry of Education and Science (MEC) approved the Paraguayan Education Improvement Program 2023-2028 *Ñamombarete Tekombo'e*. This program outlines actions and measures aimed at: optimizing learning opportunities and outcomes for all students, consolidating and expanding comprehensive early childhood care, strengthening the technical and professional training of educators, improving educational infrastructure, fostering a learning environment, and enhancing educational management at all levels.

Authorities also reported that 5,367 students from the departments of Alto Paraná, Cordillera, and Paraguari benefited from subsidized transportation fares, while 11,067 young people from Central, Capital, and Presidente Hayes received electronic fare cards.

With respect to the Zero Hunger Program (*Hambre Cero*), more than 2,200 education stakeholders participated in training sessions and national-level meetings, conducted in coordination with institutions such as the Ministry of Social Development (MDS), the National Institute of Food and Nutrition (INAN), and departmental governments, to support the implementation of the National Guidelines on Food and Nutrition Education. In addition, within the framework of risk management actions, 294 teachers, students, and key stakeholders were trained in resilience and emergency drills, and took part in initiatives such as the SUMAR Plan and the TAPE Project.

Finally, within the ongoing support to educational institutions, authorities and students highlighted conflict mediation as a priority line of action, in line with the preventive and support-oriented approach promoted by the MEC.

National Framework for Integrity, Transparency, and Corruption Prevention

Paraguay has reinforced its commitment to transparency, integrity, and anti-corruption efforts with the enactment of Law No. 7,389/2024 in December 2024. This legislation establishes a comprehensive national framework aimed at strengthening institutional integrity and public accountability. It outlines the responsibilities of various government agencies in preventing and combating corruption, with a strong emphasis on digital tools to enhance transparency and manage complaints.

The National Secretariat for Integrity and Transparency (SENIT) has been designated as the lead institution responsible for coordinating and implementing these policies. SENIT plays a central role in developing, promoting, and enforcing public policies related to transparency and integrity within the executive branch and other government entities.

These initiatives align with Paraguay's Fifth Open Government Action Plan (2022-2024) and its National Integrity, Transparency, and Anti-Corruption Plan (2021-2025), which focus on strengthening public ethics, ensuring access to information, and fostering a culture of accountability. These measures underscore Paraguay's ongoing efforts to enhance governance, prevent corruption, and build public trust in its institutions.

Creation of RUN (Ley del Registro Unificado Nacional)

Paraguay has made a significant advancement in modernizing its property registration system with the enactment of Law No. 7,424 on January 9, 2025. This law establishes the National Unified Registral and Cadastral System, along with the National Unified Registry (RUN), with the goal of streamlining and centralizing property records to enhance efficiency and legal certainty in real estate transactions.

The RUN will operate under the Supreme Court of Justice and bring together key institutions, including, the General Directorate of Public Records, The National Cadastre Service, and the Department of Surveying and Geodesy.

By integrating these entities, the RUN is expected to reduce bureaucratic inefficiencies, prevent land title overlaps, and enhance transparency in property management. The reform is anticipated to positively impact sectors such as real estate, agriculture, and investment, strengthening property rights and promoting sustainable economic growth.

Social Security Institute Law Update

Paraguay is in the process of updating its Social Security Institute Law to enhance the efficiency and coverage of social security services. In January 2025, a multisectoral tripartite table was reinstated to promote the effective implementation of the Domestic Work Law and facilitate domestic workers' access to social security. This initiative reflects the government's commitment to strengthening social protection systems for its citizens.

Infrastructure and transportation

Paraguay's overall public investment plan focuses on key sectors such as road infrastructure, energy, water and sanitation, education, healthcare, social housing and related areas.

Among the key projects are: (i) the expansion of Route 1 connecting Cuatro Mojones with Quiindy in Paraguay (US\$414 million); (ii) the program for the Rehabilitation and Modernization of the Acaray Hydroelectric Power Plant, aimed at extending its operational life and improving generation efficiency; (iii) the Expansion of the High Voltage Transmission System II project; and (iv) the Improvement of the Distribution System for the Metropolitan Area and Reinforcement of the National Interconnected System project. Together, these initiatives aim to enhance energy generation capacity and improve the reliability and resilience of Paraguay's electricity grid.

Within the energy sector, a major project incorporated into the national infrastructure agenda is the construction and interconnection of the future Emboscada 500 kV Substation, promoted by the ANDE. The project, formally presented in 2025 and declared of municipal interest, is currently in the preparatory stage prior to an International Public Tender and includes the installation of two 500/220 kV transformer banks of 600 MVA each, plus an additional 220/23 kV transformer of 50 MVA. The project also envisages the addition of a 500 kV substation on the Margen Derecha Itaipú – Villa Hayes (Circuit I) and Yguazú – Villa Hayes transmission lines, integrating the new substation into the 220 kV network. This infrastructure will significantly reinforce electricity supply in the metropolitan area and enhance the robustness of the national interconnected system.

In the housing and urban development sector, the projects include (v) construction of 1,500 Housing Units in Bañado Sur, Asunción, and (vi) the Urban Resilience Project for the Coastal Strip of Asunción, both designed to improve the quality of life in the capital and its surrounding areas.

The water and sanitation projects include (vii) the Water and Sanitation Project for the Metropolitan Area of Asunción, including the Lambaré Basin, and for Ciudad del Este; and (viii) the Construction of Water and Sanitation Systems for Small Cities and Rural and Indigenous Communities in Paraguay.

In the health sector, projects include (ix) the improvement of the Quality of Service in the Health Network project, implemented across various departments of the country; (x) the construction of the Hospital del Sur in Itapúa; and (xi) the construction of the Hospital of Coronel Oviedo, which has been completed, with progress underway on equipment installation and operational readiness. Additionally, the (xii) Digital Agenda Support Program and (xiii) Strengthening of the National Statistical System of Paraguay are projects focused on Digital Development and Statistics. The (xiv) Strengthening of the National Scholarship Program for Postgraduates Studies Abroad aims to enhance the supply of advanced human capital in Paraguay, both in the public and private sectors.

Finally, the following road infrastructure projects (xv) the Improvement and Maintenance of National Route No. 9 and Access Roads; (xvi) the Rehabilitation and Maintenance Program for Agroindustrial Corridors-

Milk Route, completed in October 2024, which is expected to facilitate the transit of approximately 250,000 liters of milk per day, and (xvii) the Bioceanic Corridor, a project aimed at connecting the Atlantic Ocean with the Pacific through a network of highways, railways, and ports involving Brazil, Argentina, Paraguay, and Chile.

The government's current economic policy seeks to increase connectivity with neighboring countries to improve economic relations and promote tourism. To achieve this objective, Paraguay has prioritized new international bridge projects with Brazil. The bridge connecting Puerto Presidente Franco in Paraguay with Foz de Iguazú in Brazil completed its structural works earlier and entered a phase of gradual operation in late 2025, subject to complementary works and border management arrangements. The second bridge, which construction began in 2022, will cross the Paraguay River, connecting Carmelo Peralta in Paraguay with Porto Murtinho in Brazil, as part of the Corredor Bioceanico Project. Additionally, of the Heroes del Chaco (Chaco'i) Bridge over the Paraguay River, which links the capital to its western region, also known as Chaco, was completed in March 2024. Efforts are underway with Argentina to improve the Puerto Falcón Border Center (US\$32.6 million), aiming to modernize the infrastructure to streamline the border transit of people, vehicles, and goods. Additionally, studies are in progress for the construction of a bridge that will connect the city of Pilar, in the Ñeembucú department, with Colonia Cano, in the province of Formosa.

Amid the projects nearing execution or currently seeking financing are: (i) the Sanitation of the Ypacaraí Lake Basin (US\$154 million), promoting climate-resilient and low-carbon development by improving the environmental conditions of the basin; (ii) the Water and Sanitation for Four Intermediate Cities in the Eastern Region of Paraguay- Phase II (US\$100 million); (iii) the "CHE RÓGA PORÃ" Program (US\$200 million), which enables citizens who cannot access loans in the national financial system to obtain their own housing.; (iv) the Rural Roads and Bridges Program- Phase III (US\$74.2 million); (v) the Weaving Support for Educational Excellence (TAPE)" (US\$125.3 million), aimed at improving learning environments and strengthening institutional frameworks to promote educational quality; (vi) the construction of the San Estanislao and Asunción Hospitals (US\$137 million), which aims to improve healthcare infrastructure by providing modern facilities and enhancing access to quality medical services; and (vii) the Improvement and Maintenance of National Route PY22, Concepción - Vallemí - San Lázaro section and access roads (Vial 4) (US\$185 million), which will enhance road safety and regional connectivity.

In 2025, the Integrated Early Childhood Development Project entered the public investment evaluation process as an interinstitutional initiative, jointly promoted by the Ministry of Education and Sciences, the Ministry of Public Health and Social Welfare, and the Ministry of Childhood and Adolescence. The project has an estimated total budget of G. 966.84 billion (approximately US\$120 million). The Ministry of Education and Sciences acts as the main executing agency, with an allocation of G.749.70 billion. A technical workshop with the Ministry of Economy and Finance has already been held, and the project has been deemed viable at the profile level.

In January 2025, Congress enacted Law No. 7,434/2023, which regulates the procedure for rehabilitating the railway through the implementation of the "Commuter Train" project, covering the section between Asunción and Ypacaraí, and powered by renewable electric energy.

Not only have public investments played a crucial role in driving the economic growth of the country, they have also served as a driving force for private investment. In recent years, private investments have fostered sectoral diversification, enhancing national competitiveness and promoting socio-economic development through job creation. Among the most significant recent investments are the (i) PARACEL project (US\$4.0 billion investment), which aims to develop a greenfield pulp mill and associated eucalyptus plantations, (ii) Omega Green project (US\$1.0 billion investment), which involves the construction of an advanced biofuels plant, (iii) the construction of a biofuels plant by Petroquim S.A. (US\$59.6 million investment), and (iv) a hydrogen and green ammonia production project involving an investment by Atome Paraguay (US\$550 million investment), which is expected to make a significant contribution to Paraguay's sustainable energy sector. Other relevant investments include those by Alcogreen SA (US\$55.5 million), Inpasa S.A. (US\$26.8 million), Neogreen Hydrogen (US\$500 million), and Cremer Oleo Paraguay SA (US\$12.8 million), Master (US\$30 million), REISA (US\$35 million), CAIASA (US\$200 million), Grupo Bimbo (US\$30 million), SIOM (US\$10 million), FPV (US\$40 million), Paseo 55 (US\$100 million), Kingspan (US\$20 million), and Silvipar (US\$325 million).

The government is promoting the use of new financial tools, provided for by Law No. 7,452/2025 (PPP Law) and Law No. 5,074/2013 (Turnkey Projects Law), to meet the new infrastructure investment objectives and plans, including financing through the issuance of bonds, loans from multilateral and bilateral organizations, as well as funding with institutional resources. With these alternatives, the government seeks to expand and improve the financing options available to develop infrastructure, involving the private sector. These upcoming projects will foster public investment and private sector participation, strengthening the framework of the existing PPP and turnkey infrastructure projects, to support the country's economic growth and its ability to meet fiscal policy targets. The new PPP Law, approved on January 27, 2025, offers enhanced incentives for the private sector to submit unsolicited proposals, shortens the timeframes for project evaluation, and clarifies the approval processes. In addition, the new PPP Law provides a consolidated legal framework for the formation of partnerships between the public and private sectors to finance and provide the necessary public services required for infrastructure development. Likewise, the Turnkey Projects Law provides alternative financing methods for infrastructure investment. The Turnkey Projects Law provides that the government is only obliged to pay capital amortization on project financing facilities once the related projects are completed and operational, thereby encouraging efficient and timely completion of such projects. The Ministry of Public Works and Communications has also implemented an infrastructure investment plan on similar terms.

In 2025, public investment totaled US\$767 million, equivalent to 1.6% of GDP. Resources were allocated to non-traditional projects, such as the acquisition of radars and aircraft to strengthen national airspace security, as well as to infrastructure improvements for international sporting events, reflecting diversification in both objectives and implementing entities. In addition to the budgeted investment, Itaipú projected an allocation of approximately US\$254 million in 2025 for public infrastructure works.

In 2024, the investment level in the Central Government reached a total of US\$841.9 million, or 1.9% of GDP, compared to 2.6% of GDP in 2022. The lower investment is explained by the commitments entered in 2023 accounted for 0.7% of GDP, which corresponds to commitments from prior years. The level of public investment is consistent with the economic growth of 2024. Over the periods 2003-2011, 2012-2018, and 2019-2023, the average public investment as a percentage of GDP stood at 1.9%, 2.0%, and 2.8%, respectively.

Public Investment
(in millions of U.S. dollars and as a % of GDP)

	<u>U.S.\$</u>	<u>% of GDP</u>
2010	478.8	1.8%
2011	586.0	1.7%
2012	652.3	2.0%
2013	679.2	1.8%
2014	738.1	1.8%
2015	720.3	2.0%
2016	794.1	2.2%
2017	950.1	2.4%
2018	824.8	2.1%
2019	1114.4	2.9%
2020	1286.8	3.6%
2021	1162.8	2.9%
2022	1200.0	2.9%
2023	1133.8	2.6%
2024	841.9	1.9%
2025	763.9	1.6%

Source: Ministry of Economy and Finance.

Energy, science and security

Paraguay's goals in these areas include improving the energy and services distribution system, increasing internet speeds to levels comparable to South American averages, and implementing a national fiber optic network. Within this framework, Paraguay has advanced a comprehensive digital connectivity strategy that encompasses (i) the deployment of fiber optics and last-mile infrastructure, with an emphasis on the educational sector; (ii) the strengthening of the national backbone network and international interconnections through technical and diplomatic efforts aimed at linking domestic fiber optics with international systems — for example, with Brazil — which will enhance network speed, redundancy, and resilience; (iii) the provision of high-speed satellite internet in rural and underserved areas; (iv) regulatory and technical progress toward the implementation of 5G networks; (v) and the development of a modular government data center designed to host critical government services, strengthen security and operational continuity, and meet the growing demand for digital services from the public sector and citizens. Paraguay also intends to create a laboratory for governmental innovation to serve as a national reference center for evidence-based public innovation. Such laboratory is expected to research, test, and validate emerging technologies applied to national challenges through a regulatory sandbox, enabling experimentation within a controlled, supervised, and legally defined environment that supports informed policymaking and scalable public solutions.

In terms of security, Paraguay's goals are to strengthen overall security for the citizenry by, among other measures, providing structural, technical and technological resources to security forces, fighting against drug trafficking and associated illicit activities and improve the penitentiary system.

Paraguay is progressively migrating toward a centralized governmental Security Operations Center (SOC), to enable proactive monitoring, early detection, and coordinated response to cyber threats. This transition intends to shift public service protection from a predominantly reactive approach to a more preventive and proactive cybersecurity posture across government digital service

With the objective of fostering productive innovation through applied research and emerging technologies, Paraguay is developing a physical and virtual technology park (District Innova), expected to be inaugurated in November 2027. This initiative expects to integrate science, technology, and innovation capacities to enable collaboration across government, academia, industry, and startups, supporting the generation, testing, and scaling of evidence-based technological solutions with measurable productive and socio-economic impact.

Developments in the Agricultural Sector

Agricultural production in Paraguay features a sector of well-capitalized, efficient producers and another sector with a larger number of farmers with smaller plots, composed of subsistence-level individual farmers. Well-capitalized producers tend to focus on the production of grains and meat, which have large, well-developed markets for domestic sale and export. By contrast, individual farmers typically produce only enough to provide for the very basic needs of their families or, in some cases, to sell small amounts of surplus production in a local market. Although concentration of land ownership is in part historically responsible for this bifurcation of the agricultural sector, education and access to capital and technology have been more significant contributors. The lack of opportunity in the small famers sector of the agricultural economy has led to emigration from rural areas in Paraguay to urban areas within Paraguay and to other countries. The ability of urban areas within Paraguay to absorb such inflows of population depends on growth of employment in relatively unskilled industrial labor sectors. Agricultural reforms focused on clarifying title to land and other policy initiatives may make it possible for some individual farmers to develop sustainable agricultural businesses that produce for markets outside the immediate vicinity of their farms.

The central government is aware of the importance of developing other opportunities for participants in the subsistence-level subsector of the agricultural economy. Lack of opportunity for many living in rural areas has led to conflicts, some of them violent.

In 2025, the Ministry of Agriculture and Livestock (the “MAG”) strengthened support for family farming through technical assistance to more than 57,000 producers, alongside investments in mechanization, equipment provision, and productive capacity building exceeding G. 122 billion. These measures facilitated the integration of small producers into market-oriented agriculture, generating sales in excess of G. 429 billion, and supported the sustained expansion of Family Farming Fairs, which recorded a 50% increase in income generation compared to 2024. In addition, logistical support provided by the MAG improved access for family farming production to formal markets.

Complementarily, the National Institute for Rural Development and Land (INDERT) advanced an unprecedented process of large-scale land titling under the agrarian reform framework. These policies adopted a strong inclusion focus, prioritizing rural women through the elimination of interest charges and the provision of preferential conditions for access to land, resulting in a majority of land titles being granted to women heads of household. At present, the Government is promoting new legal reforms aimed at deepening the formalization of land tenure and expanding access to titled property for rural families.

Climate Change Mitigation and Adaptation Policies

In terms of climate change mitigation, Paraguay has developed a participatory mitigation strategy and, since 2017, a National Climate Change Mitigation Plan. This plan identifies various action work streams, including comprehensive management of the transportation sector, clean cooking initiatives, the replacement of liquefied petroleum gas stoves with induction cookers in urban areas, sustainable use of Chaco forests, functional restoration of forest landscapes, waste management, and sustainable architecture.

Additionally, following ratification of the Paris Agreement, Paraguay has enhanced its emission reduction efforts to stabilize greenhouse gases in the atmosphere. Since 2015, the country has committed, and reaffirmed in the Third NDC submitted in 2025, to reducing projected emissions by 20% under the BAU (Business as Usual) scenario by 2030 and 2035. Of this commitment, 10% is conditional upon access to means of implementation, including financing, capacity building, and technology transfer; while the other 10% is unconditional, relying on the use of its own resources.

Furthermore, in December 2024, Paraguay submitted its First Biennial Transparency Report (1BTR) to the United Nations Framework Convention on Climate Change (UNFCCC), which includes the results of the national Greenhouse Gas Inventory (INGEI) for the period 1990–2021. This collective effort is a testament to the commitment and dedication to climate action in the country.

In 2022, the Ministry of Environment and Sustainable Development (MADES) published its National Climate Change Adaptation Plan 2022-2030 (PNACC 2022-2030), which is aimed at promoting the coordinated action of various stakeholders to address the effects of climate change in the country. The plan seeks to facilitate the integration and adaptation of environmental policies, programs, and projects in relevant sectors and at a national scale. This plan complements Paraguay’s National Climate Change Plan detailing and defining national strategies, plans, and actions in response to climate change. These align with Paraguay’s National Climate Change Policy and the National Development Plan for 2014-2030.

Furthermore, in 2024, the Ministry of Social Development (MDS) presented the Social Climate Change Adaptation Plan (PSACC) 2024–2030, titled “Ñamombarete Paraguay.” This initiative, developed with the support of the World Bank, aims to strengthen the resilience of Paraguayan communities, especially those living in poverty, in the face of the growing challenges of climate change. In a context where extreme events, such as droughts and floods, affect the livelihoods of the rural population, the plan proposes strategies that combine social protection with sustainable solutions to mitigate the impact of these phenomena. After its presentation to governmental entities, the plan was submitted for public consultation and its official publication is still pending as of the date of this Offering Memorandum. Additionally, to consolidate technical strengths and institutional and intersectoral capacities, and to face the vulnerability of the agricultural sector to disaster risks, climate variability, and climate change, the Ministry of Agriculture and Livestock (MAG) approved an "Intersectoral Strategic Plan for Risk Management 2020-2030 for Paraguay". The Plan is an operational document designed to adjust the actions and activities of the "National Plan for Disaster Risk Management and Adaptation to Climate Change in the Agricultural Sector of Paraguay." It aims at providing responses to the agricultural sector regarding damage and losses in production related to climatic events

and disaster risks, seeking to strengthen mitigation and adaptation mechanisms, and managing strategic mechanisms and actions for the agricultural sector. The Plan establishes four lines of action:

1. Strengthening of institutional capacities for disaster risk management and adaptation to climate change in the agricultural sector.
2. Strengthening of the agrometeorological database for the management of disaster risks affecting the sector.
3. Development of mechanisms to mitigate damage and losses in the agricultural sector.
4. Development of response strategies to adverse events affecting the agricultural sector.

In 2022, Congress enacted Law No. 6925/2022, aiming to establish a regulatory framework for promoting electric transportation in the country. The legislation seeks to strengthen public policies encouraging the use of electric transport across both the public sector and the general population.

Furthermore, in October 2023, Congress promulgated Law No. 7190/2023, known as the “Carbon Credits Law.” This regulation, fostering environmental conservation and economic development, seeks to stimulate national growth and enhance the production system. Carbon credits not only contribute to environmental preservation by reducing carbon dioxide emissions but also open doors to income diversification for producers of varying scales, real estate owners, and other key stakeholders, including indigenous communities. The MADES will oversee the implementation of the law, maintaining a record of carbon credits generated within and outside Paraguay to prevent duplication. The law has been regulated through Decree No. 3,369/2025, establishing the operational framework for its implementation.

Additionally, the Ministry of Economy and Finance is actively working on initiatives aligning financing with sustainable practices while focusing on actions and investments to mitigate the effects of climate change. Paraguay is committed to advancing a greener agenda and positioning itself globally as “Paraguay Verde.” In light of this commitment, Paraguay has been selected as one of the first nine pilot countries to participate in the IDB Climate Program, an innovative financing tool that rewards countries for achieving nature- and climate-related objectives. One of its objectives is to implement the Comprehensive Sanitation Plan for the Ypacaraí Lake Basin in Paraguay.

In December 2023, the IMF approved the government’s request for access to financial resources under the Resilience and Sustainability Facility (RSF). The RSF, spanning two years, offers favorable long-term financial conditions to countries implementing reforms that foster sustainable economic growth, contributing to preserving and expanding the green energy matrix. Paraguay’s RSF is a strategic initiative aimed at driving climate-centric reforms to enhance the nation’s resilience to climate change while fostering sustainable, long-term economic growth. The RSF’s comprehensive plan outlines specific reform measures, with an initial focus on nonconventional renewable energy, energy efficiency, and the creation of a registry for industrial biomass users by June 2024. This phase also includes the implementation of joint intervention protocols and institutional reforms to strengthen the National Forest Institute (INFONA). As the RSF progresses, the agenda intensifies with a public investment approach that prioritizes projects combining economic viability with environmental sustainability. This includes the introduction of a green taxonomy, independent audits for ANDE, and a technical study to determine efficient costs. The plan also addresses critical aspects such as reducing losses, implementing dynamic electricity tariffs, and promoting the electrification of both private transport and public buses. By May 2025, the RSF extends its impact by incorporating climate-related risks into the financial sector’s risk assessment framework, adjusting tariffs, imposing a carbon tax on liquid fuels, and undertaking measures to capture methane emissions. Paraguay, being the first South American country to access the IMF’s RSF program, stands among the few worldwide that have achieved maximum financing access since the program’s initiation with pilot countries, securing 150% of the country’s quota.

Paraguay’s Competitive Advantages

In terms of the business climate, results at the close of the third quarter of 2025 indicate that the country leads the region in terms of business climate, surpassing the Latin American average. Over the past five years (2021-2025), Paraguay has recorded an average annual GDP growth of 4.0%, positioning itself on a path of sustained expansion. According to the Economic Commission for Latin America and the Caribbean (ECLAC) projections, a growth rate of 4.5% is expected for 2026, further underscoring the continued growth potential of the national economy.

In comparison with other countries in South America, Paraguay presents a number of competitive advantages in terms of input costs, as illustrated in the following table.

<u>Item</u>	<u>Paraguay</u>	<u>Brazil</u>	<u>Argentina</u>	<u>Chile</u>
Energy Cost (US\$/MWh) ⁽¹⁾	41	119	86	180
Indirect Tax Rate ⁽²⁾	10.0%	17.0%	21.0%	19.0%
Corporate Tax Rate ⁽²⁾	10.0%	15.0%	35.0%	25.0%
MFN Applied Tariff: Trade-Weighted Average ⁽³⁾	5.8%	8.0%	11.3%	6.0%
Social Security Contribution ⁽⁴⁾	25.5%	31.0%	40.0%	10.0%

(1) SEG Ingeniería (November 2025).

(2) (3) Inter-American Center of Tax Administrations (2023).

(3) World Tariff Profiles 2025. World Trade Organization.

(4) Social Security Contribution is the sum of the contribution to the social security system of the employer and the employee, and assumes contribution level for the highest wage brackets. Source for Argentina, Brazil and Chile: “Pensions at a Glance – Country Profiles – OECD Publishing, 2019.” Source for Paraguay: “IPS, Legal Statutes, 2013.”

Paraguay has the second lowest electricity costs in South America, as well as both the lowest indirect and corporate tax rates in South America, at 10% each. In addition, labor costs in Paraguay are also low, with a minimum wage of approximately US\$1.8 per hour, and Paraguay has a youthful labor force, with approximately 37.3% of its population between the ages of 20 and 34.

Building on this foundation of structural competitiveness and sectoral performance, Paraguay has continued to strengthen its regulatory framework with the aim of boosting productive investment and consolidating sustainable competitive advantages over time. In this regard, the government has promoted a set of legal reforms designed to improve the conditions for the establishment and expansion of industrial, agro-industrial, and services projects, fostering technological adoption, the creation of formal employment, and the diversification of the productive matrix. These initiatives are part of a sustainable economic growth strategy focused on enhancing competitiveness, attracting both domestic and foreign capital, and consolidating a more dynamic and predictable business environment.

Within this framework, Law No. 7546/2025, “Establishing the National Policy for the Production and Assembly of Electrical, Electronic, Electromechanical, and Digital Equipment”, Law No. 7547/2025, “Maquila Regime”, and Law No. 7548/2025, “New Incentives Regime for National and Foreign Investment”, together constitute a comprehensive fiscal incentive scheme designed to strengthen productive investment and provide greater predictability and stability to the economic environment.

Paraguay holds a prominent global position across various sectors, showcasing its competitiveness. In 2022, Paraguay held the second position in global stevia production. In 2023, Paraguay was the leader in electricity production from renewable sources in the Americas, primarily through hydropower plants. In 2024, Paraguay was the fifth largest in cassava starch exports and third largest in yerba mate exports. As of 2025, in international trade, Paraguay stands out as the fourth-largest soybean exporter, the fifth largest in soybean oil exports, the fourth largest corn exporter and the ninth largest beef exporter. As of 2025, Paraguay is also the fifth largest soybean producer, further solidifying its substantial contributions to global trade.

Gross Domestic Product and Structure of the Economy

During the 2021-2025 period, real GDP grew at an average annual rate of 4.0%. Total GDP in real terms increased by 4.0% in 2021, reflected no significant variation in 2022, and increased by 5.3%, 4.7% and 6.0% in 2023, 2024 and 2025, respectively. Paraguay had a GDP per capita growth at an average annual rate of 3.3% from 2021 to 2025. In 2022, GDP per capita declined by 0.6%. In 2021, 2023, 2024, and 2025, real GDP per capita increased by 3.2%, 4.6%, 3.9% and 5.3%, respectively.

In 2021, the rate of economic activity substantially increased primarily due to the recovery measures implemented after a decrease in 2020 as a result of COVID-19. The household services, restaurant and hotel services, commerce, business services and manufacturing sectors were the activities that showed the greatest growth, with 16.4%, 17.3%, 14.3%, 10.3% and 6.8%, respectively. In contrast, the agriculture sector declined by 18.2%, while the electricity power and water subsector experienced a contraction of 7.6%, mainly due to a decrease in the water flow of the Parana River.

In 2022, real GDP reflected no significant variation, with declines in agriculture, construction, transportation, communications, finance and government by 12.5%, 3.2%, 3.8%, 2.4%, 0.9% and 2.9%, respectively, which were offset by growth in restaurants and hotels, business services, electricity and water and commerce, of 16.6%, 9.2%, 7.8% and 3.4%, respectively.

In 2023, real GDP grew by 5.3%, driven mainly by a 23.4% increase in the agriculture sector. In the secondary sector, manufacturing and electricity and water grew by 4.1% and 15.5%, respectively, while the construction sector decreased by 7.1%. Restaurants and hotels, business services, households' services and commerce grew by 8.3%, 7.3%, 6.8% and 4.9%, respectively.

In 2024, real GDP grew by 4.7%, driven mainly by a 6.7% increase in the livestock sector. In the secondary sector, manufacturing and construction grew by 4.5% and 5.9%, respectively, while the electricity and water sector decreased by 4.9%. Commerce, business services, restaurants and hotels, and households' services grew by 6.1%, 4.9%, 9.6%, and 5.9%, respectively.

In 2025, real GDP increased by 6.0%, due to increases in agriculture and livestock in the primary sector, with growth of 5.6% and 5.0%, respectively. The secondary sector grew by 6.2%, mainly driven by an expansion of 9.4% in electricity and water, manufacturing and construction grew by 5.3% and 5.4%, respectively. The services sector grew by 6.1% with a good dynamic in restaurants and hotels, finance, transportation and commerce with increases of 9.9%, 9.2%, 9.1% and 8.0%, respectively.

The following table sets forth information regarding nominal GDP and domestic expenditures, in US\$, for the periods indicated.

Nominal GDP and Domestic Expenditures (in millions of US\$, at current prices)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
GDP.....	\$40,270	\$41,981	\$43,194	\$45,221	\$ 49,488
Imports of goods and services.....	13,799	16,571	17,416	17,808	19,642
Total supply of goods and services ...	54,070	58,552	60,609	63,029	69,129
Less: Exports of goods and services..	14,282	14,441	18,253	17,054	18,666
Total goods and services available for domestic expenditures	\$39,788	\$44,111	\$42,357	\$45,975	\$ 50,463
Allocation of goods and services.....					
Private Consumption	25,281	27,551	28,468	30,217	32,908
Public Consumption	4,840	4,905	5,134	5,308	5,456

Total Consumption.....	30,120	32,457	33,602	35,525	38,364
Gross fixed investment.....	9,239	9,311	8,911	9,422	11,174
Changes in inventory.....	428	2,343	(157)	1028	925
Total domestic expenditure	\$39,788	\$44,111	\$42,357	\$45,975	\$ 50,463

(1) Preliminary data.

Source: Central Bank.

The following table sets forth the composition of nominal GDP by expenditures for the periods indicated.

Nominal GDP by Expenditures
(as percentage of total nominal GDP)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Government consumption	12.0%	11.7%	11.9%	11.7%	11.0%
Private consumption	62.8	65.6	65.9	66.8	66.5
Gross fixed investment.....	22.9	22.2	20.6	20.8	22.6
Changes in inventories	1.1	5.6	(0.4)	2.3	1.9
Exports of goods and services	35.5	34.4	42.3	37.7	37.7
Imports of goods and services	34.3	39.5	40.3	39.4	39.7
GDP	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.

Source: Central Bank.

The following table sets forth the percentage change in real GDP by expenditures for the periods indicated.

Change in Real GDP by Expenditure
(percentage change from previous year)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Government consumption	2.6	(3.8)	4.9	2.7	(1.0)
Private consumption	6.1	2.3	3.0	6.1	4.9
Gross fixed investment.....	18.2	(1.8)	(2.8)	9.6	14.5
Changes in inventories	223.2	106.8	(56.1)	36.2	60.0
Exports of goods and services	2.0	(1.1)	31.2	(1.5)	4.2
Imports of goods and services	21.8	9.4	9.4	4.4	9.2
GDP	4.0	(0.0)	5.3	4.7	6.0

(1) Preliminary data.

Source: Central Bank. Principal Sectors of the Economy

The composition of real GDP by economic sector has remained generally stable from 2021 to 2025. Manufacturing, commerce, electricity and water and agriculture make up the bulk of the GDP, representing 19.2%, 11.4%, 7.0% and 6.8%, respectively, of real GDP in 2025, compared to 19.4%, 11.2%, 6.8% and 6.9%, respectively, of real GDP in 2024. The expansion of the manufacturing sector, measured as a percentage of GDP, resulted primarily due to chemical manufacturing, meat production and metal product manufacturing. In 2025, the commerce sector, experienced a growth of 0.2 p.p. in its share of GDP, primarily as a result of the positive development of wholesale of fuel, agricultural raw materials, fertilizers and agrochemicals, and retail sales in supermarkets. The electricity and water sector also increased its share of GDP, primarily attributable to heavy rains and rising river levels.

Gross fixed capital formation, as a percentage of GDP increased from 19.9% in the first quarter of 2023 to 22.0% in the third quarter of 2025. The growth observed in 2025 reflects higher levels of investment in machinery and equipment and in construction activity. Further, the contribution of gross fixed capital formation to year-on-year GDP growth in Paraguay increased from -1.4% in the third quarter of 2023 to 3.2% in the third quarter of 2025, reflecting investment's strengthened role as a driver of economic activity over this period.

The following table sets forth the composition of Paraguay's nominal GDP by economic sector for the periods indicated.

Nominal GDP by Sector
(in millions of US\$, at current prices)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
<i>Goods</i>					
Agriculture.....	\$3,180	\$3,156	\$3,653	\$3,577	\$3,498
Livestock	1,133	1,182	1,145	1,238	1,477
Forestry, Fishing and Mining	368	361	368	409	435
Total Primary Sector	\$4,680	\$4,699	\$5,166	\$5,224	\$5,410
Manufacturing	7,717	8,184	8,348	8,668	9,607
Construction	3,203	3,187	2,949	2,992	3,235
Electricity and Water.....	2,900	2,911	2,790	2,816	3,142
Total Secondary Sector	\$13,820	\$14,281	\$14,087	\$14,476	\$15,984
Commerce	\$4,403	\$4,917	\$5,008	\$5,231	\$6,014
Transportation	1,474	1,681	1,808	1,830	1,932
Communications.....	1,109	1,039	1,037	1,104	1,111
Finance	2,227	2,295	2,413	2,535	2,803
Real-estate Services.....	2,530	2,558	2,559	2,591	2,784
Business Services	861	920	984	1,106	1,210
Restaurants and Hotels	741	846	924	1,159	1,362
Household Services	1,968	2,033	2,195	2,352	2,557
Government	3,617	3,722	3,828	3,987	4,316
Total Services Sector	\$18,930	\$20,010	\$20,755	\$21,895	\$24,089
Gross Value Added ⁽²⁾	37,431	38,990	40,008	41,595	45,482
Taxes on products.....	2,840	2,991	3,185	3,626	4,005
Total GDP	\$40,270	\$41,981	\$43,194	\$45,221	\$49,488

(1) Preliminary data.

(2) Aggregate gross value of the production of Paraguay's electricity and water sector is included in total GDP.

Source: Central Bank.

The following table sets forth the percentage of total real GDP by sector for the periods indicated.

**Percent of Total Real GDP by Sector
(in percentages)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Agriculture	6.9%	6.0%	7.0%	6.9%	6.8%
Livestock	2.3	2.3	2.2	2.2	2.2
Forestry, Fishery and Mining	1.0	1.0	1.0	1.0	1.1
Total Primary Sector	10.1%	9.3%	10.2%	10.2%	10.1%
Manufacturing	19.6	19.6	19.4	19.4	19.2
Construction	7.5	7.3	6.4	6.5	6.4
Electricity and Water	6.3	6.8	7.5	6.8	7.0
Total Secondary Sector	33.5%	33.7%	33.3%	32.7%	32.7%
Commerce	10.7	11.1	11.1	11.2	11.4
Transportation	4.0	3.9	3.7	3.7	3.8
Communications	3.9	3.8	3.8	3.7	3.5
Finance	5.8	5.8	5.6	5.9	6.1
Housing	6.4	6.5	6.3	6.2	6.0
Business Services	2.2	2.4	2.5	2.5	2.4
Restaurants and Hotels	2.1	2.5	2.5	2.7	2.8
Household Services	4.7	4.7	4.8	4.8	4.9
Government	9.1	8.8	8.6	8.5	8.3
Total Services Sector	48.9%	49.5%	48.9%	49.1%	49.1%
Gross Value Added ⁽²⁾	92.5	92.4	92.4	91.9	92.0
Taxes on products	7.5	7.6	7.6	8.1	8.0
Total GDP	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.

(2) Aggregate gross value of Paraguay's portion of total electricity production is included in total GDP.

Source: Central Bank.

The following table sets forth the percentage change in real GDP by sector for the periods indicated.

Change in Real GDP by Sector
(percentage change from previous year, at constant prices)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Agriculture	(18.2)%	(12.5)%	23.4%	2.2%	5.6%
Livestock	6.2	(0.3)	0.5	6.7	5.0
Forestry, Fishery and Mining	6.8	(0.7)	9.3	14.9	3.9
Total Primary Sector	(11.6)%	(8.6)%	16.3%	4.4%	5.3%
Manufacturing	6.8	(0.1)	4.1	4.5	5.3
Construction	12.8	(3.2)	(7.1)	5.9	5.4
Electricity and Water	(7.6)	7.8	15.5	(4.9)	9.4
Total Secondary Sector ...	4.9%	0.7%	4.0%	2.7%	6.2%
Commerce	14.3	3.4	4.9	6.1	8.0
Transportation	7.2	(3.8)	(0.3)	5.7	9.1
Communications	4.5	(2.4)	6.7	1.0	0.1
Finance	3.2	(0.9)	2.6	9.2	9.2
Housing	2.8	1.7	1.9	2.7	3.4
Business Services	10.3	9.2	7.3	4.9	3.6
Restaurants and Hotels	17.3	16.6	8.3	9.6	9.9
Household Services	16.4	1.5	6.8	5.9	7.2
Government	(3.4)	(2.9)	2.7	2.8	3.8
Total Services Sector	6.5%	1.1%	4.0%	5.1%	6.1%
Gross Value Added ⁽²⁾	3.6	(0.1)	5.3	4.1	6.1
Taxes on products	9.0	1.1	5.6	11.2	5.2
Total GDP	4.0%	(0.0) %	5.3%	4.7%	6.0%

(1) Preliminary data.

(2) Aggregate gross value of Paraguay's portion of total electricity production is included in total GDP.

Source: Central Bank.

Production of Goods

The primary sectors in the production of goods, namely agriculture, livestock, forestry, fishery and mining represented 10.1% of real GDP in 2025.

Agriculture. Agriculture averaged 0.1% of real GDP variation from 2021 to 2025. In 2025, the agricultural sector accounted for 6.8% of real GDP. The agricultural sector increased by 2.2% and 5.6%, in 2024 and 2025, respectively, reversing the decrease observed in previous years. In 2021 and 2022, the sector contracted by 18.2% and 12.5%, respectively, primarily as a result of the decrease in the production of soybean, manioc, rice, and sugar cane, among other main products. In 2023, agriculture grew by 23.4%.

Soybeans, sugar cane, corn, manioc, wheat, rice and sunflowers are the main crops of the Paraguayan agricultural sector, representing the largest share of Paraguay's agricultural production from 2021 to 2025. The

performance of the agricultural sector is highly dependent on weather and the international prices of Paraguay's main agricultural products.

The positive average of growth rates for the 2021-2025 period for the agricultural sector was driven mainly by an increase in soybean, corn, wheat and sugar cane production, which are main agricultural products of Paraguay. The highest growth rate was observed in 2023, due to a 95.4% growth in soybeans. The soybeans production represented 61.5% of Paraguay's agricultural production in that year, 62.5% in 2024, and 56.8% in 2025.

In recent years, the agricultural sector has benefited from capital investment and increased use of advanced genetics technology and mechanization which has resulted in Paraguay being ranked fourth in the world among soy grain-exporting countries by the USDA in 2024. In addition to being exported in raw form, soybeans are used to produce oil and derivatives for animal feed. The Paraguayan Chamber of Oilseeds and Cereals Processors and Exporters (CAPPRO) gather the most important oilseed crushing companies (including ADM and CAIASA, among others), and its members account for 95% of Paraguayan produced and exported soybeans, oil and flour. As of November 2025, CAPPRO processed 3.25 million tons, of which 3.19 million tons were of soybeans.

The following table sets forth the production of selected primary agricultural products for the periods indicated.

**Selected Agricultural Production
(in tons)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025⁽¹⁾
Soybeans	10,537,080	5,219,683	10,197,050	11,100,256	10,048,046
Corn	4,088,093	4,624,678	4,491,550	3,942,500	5,045,333
Manioc	3,384,013	2,216,755	3,271,263	3,050,651	2,865,630
Wheat	744,950	1,288,310	767,800	1,066,183	1,067,500
Sugar Cane	7,221,100	5,048,888	6,858,400	6,864,550	7,778,048
Rice	1,180,600	975,069	978,450	1,051,752	1,444,782
Beans	69,410	20,000	18,000	20,706	21,821
Sunflower	34,110	5,990	38,005	25,110	14,065
Cotton	29,800	28,943	37,410	119,952	138,280
Peanuts	25,132	8,002	16,780	14,340	36,772
Tobacco	7,459	1,638	2,400	2,296	2,113

(1) Preliminary data.

Source: Compilation based on the information supplied by the Ministry of Agriculture and Livestock through the Office of Agricultural Census and Statistics.

The following table sets forth average international commodity prices for the periods indicated.

Selected International Commodity Prices⁽¹⁾
(in US\$/ton)

	For the year ended December 31,				
	2021	2022	2023	2024	2025
Soybeans ⁽²⁾	\$505.2	\$569.6	\$520.3	\$405.0	\$381.9
Soybeans Oil ⁽²⁾	1,277.6	1,565.9	1,272.0	978.7	1,081.3
Soybeans Meal ⁽²⁾	421.3	487.0	481.4	368.2	320.9
Beef ⁽³⁾	2,699.4	3,127.7	3,803.7	4,049.3	4,820.0
Corn ⁽²⁾	228.9	273.2	222.5	167.0	172.8
Sunflower Seeds ⁽⁴⁾	645.2	661.5	509.8	507.0	542.4
Wheat ⁽²⁾	257.8	330.6	237.1	210.3	195.9

(1) Average prices for each year as published by Bloomberg for each market indicated.

(2) Chicago Board of Trade.

(3) Chicago Eastern Young Cattle Indicator.

(4) South Africa Futures Exchange.

Source: Compilation based on information extracted from Bloomberg.

The following table sets forth information regarding changes in the production of selected agricultural products in Paraguay for the periods indicated.

Selected Agricultural Production
(percentage change from previous year)

	December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Soybeans	(4.4)%	(50.5)%	95.4%	8.9%	(9.5)%
Corn	(29.9)	13.1	(2.9)	(12.2)	28.0
Manioc	1.6	(34.5)	47.6	(6.7)	(6.1)
Wheat	(19.7)	72.9	(40.4)	38.9	0.1
Sugar Cane	(2.8)	(30.1)	35.8	0.1	13.3
Rice	(0.6)	(17.4)	0.3	7.5	37.4
Beans	(0.5)	(71.2)	(10.0)	15.0	5.4
Sunflower	(1.9)	(82.4)	534.5	(33.9)	(44.0)
Cotton	2.6	(2.9)	29.3	220.6	15.3
Peanuts	0.5	(68.2)	109.7	(14.5)	156.4
Tobacco	0.1	(78.0)	46.5	(4.3)	(8.0)

(1) Preliminary data.

Source: Prepared by the Central Bank based on information supplied by the Ministry of Agriculture and Livestock through the Office of Agricultural Census and Statistics.

Livestock. The livestock sector increased in real terms in 2021 by 6.2%, decreased by 0.3% in 2022, and increased in 2023 and 2024 by 0.5% and 6.7%, respectively. In 2025, the livestock sector grew by 5.0% and represented 2.2% of real GDP.

The following table sets forth the value of selected livestock production for the periods indicated.

Selected Livestock Production
(In millions of US\$, at current prices)

	December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Livestock	\$1,133	\$1,182	\$1,145	\$1,238	\$1,477

(1) Preliminary data.

Source: Central Bank.

The following table sets forth the percentage change from the previous year at constant prices of selected livestock production for the periods indicated.

Change in Selected Livestock Production
(Percentage change from previous year, at constant prices)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Livestock	6.2%	(0.3) %	0.5%	6.7%	5.0%

(1) Preliminary data.

Source: Central Bank.

Growth in the livestock sector in recent years is in part the product of investments in genetics, general infrastructure and the health and sanitation system, including vaccinations against diseases such as FMD, all of which have improved the quality of cattle stock. This has allowed Paraguay to diversify its meat exports to markets such as Chile, Russia, Israel, Brazil, Taiwan and Vietnam in recent years. As of December 31, 2025, Paraguay exported beef to the following countries, Chile (30.8% of Paraguay's total beef exports), United States (14.5% of Paraguay's total beef exports), Taiwan (13.0% of Paraguay's total beef exports), Israel (10.9% of Paraguay's total beef exports), Brazil (6.0% of Paraguay's total beef exports), Russia (3.0% of Paraguay's total beef exports) and Canada (2.7% of Paraguay's total beef exports). In 2025, meat exports totaled US\$2,253.4 million, reflecting a 22.5% increase compared to 2024.

On January 17, 2026, after more than 25 years of negotiations, MERCOSUR and the European Union signed a historic trade agreement in Asunción to reduce trade barriers and create a broader free-trade framework for goods and services among bloc members and EU counterparts. The agreement has not yet entered into force and requires approval from the European Parliament and ratification by Mercosur parliaments before full implementation. On January 21, 2026, the European Parliament approved a measure to request the European Court of Justice to rule on whether the free trade agreement can be applied before full ratification, measure that could potentially delay the effectiveness of the agreement by up to two years.

In this context, the livestock sector could benefit from the negotiations between MERCOSUR and the EU, in which MERCOSUR has been awarded an export quota of 99,000 tons of beef with a preferential tariff. Paraguay, through negotiations at the regional level will seek to confirm the equitable distribution of quotas among the MERCOSUR members. In 2024, Paraguay was the twelfth largest exporter of beef worldwide, as measured in volume of beef exported and in nominal U.S. dollar terms. In 2023 the livestock sector experienced favorable developments, attributed to the approval for beef exports to the United States (one of the 18 authorized countries) and Canada. In addition, Paraguay continues to advance sanitary and commercial efforts aimed at opening new markets, including Singapore, Japan, South Korea, and the Philippines, with a view to diversifying its export destinations and expanding its international presence.

The following table sets forth the main destinations of Paraguayan beef exports in 2024.

**Main Destinations of Paraguayan Beef Exports
(% of total)**

	As of December 31, 2025
Chile	30.8
United States	14.5
Taiwan	13.0
Israel	10.9
Brazil	6.0
Russia	3.0
Canada	2.7
Ghana	1.9
Albania	1.8
Others	15.3
Total	100.0%

(1) Based on data from the Customs Office and the Ministry of Industry and Commerce.

Source: Central Bank.

Manufacturing. In 2025, the manufacturing sector represented 19.2% of real GDP and increased in real terms by 5.3%. This result was due to higher production of machinery and equipment, chemicals, metallic products, other foodstuff, processed meats, non-metallic products, milling and bakery, textiles and clothing, leather and shoes, other manufactured products, beverages and tobacco and dairy products. However, declines in production of sugar, oil products, timber and base metal products tempered manufacturing growth. The manufacturing sector increased by 6.8% in 2021, fell by 0.1% in 2022 and grew by 4.1% and 4.5% in 2023 and 2024, respectively.

Manufacturing in Paraguay primarily focuses on the production of foodstuffs for human and animal consumption, such as dairy products, meat, animal feed, beverages and tobacco and textiles. Paraguay's manufacturing sector is characterized by small- and medium-sized enterprises in various industries, larger and more developed beverage companies that produce alcoholic and non-alcoholic beverages, and manufacturers of dairy products. Dairy production has developed significantly, producing many diverse export-quality products such as yogurt, probiotic yogurt, cheese, caramel, cream and ultra-high temperature processing milk, among others. Paraguay intends to grow powdered milk production beyond domestic consumption and in order to make it an attractive product for export to markets such as Brazil, Central America, the Dominican Republic, South Africa and a number of Middle Eastern countries. This development will benefit many small and large producers in Paraguay.

The Maquila Regime, established in 1997, is an export production framework and important source of employment aimed at supporting Paraguayan companies that seek to export domestically produced goods and services. This regime provides exemptions from import tariffs for several inputs involved in this production, such as machinery, equipment, and tools, as well as other tax benefits. Except for the Maquila Only Tax, which equals one percent of value added in Paraguay, maquiladoras are exempt from all other Paraguayan taxes, including the Value Added Tax (VAT). Although production under the Maquila Regime is primarily destined for export, maquiladoras are permitted to sell on the domestic market as well, up to a cap of ten percent of the volume of their previous year exports. Exports under the maquila regime totaled US\$1,236.8 million during 2025 (representing 11.2% of total exports), which means an increase of 10.0% compared to 2024 (US\$1,124.4 million) and a 385.1% increase compared to 2015 (US\$254.9 million). Under the Maquila Regime, Paraguay is promoting the development of diverse industries, with maquila exports (which, as of December 31, 2025, represented 11.2% of total exports, compared to 10.3% as of December 31, 2024) being made up of the following sectors (with accompanying percentages of the total maquila exports they represent): automobile parts (31.6%), apparel (13.0%), undenatured ethyl alcohol (6.5%), metal-based products (5.2%) and other goods (43.7%). As of December 31, 2025, 91% of

companies operating under the Maquila Regime are in Alto Paraná (47%), Central (29%), Capital (9%) and Amambay (9%). During 2025, 22 new programs were approved under the Maquila Regime modality, totaling an accumulated sum of US\$50.0 million in private investment.

The following table sets forth information regarding the value of selected manufacturing products measured by gross value added for the periods indicated.

Selected Manufacturing Products
(in millions of US\$, at current prices)

	For the year ended December 31,									
	2021	% of Total	2022	% of Total	2023	% of Total	2024 ⁽¹⁾	% of Total	2025 ⁽¹⁾	% of Total
	(in millions of US\$, at current prices)									
Processed Meats.....	\$1,163	15.1%	\$1,349	16.5%	\$1,291	15.5%	\$1,417	16.3%	\$1,637	17.0%
Beverages and Tobacco.....	\$606	7.9	\$566	6.9	\$606	7.3	\$638	7.4	\$700	7.3
Textiles and Clothing	\$456	5.9	\$461	5.6	\$479	5.7	\$499	5.8	\$511	5.3
Timber.....	\$192	2.5	\$197	2.4	\$197	2.4	\$203	2.3	\$214	2.2
Chemicals.....	\$1,142	14.8	\$1,214	14.8	\$1,201	14.4	\$1,253	14.5	\$1,375	14.3
Milling and Bakery	\$419	5.4	\$476	5.8	\$494	5.9	\$496	5.7	\$521	5.4
Paper and Paper Products	\$458	5.9	\$487	6.0	\$475	5.7	\$492	5.7	\$523	5.4
Oil Products ⁽²⁾	\$578	7.5	\$661	8.1	\$847	10.1	\$670	7.7	\$860	9.0
Leather and Shoes	\$106	1.4	\$119	1.4	\$101	1.2	\$94	1.1	\$103	1.1
Sugar	\$192	2.5	\$212	2.6	\$222	2.7	\$271	3.1	\$279	2.9
Other Foodstuff.....	\$463	6.0	\$526	6.4	\$549	6.6	\$627	7.2	\$674	7.0
Dairy Products.....	\$278	3.6	\$329	4.0	\$360	4.3	\$393	4.5	\$444	4.6
Non-Metallic Products	\$337	4.4	\$305	3.7	\$315	3.8	\$315	3.6	\$338	3.5
Metallic Products	\$543	7.0	\$513	6.3	\$413	4.9	\$438	5.0	\$474	4.9
Machinery and Equipment	\$119	1.5	\$122	1.5	\$128	1.5	\$131	1.5	\$163	1.7
Base Metal Products.....	\$101	1.3	\$93	1.1	\$99	1.2	\$111	1.3	\$125	1.3
Other Manufactured Products	\$565	7.3	\$554	6.8	\$571	6.8	\$620	7.1	\$664	6.9
Total	\$7,717	100.0%	\$8,184	100.0%	\$8,348	100.0%	\$8,668	100.0%	\$9,607	100.0%

(1) Preliminary data.

(2) Including soybean and sunflower oil, among others.

Source: Central Bank.

The following table sets forth information regarding percentage changes from the previous year in selected manufacturing products at constant prices for the periods indicated.

Selected Manufacturing Products
(percentage change from previous year, at constant prices)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Processed Meats	4.4	(2.8)	(1.6)	8.9	2.2
Beverages and Tobacco	3.7	4.5	4.5	1.2	6.6
Textiles and Clothing	3.9	6.1	3.8	6.6	3.8
Timber	9.0	0.8	(2.7)	1.7	0.0
Chemicals	17.8	9.0	3.1	7.4	2.6
Milling and Bakery	5.3	(1.8)	5.0	6.0	4.8
Paper and Paper Products	14.2	8.8	(2.3)	(3.2)	6.0
Oil Products ⁽²⁾	(14.5)	(34.8)	63.5	(13.8)	21.5
Leather and Shoes	25.7	8.4	(7.2)	(6.4)	2.0
Sugar	5.4	12.5	5.7	8.6	6.5
Other Foodstuff	7.8	(5.7)	4.7	9.4	3.5
Dairy Products	(2.7)	0.7	6.4	2.8	4.6
Non-Metallic Products	13.2	(2.5)	0.6	6.9	8.4
Metallic Products	11.5	(3.8)	(3.8)	11.7	5.4
Machinery and Equipment	(2.2)	4.0	7.1	11.1	19.1
Base Metal Products	27.6	(7.4)	19.7	2.4	10.7
Other Manufactured Products	5.6	(3.7)	1.6	4.9	3.4
Total	6.8%	(0.1)%	4.1%	4.5%	5.3%

(1) Preliminary data.

(2) Including soybean and sunflower oil, among others.

Source: Central Bank.

Construction. The construction sector, which focuses mainly on residential housing and commercial buildings, represented 6.4% of real GDP in 2025. This sector contributes significantly to the economy and has received significant domestic and international investment during recent years. The sector experienced robust growth by 12.8% in 2021. However, it faced contractions of 3.2% in 2022 and 7.1% in 2023. By 2024, the sector began to recover, achieving a growth rate of 5.9% and 5.4% in 2025. This rebound reflects renewed confidence in the construction market, supported by government-led infrastructure initiatives and private investment in urban development. Paraguay's continued focus on expanding housing programs and modernizing infrastructure is expected to further bolster the construction industry's performance in the coming years.

Mining. Traditionally, mining in Paraguay has been closely linked with the extraction of stones for construction. However, in recent years, metal mining has gained grown in popularity with the arrival of a Canadian company engaged in the extraction of gold in the eastern region of the country. The gold exports in 2025 were approximately US\$25.09 million. The government is also working to attract more companies that invest in the exploration and subsequent exploitation of other mineral resources, of which there are indications that the country could have deposits. The mining sector grew by 8.5% in 2021, recorded a decrease of 6.7% in 2022, and grew 3.5% in 2023 and 30.9% in 2024. In 2025, the mining sector increased by 8.5%, accounting for 0.5% of real GDP. There were approximately 151 companies holding licenses for prospecting and exploration of metallic and non-metallic mineral mines in 2024, and approximately 79% were exploiting quarries of basalt, sandstone, granite, quartzite, and limestone.

Services. In 2025, the services sector (including trade) accounted for 49.1% of real GDP. This sector grew by 4.6% on average during the 2021-2025 period. In 2021, 2022, 2023, 2024 and 2025, the services sector increased 6.5%, 1.1%, 4.0%, 5.1% and 6.1%, respectively. The growth in 2025 is mainly explained by the performance in restaurants and hotels, finance, transportation and commerce.

Transportation services grew by 7.2% in 2021. However, in 2022 and 2023 it decreased by 3.8% and 0.3%, respectively, as a result of the significant reduction in demand for river water and land freight transport, resulting from lower agricultural activity. In 2024 and 2025, the transportation services sector grew 5.7% and 9.1%, respectively, driven by improved river transport performance, notably due to increased exports of livestock farming products, and the partial agreement between Paraguay and Argentina relating to the Paraguay-Parana waterway.

Household services increased by 16.4% in 2021, as a result of the lifting of the restriction measures affecting mobility previously put in place to address the pandemic. In 2022, the household services sector increased by 1.5%. In 2023 and 2024, this sector grew 6.8% and 5.9%, respectively. In 2025, it increased by 7.2% mainly due to human health care activities, other personal service activities and education.

In 2021, the hotel and restaurant sector grew by 17.3% as a result of the easing of the restrictive measures affecting mobility previously put in place by the government to address the pandemic. In 2022, this services sector grew 16.6% driven in part by the XII South American Games (XII Juegos Suramericanos) held in Asunción, the duration of which was 15 days, with around 10,000 people and 7,000 athletes. In 2023, 2024 and 2025, hotel and restaurant services increased by 8.3%, 9.6% and 9.9%, respectively, mainly explained by the increases in touristic activities.

Commerce. Commerce grew by 14.3% in 2021. This growth is mainly explained by the normalization of economic activity resulting from the easing of the restrictive measures affecting mobility previously put in place by the government to address the pandemic. In 2022 and 2023, the commerce sector had a positive performance growing by 3.4% and 4.9%, respectively. This is explained by the increases in vehicle sales and maintenance, fuel, machines, equipment and supplies, chemical-pharmaceutical products, maintenance of motorcycles, sales of food, clothing, and technological devices. In 2024 and 2025, commerce grew by 6.1% and 8.0%, respectively, continuing the good dynamic of the sector.

Government. The government sector primarily consists of expenditures on wages by the central government, local governments, and decentralized entities (excluding state-owned companies). In 2025, this sector accounted for 8.3% of real GDP, growing by 3.8% in 2025 and 2.8% in 2024. This follows an increase of 2.7% in 2023 and declines of 2.9% in 2022 and 3.4% in 2021, which were driven by lower current expenditures in line with the fiscal convergence plan.

Communications. In 2025, communications represented 3.5% of real GDP. The communications sector is comprised of telecommunication companies operating in the country, and mail services, such as private courier companies. The communications sector grew at an average annual rate of 2.0% during the 2021-2025 period. The sector grew by 4.5% in 2021. The sector continued to perform well in 2021 given that the restrictive measures affecting mobility put in place by the government to address the pandemic increased the use of communication through cellphone and computer applications, which led to increased data consumption. Further, higher education institutions had implemented an intensive use of technology to facilitate virtual classroom settings. In 2022, communications activity decreased by 2.4% as a result of the lower performance of mobile phones. However, the good dynamism of information services mitigated this decline. In 2023, 2024 and 2025, telecommunications activity increased 6.7%, 1.0% and 0.1%, respectively.

Finance. The finance sector includes all banks as well as financial and insurance companies within the financial system. The sector grew at an average annual rate of 4.7% during the 2021-2025 period. In 2021, the sector grew by 3.2%, but in 2022 it decreased by 0.9% due to a drop in the volume of deposits, despite an increase in the volume of loans. The sector began to recover in 2023, with a growth rate of 2.6%. In 2025, the sector grew by 9.2%, mainly driven by a sustained increase in the volume of deposits and significant growth in the volume of loans in both local and foreign currencies.

Binational Entities (Binationals) – Electricity Production at Itaipú and Yacyretá Hydroelectric Plants

Paraguay is the largest exporter of electricity in South America, and the sixteenth largest in the world, the bulk of which is produced at the Itaipú hydroelectric plant and, to a lesser extent, at the Yacyretá hydroelectric plant. In 2021, 2022, 2023, 2024 and 2025, electricity accounted for approximately 15.4%, 16.7%, 13.1%, 10.9% and 11.0%, respectively, of Paraguay's total exports. Most of the electricity consumed in Paraguay is produced by the Itaipú hydroelectric plant located on the Paraná River on the border of Paraguay and Brazil and, to a lesser extent, by the Yacyretá hydroelectric plant located on the Paraná River on the border of Paraguay and Argentina. Revenues from Itaipú and Yacyretá hydroelectric plants contribute significantly to Paraguay's public sector revenues. Paraguay's portion of the aggregate gross value of total electricity produced by these binational hydroelectric plants is included in the calculation of Paraguay's GDP. Electricity and water represented 7.0% of Paraguay's real GDP in 2025. This sector declined in 2021 and 2024 by 7.6% and 4.9%, respectively. The decrease in the electricity and water sector in 2021 and 2024 has primarily been a result of drought-induced decreased river water flow. In contrast, it grew by 7.8% in 2022, 15.5% in 2023, and 9.4% in 2025.

Acaray, a hydroelectric facility owned by ANDE, is also a part of the energy system, and its production is used entirely locally. As of September 30, 2025, according to the Commission for Regional Energy Integration (Organismo supervisor de la Inversión en Mina y Energía – Osinergmin), Paraguay had the lowest energy costs in South America for commercial uses at US\$43.70 per MW/hour and the lowest energy cost for industrial uses at US\$39.10 per MW/hour.

Itaipú, the world's largest hydroelectric plant measured by annual electricity generation, is located on the Paraná River in eastern Paraguay on the border with Brazil. Itaipú has an installed capacity of 14,000 MW/hour, and its construction extended over 17 years at a cost of US\$18.0 billion. Not only is Itaipú a significant source of low-cost electric power for Paraguay, but it is also a significant source of revenues in U.S. dollars for the government. The accumulated electricity generation as of December 31, 2025 at Itaipú was 72,879 GW/hour, a 8.6% decrease compared to December 31, 2024.

Itaipú was built after Paraguay and Brazil entered into a treaty in 1973 (the "Itaipú Treaty"). Pursuant to the Itaipú Treaty, Itaipú Binational was created for the administration, supervision and operation of the Itaipú hydroelectric plant. Paraguay owns a 50% equity stake in Itaipú Binational through ANDE, a Paraguayan state-owned company. Eletrobras, a partially state-owned Brazilian company, owns the remaining 50%. Among other provisions, the Itaipú Treaty states that the electricity produced by Itaipú Binational will be equally divided between Paraguay and Brazil, and requires Brazil to purchase all of Paraguay's unused electricity. The Itaipú Treaty also provides that all payments to and from Itaipú Binational are to be made in U.S. dollars. Itaipú Binational is managed by a Board of Directors and an Executive Board, composed of an equal number of members from each country.

The construction of Itaipú began in 1974, and its first turbine began operations in 1984. Itaipú has 20 turbines in operation as of the date of this Offering Memorandum. As of December 31, 2025, Itaipú Binational's electricity reached a production of US\$72.9 million MW/hour, compared to US\$67.1 million MW/hour as of December 31, 2024. As of December 31, 2024, Itaipú Binational supplied 77.9% and 6.7% of the electric power consumed in Paraguay and Brazil, respectively, compared to the same period of the 2023.

The Itaipú Treaty fiftieth anniversary in August 2023 marked the beginning of the negotiations of the financial terms of the agreement, which are ongoing as of the date of this Offering Memorandum.

Pursuant to the Itaipú Treaty, Paraguay is entitled to receive (i) an annual royalty from Itaipú Binational in an amount determined on the basis of a formula set forth in the Treaty and (ii) compensation from the Brazilian government for the unused portion of Paraguay's share of electricity produced by Itaipú that must be sold to Eletrobras at cost in accordance with the Treaty. The amount of compensation stood at US\$12,584 per GW/hour as of December 2025, an increase compared to the US\$12,404 per GW/hour registered in December 2024. Paraguay received royalty payments and compensation payments of US\$484.9 million (1.1% of GDP) in 2023, US\$386.1 million (0.9% of GDP) in 2022 and US\$404.4 million (1.0% of GDP) in 2021. From 2021 to 2025, revenues increased by 1.8%, as a result of the variation in the total production of electricity, which itself depends on the water flow of the Paraná River. In 2025, Paraguay received royalty payments and compensation payments of US\$411.6

million, a decrease of 17.2% compared to US\$497.1 million payments received during 2024. This was a result of higher electricity domestic consumption.

Itaipú Binational is financing a series of infrastructure projects in Paraguay, covering key sectors such as social infrastructure, transportation and mobility, and energy. Notable investments include the construction of three child development centers (US\$6.2 million), with plans to expand this initiative. In the health sector, projects include hospitals in Itauguá (US\$150 million), Chaco (US\$20 million), Concepción (US\$40 million), and Curuguaty (US\$20 million). Additionally, the modernization of Route PY-07 and other road connectivity improvements are planned. These projects, managed by the Ministry of Public Works and Communications (MOPC), aim to promote sustainable development and improve the quality of life in Paraguay.

As of December 31, 2025, Itaipú recorded an annual production of 72,879 GW/hour, a 8.6% increase compared to 67,089 GW/hour as of December 31, 2024. The following table sets forth the revenues received from Itaipú for the periods indicated.

**Revenues from Itaipú
(in millions of US\$)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025
Royalties.....	201.5	203.0	251.9	266.9	246.5
Compensation.....	202.7	183.1	233.0	230.2	165.1
Total.....	404.2	386.1	484.9	497.1	411.6

Source: Itaipú.

Eletrobras provided 85% of the financing for the construction of Itaipú, with third parties providing the balance. After startup of operations, when the debt began to amortize, Itaipú Binational experienced difficulties in servicing its debt to Eletrobras. In September 1997, Eletrobras entered into a restructuring agreement with Itaipú Binational covering Itaipú Binational’s principal repayment obligations and accrued interest, retroactive to January 1997. Pursuant to the terms of the agreement, approximately US\$16.2 billion of principal was recorded as long-term debt denominated in U.S. dollars and indexed to U.S. inflation. It was agreed that approximately (i) US\$4.2 billion of this debt would bear interest at an annual rate of 4.1%, which was repayable through 2001, (ii) US\$10.3 billion would bear interest at an annual rate of 7.5% and is repayable through 2023, with a grace period through 2001 during which time interest was capitalized, and (iii) US\$1.8 billion would bear interest at an annual rate of 4.1% and is repayable through 2023, with a grace period through 2006 during which time interest was capitalized. On February 23, 2023, Itaipú Binational settled its debt with the National Treasury of Brazil. As of December 31, 2025, Itaipú Binational no longer had any outstanding indebtedness.

Under the Itaipú Treaty, Itaipú Binational receives the revenues required to cover its operating expenses, service its debt obligations and pay royalties to each of Paraguay and Brazil, selling capacity to each of ANDE and Eletrobras on a firm basis. Excess production is also sold to those entities on a 50/50 basis. To the extent not used in Paraguay, ANDE must resell the electricity to Eletrobras at cost. The Brazilian government compensates Paraguay directly for the amounts sold by ANDE to Eletrobras, at a rate that in December 2025 was approximately US\$12,584 per GW/hour, an increase compared to the US\$12,404 per GW/hour on December 31, 2024. An increase in the amount of electricity consumed in Paraguay reduces the compensation payments to the Paraguayan government, a revenue contraction that would normally be offset by additional tax revenues generated by the increased levels of economic activity that use the electricity that would otherwise be diverted to Brazil.

On June 28, 2019, Congress enacted Law No. 6,324/19, which provides a sovereign guarantee of up to US\$300 million for certain debt incurred in connection with ANDE’s electric energy distribution and transmission projects arranged in accordance with Law No. 2051/03. ANDE is scheduled to tender various projects under the framework in the near future. As of the date of this Offering Memorandum, the Ministry of Economy and Finance (“MEF”) has approved ANDE’s projects for US\$296.5 million of the US\$300 million stipulated in Law No. 6324/19.

In mid-2019, Mr. Abdo Benítez and the Paraguayan government faced a political crisis related to Itaipú. On a yearly basis, ANDE and Eletrobras, the respective Paraguayan and Brazilian state-owned electric utility companies, negotiated the power production forecasts for Itaipú. On the basis of such forecasts, the two companies negotiated a power purchase agreement that sets forth each company's annual purchase of electric power produced at Itaipú as well as the price at which any excess over the 50% allocation to which each of the parties is entitled will be sold to the other party. In the yearly negotiations conducted in 2019, ANDE and Eletrobras were unable to reach agreement. Negotiations continued through diplomatic channels. Paraguayan and Brazilian diplomats reached agreement on May 24, 2019 (the "May 24, 2019 Agreement"), but the terms of the agreement only became public two months later, sparking a political crisis. Members of Congress claimed that the agreement was unfavorable for Paraguayan interests and questioned the involvement of several members of the government.

On July 24, 2019, ANDE's president resigned from office. On July 26, 2019, the Chamber of Senators (the upper house) created a special congressional committee tasked with investigating the negotiation of the May 24, 2019 Agreement. On July 29, 2019, President Mario Abdo Benitez accepted the resignation of several high-level government officials involved in the negotiation of the May 24, 2019 Agreement, including the Minister of Foreign Affairs, the Paraguayan General Director of Itaipú, the President of ANDE and the Paraguayan Ambassador to Brazil. On August 1, 2019, Paraguay and Brazil agreed to terminate the May 24, 2019 Agreement.

On August 5, 2019, the Chamber of Deputies (the lower house) received a formal request to initiate impeachment proceedings against President Mario Abdo Benitez, Vice President Hugo Velazquez and Minister of Finance Benigno Lopez from various Congressmen. The impeachment proceedings were grounded on the alleged misconduct of government in connection with the May 24, 2019, agreement. However, on August 20, 2019, the Chamber of Deputies voted to reject the impeachment request, with 43 votes against and 36 votes in favor.

ANDE and Eletrobras resumed negotiations regarding their planned electric power purchases for the years 2019 through 2022. An agreement signed between ANDE and Itaipú on December 13, 2019, governed the power supply from Itaipú to ANDE from January 1, 2020, to December 31, 2022.

On February 28, 2023, the remaining financial debt of US\$115 million used for the construction of the Itaipu binational project was fully repaid. For many years, this financial debt, which constituted 62% of the plant's operating costs (approximately US\$2 billion/year), was incorporated into the tariff. The repayment of this debt paved the way for a subsequent agreement on April 17, 2023, between Brazil and Paraguay to set Itaipú's tariff for 2023 at US\$16.71 per kW/month. On May 5, 2024, a new tariff was set at US\$19.28 kW/month. This tariff will remain in effect for three years and is expected to generate approximately US\$280 million in royalties, US\$265 million in energy compensation, and US\$53 million in capital profits, totaling an approximate of US\$650 million annually.

In 2025, Itaipú Binacional concluded the fiscal year with US\$462 million transferred to the Paraguayan Government in the form of royalties, compensation for energy not consumed domestically and ceded to Brazil, and payments to ANDE. These resources constitute a strategic source of financing for public infrastructure projects and for strengthening the national electricity system.

In comparative terms, transfers in 2024 had reached US\$549 million (US\$267 million in royalties, US\$230 million in compensation for ceded energy, and US\$52 million in reimbursements to ANDE), representing an increase of US\$14 million over 2023, when total transfers amounted to US\$535 million.

Total investments financed by Itaipú in Paraguay amounted to approximately US\$51.7 million in 2024 and US\$253.8 million in 2025, with the majority allocated to road infrastructure projects, followed by projects related to the health sector, dwelling and education.

Yacyretá. The Yacyretá hydroelectric plant is located on the Paraná River in southern Paraguay on the border with Argentina. Although it started operating partially in 1994, the construction of Yacyretá is still ongoing. As of the date of this Offering Memorandum, Yacyretá is operating at its planned total capacity of 3,200 MW/hour.

The Yacyretá project began after Paraguay and Argentina entered into a treaty in 1973 (the “Yacyretá Treaty”). Pursuant to the Yacyretá Treaty, Yacyretá Binational was created for the administration, supervision and operation of the Yacyretá hydroelectric plant. Yacyretá Binational is owned by Paraguay’s state-owned ANDE and Argentina’s state-owned Emprendimientos Binacionales S.A. in a 50/50 joint venture. The Yacyretá Treaty establishes that the electricity produced by Yacyretá Binational will be equally divided between Paraguay and Argentina and requires Paraguay and Argentina to purchase jointly or severally, depending on their agreement, all of Yacyretá’s installed capacity. The Yacyretá Treaty also provides that all payments to and from Yacyretá Binational are to be made in U.S. dollars.

The construction of Yacyretá began in 1975. Yacyretá’s first turbine commenced operations in 1994, and there are 20 turbines in operation as of the date of this Offering Memorandum. In the 9-month period ended September 30, 2025, Yacyretá’s produced electricity at a rate of 11,138.8 GW/hour, a 4.9% decrease compared to the 11,709.9 GW/hour produced in 2024. The Yacyretá Treaty remains in force until Argentina and Paraguay mutually agree to terminate the treaty.

According to the Yacyretá Treaty, Paraguay receives (i) royalty payments and (ii) compensation payments based on revenues from the sale of Paraguay’s unused electricity to Argentina. The latter is paid by Yacyretá Binational directly to Paraguay. The construction of Yacyretá was originally largely financed by loans from the World Bank and the IDB to Yacyretá Binational, which were guaranteed by Argentina. As of the date of this Offering Memorandum, Argentina is the creditor of such debt.

In January 1992, the governments of Paraguay and Argentina signed notes related to the Yacyretá Treaty to amend its provisions concerning the cost of the project. At that time, Paraguay and Argentina agreed to defer the payment of accumulated royalties and compensation (for the electricity Paraguay sold to Argentina) for the 1994 to 2004 period until 2019, and to reinvest such deferred amounts in construction and operational improvements. The deferred amounts shall be paid in equal, monthly installments over eight years, and without interest beginning in 2019. Despite the agreement, since Yacyretá commenced operations in 1994, Paraguay has received advances on deferred royalties and compensation based on revenues from the sale of Paraguay’s unused electricity to Argentina. However, a substantial part of the early payments due to Paraguay for the periods prior to 2004 is at Yacyretá Binational’s discretion and is agreed to on an annual basis by Argentina and Paraguay.

In 2021, 2022, 2023, 2024 and 2025, Paraguay received US\$45.8 million, US\$78.9 million, US\$54.3 million, US\$116.8 million and US\$43.5, respectively, from Yacyretá Binational on account of royalties and compensation due for prior years.

The Yacyretá Treaty provides that the financial terms contained in Annex C of the treaty are to be renegotiated at 40 years from the effective date of the treaty. In May 2017, Paraguay and Argentina signed a bilateral agreement that outlined their political will to restructure the financial situation of Yacyretá, modify the financial terms of the treaty and increase the profitability of the entity. As a result of this agreement, the debt initially claimed by Argentina could be reduced by 76%, from US\$17,088 million to US\$4,084 million. As of the date of this Offering Memorandum, Congress has approved the proposal presented by Yacyretá (*Acta de entendimiento 2017 para el ordenamiento economico financiero de la Entidad Binacional Yacyretá*), however, the proposal has not yet been approved by the Argentine Congress.

The following table sets forth the revenues from Yacyretá Binational for the periods indicated:

**Revenues from Yacyretá
(in millions of US\$)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025
Others ⁽¹⁾	45.8	78.9	54.3	116.8	43.5

(1) Corresponds to payments received from Yacyretá Binational in connection with Paraguay's share of operating expenses relating to Yacyretá Binational.

Source: Central Bank.

Pursuant to the Law No. 3984/10, royalty and compensation payments made by Itaipú and Yacyretá must be distributed as follows: 50% to the Paraguayan government, 40% to municipalities and 10% to departmental governments. The law also states that these resources must be used to finance infrastructure projects.

State-Owned Enterprises

There are nine state-owned enterprises ("SOEs"). ANDE, INC (cement), Petróleos Paraguayos ("PETROPAR") (importer and marketer of fuels), ANNP (port) and DINAC (airport) are wholly owned by Paraguay. In addition, Paraguay has a majority participation in Essap S.A. (water), Copaco S.A. (telecommunications), CAPASA (alcohol) and the inactive FEPASA (railway). Lastly, Paraguay owns a minority share (5.02%) in LAPSA (Paraguayan subsidiary of the LATAM Airlines Group). ACEPAR (steel) and FLOMERPARSA (merchant marine) were formerly owned by Paraguay but were fully privatized.

SOEs Wholly-Owned by Paraguay	SOEs Majority Owned by Paraguay	Privatized Former SOEs
ANDE	ESSAP S.A.	LAPSA (LATAM) (5.0% state-owned)
INC	COPACO S.A.	ACEPAR (100% privately-owned)
PETROPAR	CAPASA	FLOMEPARSA (100% privately-owned)
ANNP	FEPASA	
DINAC		

Source: Ministry of Economy and Finance.

In the aggregate, the SOEs generate positive net income for the government. The SOEs with the highest share of total income from SOEs are ANDE, responsible for 63.1% of total SOE income, and PETROPAR, responsible for 22.2% of total SOE income at the end of the third quarter of 2025. Of the nine SOEs, three operate in goods-producing sectors such as alcohol, oil and cement, and the other six are principally engaged in providing services.

SOEs have played a significant role in the Paraguayan economy. As of the third quarter of 2025, all nine SOEs have accounted for roughly 4.1% of the GDP projected for 2025, while the five SOEs that are in the General Budget of the National, represent 22.6% of central government expenditures, and 11.34% of public sector expenditures in the same period.

Although SOEs provide essential goods and services, their service delivery and management performance are limited, in part due to the distorted or monopolized markets in which they operate. In many cases, SOEs show high levels of underinvestment, failure to receive full compensation for basic services rendered to the public sector, increased levels of indebtedness, and material inefficiencies.

To a large extent, SOEs poor performance has been attributed to the institutional limitations that prevailed until 2008. For instance, before the PEES reform process, the responsibilities of the different government actors

overseeing the SOE were fragmented. This led to overlapping bureaucratic functions and authorities. Furthermore, there was a severe information asymmetry between management and the public regarding SOE operation and financial performance.

In 2008, in furtherance of the PEES, Paraguay strengthened oversight of SOEs while building on the existing institutional structures. A key part of the reform was increasing inter-ministerial coordination under the leadership of the then Ministry of Finance by establishing the National Council of Public Enterprises (the “CNEP”) in 2013. The CNEP is comprised of representatives from the Ministry of Economy and Finance, the Ministry of Public Works, the Ministry of Industry and Trade, and the Attorney General. In 2024, Decree No. 1,971/2024 was enacted, regulating Law No. 5,058/2013 and repealing Decree No. 1,143/2014. The new regulation was developed with the participation of the MEF to strengthen the oversight and governance of SOEs. The decree introduces key measures, including the enforcement of the non-compliance regime established under Law No. 7,278/2024, the requirement for bimonthly regular sessions of the CNEP, and a responsibility framework that provides for sanctions and the possibility of recommending removals.

In addition, the decree reinforces the role of the Chair of the CNEP in submitting management and financial statements to the President of Paraguay and establishes the obligation for delinquent SOEs to submit a reduction plan and report on their progress on a quarterly basis. Likewise, it requires the submission of risk assessments and conditional reports as prerequisites for budgetary processing.

Furthermore, the decree establishes a new governing instrument called the Technical Document, which contains targets, indicators, expected results, and evaluation mechanisms, differentiating it from the previous Results-Based Management Contract. While the latter required a mutually agreed-upon arrangement between the CNEP and the enterprises, the Technical Document is issued directly by the CNEP, thereby strengthening strategic direction and ensuring coherence with government priorities and the operational plans of each entity.

The CNEP, through the General Directorate of SOEs (the “DGEP”) in its capacity as technical body and executive secretariat, plays a fundamental role in the continuous monitoring, supervision, and analysis of the performance of SOEs. The DGEP coordinates the collection and verification of financial, operational, and budgetary information; prepares risk assessments; evaluates compliance with the targets and indicators established by the CNEP; and formulates technical recommendations to support strategic decision-making.

To fulfill these functions, it relies on a team of highly qualified professionals dedicated to maintaining close oversight of each SOE and ensuring that their management remains aligned with the objectives and priorities of Paraguay.

The CNEP requires SOEs to submit financial audits conducted by independent professional auditing firms and to subsequently forward the reports to the supervisory body, ensuring their publication and public accessibility. To strengthen this process, the supervisory body has implemented a monitoring mechanism that includes field visits, formal communications containing observations and recommendations, and, when applicable, escalation to the CNEP for its consideration. All SOEs publish their audit reports within six months after the close of the fiscal year, a measure aimed at enhancing the robustness of financial management and promoting greater public oversight by civil society and the media.

With the progressive adoption of this practice and the monitoring activities carried out by the supervisory body, both the timeliness and the quality of audit reports are expected to continue improving. The audited financial statements of SOEs are published on the website of the Ministry of Economy and Finance.

In line with this approach to transparency and institutional strengthening, progress has been made in conducting an independent cost-efficiency assessment, an international external audit of the financial statements, and the development of an energy-loss reduction plan for ANDE. These actions contribute to reinforcing tariff settings, enhancing the resilience of the electricity sector to fiscal and external risks, and improving the financial sustainability of the entity.

In accordance with the Technical Document (formerly the Results-Based Management Contract) issued by the CNEP, public enterprises are required to present their specific action plan outlining the measures they will undertake to fulfill the defined indicators and goals. The specific action plan will, in turn, serve the CNEP to monitor the progress of activities to be carried out by each company to achieve the established goals outlined in the Technical Document.

The companies are required to submit monthly reports related to their balance sheet and income statement, cash flow statement, budget execution, cost structure, detailed information on taxes paid and intergovernmental contributions, short-term debts with suppliers for the provision of production inputs, accounts receivable from public and private clients, debts with foreign suppliers, human resources information (number of permanent contracts, other forms of employment, benefits payment, salaries, contests, regularization measures), compliance reports on the improvement plan based on the recommendations of the external audit, among others.

Additionally, they must annually provide their annual operational plan, updates on their investment and business plans, projected cash flow, reports on compliance with the regulatory framework and the code of ethics, internal audit report, external audit selection report, board of directors' meeting minutes, external auditor reports, ratified and current collective labor agreements, among others.

As of the date of this Offering Memorandum, the CNEP meets regularly to receive technical inputs from the General Directorate of Public Companies and has established a calendar of bi-monthly meetings for 2026.

In addition, the CNEP defined goals that include the strengthening of the regulatory framework and promulgated Decree 1,971/2024, which regulates “Law No. 5,058/2013 creating the National Council of Public Companies (CNEP)” and repeals “Decree No. 1,143/2024”. The MEF has been involved in preparing this Decree to enhance the supervision and governance of public companies through the implementation of reforms. Given that the CNEP oversees the national policy for the comprehensive management of public companies, the General Directorate of Public Companies (DGEP) is tasked with developing and formulating plans, policies, programs and strategies for monitoring and supervising the SOEs. These efforts aim to ensure that SOEs meet public service needs effectively and transparently, strengthen institutions, foster development and innovation, improve public spending quality, promote economic growth, and enhance the well-being of the population.

In December 2022, the executive branch enacted Law No. 7021/2022, titled “On Public Procurement and Contracts.” The law, which has been regulated by Decree No. 2264/2024, includes provisions for public enterprises that engage in competitive practices with the private sector for the procurement of goods and services directly related to their commercial operations. These enterprises are encompassed within the scope of Special Procurement Procedures.

ANDE

In order to meet the growing demand for reliable electrical supply, the Paraguayan government, through ANDE, negotiated several loans with the Development Bank of Latin America and the Caribbean (CAF), the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Japan International Cooperation Agency (JICA), as well as FONPLATA-KFW and BID-TAIWAN ICDF, totaling approximately US\$1.4 billion to finance a Master Investment Plan to be implemented over a 10-year period, covering 2024–2033. This financing plan includes approximately US\$1 billion allocated to 500 kV electricity transmission lines, which, due to the level of power transmitted, have a significant impact on the technical performance of the system.

From a planning perspective, ANDE currently has: (i) a Short and Medium-Term Distribution Master Plan, which covers the period 2024-2033, with the necessary investments estimated at US\$1.8 billion; (ii) a Transmission Master Plan for the period 2024-2033, with an estimated investment budget of US\$3.3 billion; and (iii) a Generation Master Plan for the period 2024-2040, which considers five expansion alternatives, with estimated investments ranging from US\$7.2 billion to US\$18.6 billion.

The validity and/or review of the Generation, Transmission, and Distribution Master Plans is generally conducted on a biennial basis.

ACEPAR

In July 2014, pursuant to a judicial decision, the government displaced the board of directors of ACEPAR and a judicial administrator was appointed to manage the company. The displacement was a result of breaches of contract on the part of the Paraguayan steel consortium COSIPAR (majority shareholder of ACEPAR) in connection with the non-implementation of an agreed-upon investment plan, and a reforestation and environmental care program; and to a lesser extent, shortages in the domestic market for steel wires and rods in part due to the mismanagement of ACEPAR.

Public-Private Partnerships (Law No. 7,452/2025)

On January 27, 2025, with the goal of promoting the use of new financial tools, Congress enacted Law No. 7,452/2025 (the PPP Law). This new law offers greater incentives for the private sector to submit unsolicited proposals, reduces the timeframes for analyzing PPP projects, and clarifies the processes involved. The PPP is a key component of the government's plan to expand and enhance financing options for infrastructure development, with active involvement from the private sector.

In July 2023, the Paraguayan government and Rutas del Este S.A. concluded the construction of national Route 2 (Ypacarai-Coronel Oviedo – Km 183).

Rutas del Este S.A. is a Special Purpose Vehicle (SPV) partially owned by each of the following entities: the Spanish construction company Sacyr Concesiones S.L. (60%) and the Paraguayan construction company Ocho A S.A. (40%). The Route 2 project, with an estimated cost of US\$566.4 million is the first PPP project undertaken by the Paraguayan government and aims to improve the efficiency and quality of Paraguay's infrastructure.

As of the date of this Offering Memorandum, the MOPC has approved the pre-feasibility studies for the opening, dredging, signaling, operation and maintenance of the Paraguay River waterway for an amount of US\$110 million. In addition, in September 2025, the Route 1 project was awarded to the Rutas del MERCOSUR consortium, and the contract was signed in January of this year.

Turnkey Projects (Law No. 5074/2013)

Another financial tool used by the government to meet its infrastructure investment objectives and plans is the turnkey project, provided for Law No. 5074/2013 (Turnkey Projects Law), enacted in 2013. The Turnkey Projects Law provides alternative financing methods for infrastructure investment.

Since 2013, Paraguay's regulatory framework for turnkey projects allows the government, through the MOPC, to assume payment obligations either (i) upon total completion of the public works or (ii) upon completion of milestones. CROPs bear sovereign guarantee (full faith and credit) of Paraguay. Each CROP expressly precludes all set-off rights, and states that all payment obligations arising therefrom shall have no relation to any termination events or breaches that may be incurred in the construction of the remaining section (milestones of the relevant project). The payment obligation described on (ii) above is known as a *Certificado de Reconocimiento de Obligación de Pago* (Certificate of Acknowledgment of Payment Obligation – "CROP"), which are issued upon acceptance by the government of the satisfactory completion of a milestone. CROPs represent Paraguay's unconditional and irrevocable recognition of its payment obligation, maturity dates, and payment method. Each CROP accrues interest from the date of the issuance of the MOPC ministerial resolution accepting the works related to the milestone.

Between 2017 and 2019, the government entered into agreements setting out the terms of three of the turnkey projects contemplated under Law No. 5074/2013: (i) the construction and paving of the San Cristobal - Naranjal Segment - Route N ° 6, which began in 2017 and was completed in 2019, with a total cost of US\$46 million, (ii) a project for the design and construction of a new road between Loma Plata and Carmelo Peralta (the "Corredor Bioceánico Project") in 2018, and (iii) a project for the design and construction of Avenida Costanera Sur of Asunción in 2019.

In addition, on May 11, 2018, the MOPC and the Consorcio Corredor Vial Bioceánico, formed by the Brazilian construction company Constructora Queiroz Galvão S.A., and the Paraguayan construction company Ocho A S.A, entered into an agreement for the Corredor Bioceánico Project, with a total cost of US\$443 million. As of 2023, all the milestones for the Corredor Bioceánico Project had been completed and the corresponding CROPs have been issued.

In October 2019, the MOPC and the Consorcio del Sur, a consortium formed by the Spanish company Eurofinsa S.A. and the Paraguayan Ingeniería TyC S.A, entered into an agreement for the design and construction of Avenida Costanera Sur in Asunción. In July 2021, the financial closure of the “Costanera Sur Project” was achieved between Banco Itau Paraguay S.A. and Consorcio del Sur.

In November 2024, the tender of the design and construction of paving of Route 10, from San Cristobal to Paso Yobai was published and, in December 2025, the MOPC signed the contracts for the design and paving of the PY10 route, known as the “Integration Route”, which will connect the departments of Guairá, Caazapá and Alto Paraná.

An international tender is expected to commence for ANDE’s electric power distribution and transmission projects under Law No. 6324/2019, which will grant a guarantee from the National Treasury of US\$300 million. Bidders participating in the international tender must have the necessary financing secured for the complete execution of the works, their respective projects, as well as consultancies and audits. As of the date of this Offering Memorandum, the Ministry of Economy and Finance is coordinating with the National Electricity Administration the bidding documents for the future tender under the Law No. 6324/2019.

Environment

Overview

The Constitution establishes the right to have a clean and safe environment and further provides that this right must be balanced with the right to social and economic progress. The Constitution also forbids the importation of toxic waste.

The Ministry of Environment and Sustainable Development (*Ministerio del Ambiente y Desarrollo Sostenible* – “MADES”) is responsible for developing a national environmental policy. MADES is the enforcement authority under the General Directorate of Environmental Quality and Natural Resources Control, which is responsible for the protection of the environment and the evaluation of projects that may have a potential adverse impact on the environment. A report containing specific information about the ecological impact of such projects must be submitted to this dependence. Once the report is evaluated, the General Directorate either approves the project or proposes alternatives to minimize or eliminate the adverse effects on the environment. If the approval is not granted or if the alternatives are not satisfied, the project will not be authorized by the government.

Paraguayan environmental law regulates the establishment of national forests and natural reserves, reforestation plans, and the administration of forest resources and programs to prevent erosion. Paraguay also offers tax incentives to encourage reforestation and the preservation of native forests.

The National Service of Environmental Health, an agency of the Ministry of Health and Public Welfare, regulates waste disposal and water, air, and land pollution and treatment, including the construction of treatment plants for waste recycling. The National Service of Environmental Health has the power to initiate administrative investigations concerning the contamination of water, air and land, impose fines and shut down industries or establishments causing damage to the environment.

The MADES regulates waste disposal and water, air, and land pollution and treatment, including treatments for the utilization of solid waste, like recycling. It also has the power to initiate administrative investigations concerning the contamination of water, air and land, impose fines and shut down industries or establishments causing damage to the environment.

Environmental Concerns and Remedial Efforts

Environmental studies and assessments made over the past years have indicated that Paraguay faces serious and growing environmental problems. Cumulative effects of the misuse of natural resources have seriously compromised the sustainability of natural ecosystems, air quality, water and land. Water is one of the most important natural resources and groundwater provides 80% of Paraguay's drinking water supply. The quality of groundwater and surface water has deteriorated as a result of inappropriate land use, pollution of aquifer recharge areas, misuse of toxic agrochemicals and inappropriate disposal of household and industrial waste.

Deforestation, which has increased in recent years, causes erosion. In addition, deforestation has led to the degradation and depletion of soil as a result of improper use of the land in agriculture and infrastructure projects. Deforestation has also resulted in the unplanned expansion of urban areas, which, in turn, leads to inadequate waste management. Other adverse impacts of deforestation include loss of wildlife habitat, loss of biodiversity and the disruption of water cycles.

Since 1998, certain acts against the environment are criminally punishable offenses. The criminal code penalties include fines and imprisonment. A national prosecutor is responsible for investigating and prosecuting environmental offenses under the criminal code.

Current environmental regulation includes two 2006 statutes that promote the conservation, protection, recovery and sustainable development of Paraguay's biodiversity and natural resources through the evaluation and fair remuneration of timely and adequate environmental services, and direct funding of conservation projects. With Paraguay's entrance into the Paris Agreement, the country has committed to a 10% reduction of its greenhouse gas emissions with its own resources, and another 10% reduction if it obtains the international cooperation in financing and technology transfer from developed countries contemplated by the Paris Agreement.

Throughout mid-2019, forests in Paraguay suffered widespread bushfires, including in Alto Paraguay, a region hosting the largest public and private protected areas in the country. Approximately 325,000 hectares were affected in Alto Paraguay, mainly in the areas of the Cerro Chovoreca Natural Monument and the Park National Río Negro. Forest fires affected biodiversity of the affected areas, livestock establishments, small settlements and ancestral territories of indigenous communities. These bushfires have been attributed to slash-and-burn agriculture, a common practice in Paraguay, which was aggravated by adverse weather conditions, such as droughts and strong winds. In 2020, there were several fire outbreaks throughout Paraguay, largely due to a combination of high temperatures, low humidity, and high wind speeds. This trend continued through 2021. August 2021 was the most critical period for forest fires, particularly in the Occidental region of the country. As in 2020, the fire outbreaks throughout Paraguay in 2021 were largely due to a combination of high temperatures, low humidity and a lack of rain. In 2024, the latest fires in the Chovoreca area affected a total of 159,116 hectares of land.

In 2024, Decree No. 1,746/2024 was enacted, establishing joint intervention protocols for land-use change based on the National Forest Monitoring System; and Decree No. 1,745/2024, which strengthens the institutional and financial capacity of INFONA following the approval of the Government Structure Law. In 2020, Law No. 6,676/20 was enacted, which establishes a 10-year extension on the prohibitions on transforming forest areas in the eastern region of Paraguay to areas destined for agricultural use, human settlements, production, transport and the commercialization of wood, firewood, charcoal, or any other forest product.

According to the National Report on Forest Coverage and Land Use Changes, first published in 2022 by INFONA and updated in 2023, total forest coverage at the end of 2022 was approximately 17.7 million hectares, corresponding to 44.3% of the national territory's surface. Native forests account for 36.6% of the national surface, palm groves for 7.2% and forest plantations for 0.5%. About 17.2% of the forest coverage is in the Eastern region, and 82.8% in the Western region. INFONA is currently working on the construction of the first National Forest Restoration Plan and the National Forest Policy. See "The Paraguayan Economy - Climate Change Mitigation and Adaptation Policies."

In 2024, Decree No. 1788/2024 was promulgated, establishing the certification, control, and promotion regimes for the use of bioenergy derived from forest plantations or sustainably managed native forests. The aim is to ensure the sustainability of these renewable resources within the national territory, in accordance with Decree No.

4056 of September 14, 2015. Additionally, an Interinstitutional Working Group was established as part of the preparation process for the National Biomass Certification Program (PNCB). This group is tasked with reviewing and analyzing biomass certification protocols, particularly those related to the use of biomass derived from Land Use Plans, as prescribed by Decree No. 6797/2022.

Employment and Labor

Employment

The labor force in Paraguay increased from 3.058 million in 2023 to 3.087 million in 2024. The labor force includes any person above the age of 15 who is currently employed or looking for employment. In the third quarter of 2025, 3.3 million people were employed, compared to 3.2 million in the third quarter of 2024. The national labor rate was 73.0%, 2.2 percentage points higher than in the third quarter of 2024.

The following table sets forth certain information related to the employment in the main sectors of the Paraguayan economy for the indicated years.

	Employed Population ⁽¹⁾ (as a percentage of total)					
	As of December 31,				As of September 30,	
	2021	2022	2023	2024	2024	2025
Primary Sector	19.6	18.3	17.3	16.0	14.3	13.8
Agriculture, Livestock, Hunting and Fishing	19.6	18.3	17.3	16.0	14.3	13.8
Secondary Sector	19.2	18.2	17.8	18.5	19.5	19.6
Manufacturing	10.5	10.4	10.5	10.9	12.3	12.1
Construction	8.7	7.8	7.3	7.6	7.2	7.6
Services Sector	61.2	63.5	64.9	65.6	66.2	66.6
Trade, Restaurants and Hotels	28.2	27.8	28.6	29.2	29.2	28.8
Community, Social and Personal	23.5	25.4	25.4	25.5	25.7	25.8
Others ⁽²⁾	9.5	10.4	11.0	10.9	11.2	12.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

(1) Includes any person above the age of 15 who is currently employed.

(2) Includes Electricity, Gas and Water, Transport, Storage and Communications, and Finance, Insurance and Real Estate.

Source: Bureau of Statistics and Census.

As of December 2025, there were roughly 168 labor unions active. The Constitution provides that workers have a right to strike when disputes among workers and employers are not settled according to the process established by the labor law. However, workers that provide essential services such as water, electricity and hospital services are limited in their right to strike. The Constitution does not allow members of the military and police to strike. Strikes and other labor actions by unions have tended to be brief and they occur infrequently.

The unemployment rate for 2024 was 5.7%, compared to 5.9% in 2023. As of the third quarter of 2025, the unemployment rate was 4.9%, a decrease of approximately 0.4% compared to the same period in 2024. In nominal terms, as of the third quarter of 2025, unemployment affected approximately 165,000 people, of which about 72,066 were men and 93,360 were women.

Approximately 50.9% of the employed people above the age of 15 who receive a salary or worked as employees were covered by a retirement or pension system in the third quarter of 2025. More men (56.9%) were covered by a retirement or pension system than women (43.1%). This discrepancy is a result of the predominance of female workers in the services sector, which includes all public sector institutions, like education and health.

The percentage of people employed in an occupation classified as informal was 64.2% in 2013 and 58.5% as of the third quarter in 2025, according to quarterly data from the Bureau of Statistics and Census. The definition

of “informal occupation” adopted by the Bureau of Statistics and Census includes public and private employees who do not contribute to the retirement or pension system; employers whose company is not registered in the Unique Taxpayers Registry (RUC) of the Ministry of Economy and Finance, self-employed workers that are not registered in the RUC, unpaid family workers, and domestic employees who do not contribute to the retirement system, but excludes agricultural workers.

The estimated underemployment rate was 3.2% in 2024. Underemployed individuals are those who are unable to obtain full-time work if they work fewer than 30 hours per week and are actively seeking more hours of employment. As of the third quarter of 2025, the underemployment rate was 4.1%, an increase of approximately 1.0% compared to the same period in 2024. In nominal terms, as of the third quarter of 2025, underemployment affected approximately 137,828 persons.

However, the labor market is segmented, where formal jobs with highly trained employees and working conditions above the national average exist on the one hand, and on the other hand there is a large segment of the labor market that can be characterized as informal, unskilled and with earning wages below the legal minimum.

The following table sets forth certain information referring to unemployment and underemployment for the periods indicated.

Estimated Unemployment and Underemployment (in percentages)

	<u>As of December 31,</u>				<u>As of September 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
Unemployment rate	6.7	6.7	5.9	5.7	5.3	4.9
Underemployment rate	4.7	4.7	3.3	3.2	3.1	4.1

Source: Bureau of Statistics and Census.

Wages

Workers of 18 years of age or older and formally employed are entitled to a minimum monthly wage of approximately US\$384.2. Based on the 2024 annual employment survey, 64.3% of the employed population receiving a salary or working as an employee receive a monthly salary that is equal at least to the monthly minimum wage.

The minimum wage is set by the National Commission of Minimum Wage, which is composed of eight members, including two representatives of workers, two representatives of employers and four representatives of the government. The minimum wage is adjusted annually in June by the Executive Power, on the proposal of the National Commission of Minimum Wage, based on the year-over-year variation of the CPI. In 2025, the executive branch decided to increase the salaries and wages of the private sector in accordance with the provisions set forth in Decree No.4122/2025. The increase was 3.6%, after accounting for inflation.

Along with the minimum wage, Paraguayan workers are also entitled to various benefits in the workplace, such as social security, health and severance benefits.

Unless otherwise indicated, the following table sets forth annual changes in the wage index for the periods indicated.

**Changes in Nominal Wages⁽¹⁾
(in percentages)**

<u>Year</u>	<u>% Change</u>
2021	5.5
2022	6.9
2023	4.7

Year	% Change
2024.....	4.0
2025.....	4.4

(1) Wage index based on survey conducted by the Central Bank.

Source: Central Bank.

In 2022, a 5% salary increase was granted to teachers starting from the month of July. This increase was granted as a supplement, based on the salary in effect as of September 2021, completing a 16% increase in the context of the gradual implementation of the Basic Professional Teaching Salary.

The salary distribution within Paraguay’s central administration underwent significant changes between 2023 and 2024, primarily due to increases in the number of positions rather than specific sectoral raises, except for public security forces and employees earning the minimum wage, whose salaries were adjusted in line with the minimum wage increase. For 2025, the budget projects increase in salary expenditure as follows: public security forces (14.7%), education (7.8%), health (3.9%), and administrative personnel (7.6%). However, no specific salary increases for particular sectors were identified in the 2025 National Budget Law.

Education

The total literacy rate in Paraguay was 94.9% in 2024.

The following table sets forth the illiteracy rate of individuals of 15 years or older for the years indicated.

Illiteracy Rate (in percentages of total population)

	2020	2021	2022	2023	2024
Illiterate	5.5	5.4	6.0	5.2	5.2

Source: Bureau of Statistics and Census.

In 2011, the government sanctioned free, mandatory primary and middle school education. In addition, three-year secondary schooling is available to all Paraguayan citizens and the government provides substantial subsidies for the National University, with students responsible only for nominal examination fees.

Under the Constitution, at least 20% of the expenditures in the central government’s annual budget must be allocated to education. See “Public Sector Finances—Budget Process” for more information on the central government’s budget. New educational programs for public primary schools include teacher training and free distribution of textbooks. Programs at the university-level include international exchange programs, need- and merit-based scholarships and the establishment of research institutes.

Until the early 1990s, there were only two universities in Paraguay, the public National University and the Catholic University of Asunción. In recent years, the government has authorized through law the establishment of new private universities. As of the date of this Offering Memorandum, there were 48 private universities established in Paraguay, some of them servicing rural areas.

The following table sets forth the level of education achieved by Paraguayan citizens of 15 years of age or older for the periods indicated.

Educational Levels (in percentages of total population)

As of December 31,				As of September 30,
2021	2022	2023	2024	2025

Population uneducated.....	2.0	2.2	2.0	2.0	1.7
From 1 to 6 years of study	30.1	30.8	29.3	28.4	25.4
From 7 to 12 years of study ...	44.2	43.0	43.6	43.8	44.0
From 13 to 18 years of study .	23.7	24.0	25.1	25.7	29.0

Non-attendance in school increases with age, and 68.5% of those 19 to 25 years old did not study as of 2024. For those between 13 and 18 years old, this rate drops to 15.3%, and 0.6% for those between 5 and 12 years old. Non-attendance in school is higher in the poorest segment of the population. Approximately 75.4% of people 5 years and older attend public institutions, while 24.6% attend private institutions; 94.5% of the poor attend public institutions, together with 69.3% of the non-poor.

The average number of years of education of people aged 15 years and over is 9.9. This average is clearly differentiated by poverty level, with the non-poor having an average of 10.4 years of schooling while the non-extreme poor have an average of 7.7 years and the extreme poor an average of 7.0 years of schooling.

Poverty and Income Distribution

According to data of a survey conducted by the INE in 2023, 22.7% of the Paraguayan population was considered to live in poverty, including 4.9% considered to be extremely poor. Most people in these two categories are located in rural areas.

Based on INE's classifications, the poor people in urban areas received a monthly income of approximately US\$118.7 or less, and the extremely poor received a monthly income of approximately US\$51.8 or less. In rural areas, poor people received a monthly income of approximately US\$86.6 or less, and the extremely poor received a monthly income of about US\$47.3 or less. Poverty in Paraguay is primarily attributable to relatively low levels of education and economic activity. In 2024, according to INE, 5.2% of the Paraguayan population was illiterate (with "illiterate" defined as an individual older than 15 years old who cannot read and write).

In 2024, 20.1% of the population was living in poverty, a decrease of 2.2 percentage points compared to 22.3% in 2023. From 2017 to 2019, the total national poverty level displayed a decreasing trend, reaching 23.5% in 2019. However, it rose to 26.9% in 2020 due to the crisis generated by the COVID-19 pandemic, and this percentage was maintained in 2021. Prior to 2020, the poverty rate generally declined over the years, with total poverty rates recorded at 23.5% in 2019 and 24.2% in 2018. In 2024, people living in extreme poverty represented 4.1% of the population, a decrease of 0.5%. Extreme poverty affected 3.9% of the population in 2021, the same percentage as in 2020, and slightly less compared to 4.0% in 2019 and 4.8% in 2018.

The following table sets forth the percentages of those living in poverty and extreme poverty for the periods indicated showing a sustained reduction since 2019.

Poverty and Extreme Poverty Rates (in percentages of the total population)

	2020	2021	2022	2023	2024
Total poverty	26.9	26.9	25.0	22.3	20.1
Extreme poverty	3.9	3.9	5.8	4.7	4.1
Non extreme poverty	23.0	23.0	19.3	17.6	16.0
Non poverty	73.1	73.1	75.0	77.7	79.9

Source: Bureau of Statistics and Census.

Poverty reduction in recent years has been accompanied by an expansion of the middle class, which included approximately 21.7% of the population in 2011, but had grown to 29.9% of the population by 2024. This represents a relative increase of 35% in the proportion of the Paraguayan population considered middle class during

this period, growing from 21.7% in 2011 to 29.9% in 2024. In 2024, 1,768 million (29.9%) of the population is considered middle class.

Despite improvements in the reduction of poverty, inequality remains a problem for Paraguay. The Gini-index, the most commonly used measure of inequality, ranges from 0, which represents complete equality, to 1, which represents complete inequality. In 2024, Paraguay’s Gini coefficient stood at 0.444, remaining at the same level observed in 2023 and improving from 0.449 in 2022. Compared to 2017, when the Gini coefficient was 0.480, this represents a cumulative reduction of approximately 7.5% in income inequality. These figures indicate sustained progress in reducing inequality over the medium term, with recent years showing a stabilization of gains, although continued efforts are still required to achieve greater equity.

The average monthly household income in 2024 was approximately G.6,234 thousand (approximately US\$824.6). The disposable income for the wealthiest 20% of Paraguayans is 8 times higher than the total disposable income of a household in the poorest quintile.

The following table sets forth the average monthly income by monthly per capita income quintiles for the periods indicated.

	Average Monthly Income (in US\$)				
	2020	2021	2022	2023	2024
Lowest 20%.....	\$206.51	\$237.69	\$212.50	\$215.9	\$239.3
20% below.....	343.81	372.17	389.32	396.3	417.2
20% below.....	496.67	525.31	544.59	567.9	593.3
20% below.....	695.94	731.42	808.28	778.5	821.7
Top 20%.....	1,331.17	1,377.36	1,610.53	1,592.2	1,642.5
Total	\$892.45	\$725.11	\$792.72	\$787.7	\$824.6

(1) Calculated based on the annual average exchange rate.
Source: Bureau of Statistics and Census.

The government has created programs to address poverty, including Tekopora and a pension for older adults living in extreme poverty, and has promoted healthcare accessibility. The main purpose of Paraguay’s National Health System, established under the Constitution, is to allocate funds and medical resources to provide for those in need of medical assistance.

Tekopora is a monthly cash transfer with co-responsibilities granted by the Social Action Secretariat to previously selected families. It is intended for households living in extreme poverty in urban and rural areas and seeks to ensure access to health, education and food security for children, pregnant women, the elderly, indigenous communities and people living with disabilities. The current administration has implemented an adjustment to Tekopora program involving a 25% increase in the value of monetary transfers. Additionally, payments were adjusted to be made monthly instead of bi-monthly. As of December 2025, 191,312 families were receiving benefits under the Tekopora program.

The Food Pension for Seniors in Poverty Law, which became effective in 2012, establishes the right to maintenance for senior adults in poverty who do not receive government pension or retirement payments, and it determines pension payments for people aged 65 and over, corresponding to 25% of the minimum wage. In addition, a Universal Pension for Older Adults Law was recently enacted, expanding social protection for this population group. As of December 2025, approximately 340,000 were receiving pension payments.

The government also allocates funds to provide those in need with education, vocational work training and basic services.

The National Vocational Promotion Service (the “SNPP”) is an agency under the Ministry of Labor, Employment and Social Security created in 2013, which offers courses designed for people of different levels of education and belonging to different sectors of the economy. The services are provided through use of the SNPP’s headquarters, regional and sub-regional collaborating centers and mobile units that can reach anywhere in the country. Its primary objectives are organization, promotion and development of vocational training, qualifying workers of both sexes (preferably over 18 years old) and preparing them to enter a variety of professions.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

In 2021, Paraguay recorded a balance of payments surplus of US\$593.0 million (1.5% of GDP), mainly due to a surplus in the balance of goods and in secondary income.

In 2022, Paraguay recorded a balance of payments deficit of US\$134.3 million (0.3% of GDP), mainly due to a deficit in the current account due to a deficit in both the trade balance and the services sector. The deficit in the trade balance was driven by a sharp increase in imports and a decrease in exports.

In 2023, Paraguay recorded a balance of payments surplus of US\$356.7 million (0.8% of GDP), mainly due to a lower deficit in the current account due to an increase in exports that outpaced the increase of imports, resulting in a trade balance surplus. Conversely, the financial account saw a decrease in capital inflows compared to the same period in 2022.

In 2024, Paraguay recorded a balance of payments deficit of US\$492.7 million (1.1% of GDP), primarily due to a current account deficit, driven by a decrease in exports, including a reduction in electricity exports and further declines linked to lower prices of Paraguay's main export commodities.

As of the third quarter ended September 30, 2025, Paraguay recorded a balance of payments surplus of US\$132.3 million (0.4% of GDP), compared to a balance of payments deficit of US\$479.4 million (1.4% of GDP) in the same period of 2024. This outcome was mainly due to a deficit in trade balance, primarily driven by an increase in imports of capital and consumption goods. However, positive developments were seen in the services sector and in secondary income.

The Central Bank's international reserves increased by US\$1.1 billion from 2021 through 2025, reaching US\$11.0 billion as of December 31, 2025. The total international reserves of Paraguay in December 2025 represented 24.8% of total GDP and provided approximately 10.1 months coverage for imports of goods and services (excluding goods imported for re-export), compared to December 2024, international reserves represented 22.9% of GDP and provided approximately 10.1 months of coverage for imports of goods and services (excluding goods imported for re-export).

The global economic slowdown and disruptions in global supply chains, particularly in manufactured goods, attributable to the COVID-19 pandemic had an adverse effect on Paraguay's foreign trade performance. However, in 2023, trade along our borders rebounded as a result of the ease of the previously adopted restrictions to limit the spread of COVID-19, with a positive impact on our total exports, particularly exports of soybeans. Imports increased mainly as a result of an increase in products for domestic use.

As of September 2025, the Central Bank published data for the Balance of Payments in accordance with the fifth and sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM5 and BPM6). The following data and descriptions are presented according to the methodology set by the BPM6.

Balance of Payments⁽¹⁾
(in millions of US\$)

	For the year ended December 31,				Nine-month period ended September 30,	
	2021	2022	2023	2024	2024	2025
Current account	(243.2)	(2,699.5)	61.0	(1,521.7)	(615.1)	(902.5)
Trade balance ⁽²⁾	655.7	(1,849.5)	783.1	(1,153.5)	(228.0)	(1,063.9)
Exports.....	13,223.0	12,815.5	16,125.5	14,681.9	11,493.0	11,741.8
Imports.....	12,567.3	14,664.9	15,342.4	15,835.3	11,721.0	12,805.7
Services balance	(137.9)	(267.8)	11.4	323.4	194.5	569.5
Manufacturing services on physical inputs owned by others.....	350.4	492.6	554.0	568.1	409.7	426.9
Transportation.....	(411.4)	(615.5)	(381.7)	(626.8)	(410.9)	(532.8)
Travel.....	(114.9)	(233.6)	(232.8)	130.1	40.8	359.3
Other services ⁽³⁾	38.0	88.6	71.9	252.1	155.0	316.1
Primary income	(1,534.7)	(1,398.5)	(1,594.9)	(1,759.5)	(1,359.7)	(1,489.5)
Secondary income ⁽⁴⁾	773.6	816.2	861.5	1,067.9	778.1	1,081.3
Capital account	217.5	159.0	170.8	220.3	151.2	111.6
Net lending (+) / net borrowing (-)	(25.7)	(2,540.5)	231.8	(1,301.4)	(463.9)	(790.9)
Financial account.....	(1,134.4)	(2,281.9)	(1,327.3)	(2,113.3)	(1,244.6)	(1,444.1)
Direct investment ⁽⁵⁾	(161.0)	(508.3)	(807.0)	(931.0)	(726.4)	(633.2)
Direct investment assets ⁽⁶⁾	423.1	346.9	304.7	166.4	149.6	207.7
Direct investment liabilities ⁽⁷⁾	584.1	855.2	1,111.7	1,097.4	876.0	840.9
Portfolio investment ⁽⁸⁾	(111.1)	(100.2)	(207.4)	(854.5)	(883.6)	(864.7)
Other investment.....	(862.3)	(1,673.4)	(313.0)	(327.8)	365.4	53.8
Assets	(735.0)	(514.2)	840.5	1,086.0	831.1	465.2
Currency and deposits	(728.5)	(654.9)	605.0	839.1	680.5	373.0
Loans	(44.6)	(1.5)	83.1	81.4	43.4	(4.1)
Trade credit and advances.....	41.2	32.3	30.1	38.9	25.6	21.3
Other accounts receivable.....	(3.0)	110.0	122.3	126.6	81.6	75.0
Liabilities	127.3	1,159.2	1,153.4	1,413.8	465.7	411.4
Currency and deposits.....	30.7	(26.8)	27.1	21.0	14.8	38.3
Loans.....	(102.5)	1,147.7	956.3	1,236.9	344.6	59.8
Trade credit and advances	34.9	32.1	28.4	33.5	32.6	27.4
Other accounts payable	(108.0)	6.1	141.6	122.3	73.6	85.6
SDR allocations	272.2	0.0	0.0	0.0	0.0	200.3
Errors and omissions	(515.7)	124.3	(1,202.5)	(1,304.6)	(1,260.2)	(520.9)
Total balance of payments	593.0	(134.3)	356.7	(492.7)	(479.4)	132.3

(1) Preliminary data.

(2) Includes Itaipú Binational and Yacyretá Binational electricity exports.

(3) Other services include diplomatic services, banking and insurance commissions (including insurance and reinsurance premiums) from commercial transactions outside of Paraguay and communications services.

(4) Net debits and credits of worker remittances and donations.

(5) Includes private sector and National Treasury.

Source: Central Bank.

Current Account. During the nine-month period ended September 30, 2025, Paraguay recorded a current account deficit of US\$902.5 million (2.2 of GDP) compared to a current account deficit of US\$615.1 million in the same period in 2024, mainly attributable to the deficit in the trade balance. In 2024, Paraguay recorded a current account deficit of US\$1,521.7 million (3.4% of GDP) also due to a deficit in the trade balance. In 2023, Paraguay recorded a current account surplus of US\$61.0 million (0.1% of GDP) compared to a current account deficit of US\$2,699.5 (6.4% of GDP) in 2022, mainly attributable to the surplus in the trade balance. In 2021, Paraguay recorded a current account deficit of US\$243.2 million (0.6% of GDP), mainly attributable to a deficit in the primary income and the services sector.

Trade. The trade balance includes electricity exports made by Itaipú Binational and Yacyretá Binational, drawn from unutilized production capacity.

Services. The services balance of Paraguay's current account comprises four components, namely transportation, travel and other services. Manufacturing services on physical inputs owned by others makes up the key component of the services balance as of 2024. The transportation component of Paraguay's services balance reflects payments made for the use of foreign vessels and ground transportation to move merchandise into and out of Paraguay. The net travel component of the services balance records the difference in the expenditures incurred by inbound and outbound tourists travelling to and from Paraguay.

Primary income. The primary income component of the current account consists primarily of: (i) income associated with the production process such as the compensation of employees (income for the contribution of labor inputs to the production process), (ii) taxes and subsidies on products and production (income related to production) and (iii) income associated with the ownership of financial and other non-produced assets such as property income (return for providing financial assets and renting natural resources), investment income (the return for providing financial assets consisting of dividends and withdrawals from income of quasi-corporations, reinvested earnings, and interest). Primary income maintained a deficit from 2021 to the third quarter of 2025. This was mainly the result of debt service payments by the binational entities, and remittances and dividend payments by majority foreign-owned companies to their foreign shareholders and affiliates.

Secondary income. Secondary income is mainly comprised of workers' remittances and donations submitted and received from abroad and from the public and private sectors. During the nine-month period ended September 30, 2025, accumulated remittances represented 9.6% of Paraguay's total international reserves. In the same period in 2024, accumulated remittances represented 7.3 % of Paraguay's total international reserves.

Capital account. During the nine-month period ended September 30, 2025, the capital account recorded a surplus of US\$111.6 million (0.3% of GDP) compared to a surplus of US\$151.2 million (0.4% of GDP) in the same period in 2024. During the 2021-2024 period, the capital account registered successive surpluses due to the entry of capital transfers.

Financial Accounts. The private sector is a large recipient of capital inflows, mainly through FDI and returns on deposits and loans. FDI is the main long-term source of funds for the private sector. The public sector received a large portion of the capital inflows from 2013 and through 2022, derived from the issuance of sovereign bonds in the international capital markets. In 2021, the financial account recorded net inflows of US\$1,134.4 million (2.8% of GDP) as a result of sovereign bonds issued in international capital markets and FDI inflows, as compared to the previous years. In 2022, the financial account recorded net inflows of US\$2,281.9 million (5.4% of GDP) and, in 2023, the financial account recorded net inflows of US\$1,327.3 million (3.1% of GDP). This decrease in net inflows in 2023 compared to 2022 was mainly a result of lower net inflows of other investments. In 2024, the financial account recorded net inflows of US\$2,113.3 million (4.7% of GDP), as a result of an increase in inflows provided by loans from the public sector and FDI flows. During the nine-month period ended September 30, 2025, the financial account recorded net inflows of US\$1,444.1 million (4.0% of GDP), compared to net inflows of US\$1,244.6 million (3.7% of GDP) during the same period in 2024. This increase in net inflows was mainly a result of higher inflows provided by the issuance of sovereign bonds in the international capital markets.

Foreign Direct Investment

Paraguayan law grants equal treatment to foreign and domestic investment, except for the ownership of land near borders by foreigners. Sectors reserved to the Paraguayan Government are not open to private investment (either domestic or foreign). Pursuant to the Constitution, Paraguay owns all deposits of hydrocarbons and solid, liquid or gaseous minerals, except for rocky, earthy or calcareous substances, and may grant concessions for their exploitation.

Paraguay has entered into 30 (thirty) agreements related to bilateral investment, including agreements with South Africa, France, UK, Switzerland, Taiwan, Belgium, Luxembourg, the Netherlands, Korea, Hungary, Germany, Austria, Spain, Peru, Romania, Chile, Venezuela, Costa Rica, El Salvador, Czech Republic, Portugal,

Cuba, Italy, the United Arab Emirates and the State of Qatar. These agreements establish favorable conditions and provide a framework of legal certainty to investors and their investments.

Paraguay is also a member of the Multilateral Investment Guarantee Agency (“MIGA”), which offers foreign investment guarantees for non-commercial risks in developing countries, as well as dispute settlement services for the investments covered. Paraguay has also accepted the terms and conditions of the Overseas Private Investment Corporation of the United States of America, which finances and insures investment projects against risks such as the non-convertibility of currency, expropriation and political violence, inter alia.

FDI is the main long-term source of funds for the private sector, accounting for 2.1% of nominal GDP as of December 31, 2024. FDI flows totaled US\$3.1 billion between 2021 and 2024. FDI flows totaled US\$389.8 million in 2021, US\$950.9 million in 2022, US\$807.0 million in 2023 and US\$931.0 million in 2024. During the nine-month period ended September 30, 2025, FDI flows amounted to US\$633.2 million, marking a decrease of US\$93.2 million compared to same period in 2024, when FDI flows reached US\$726.4 million due to significant FDI flows in the form of equity and reinvested earnings. The decrease in FDI flows in 2021 is the result of the worldwide economic crisis due to the COVID-19 pandemic, which led to lower flows in the form of reinvested earnings and debt instruments. From 2021 to 2024, the largest source of FDI in Paraguay was Brazil, accounting for 24.3% of FDI flows, while the second largest source was the Cayman Islands, accounting for 12.2% of FDI flows.

The following table sets forth annual FDI flows by country for the periods indicated.

**Annual FDI Flows by Country of Origin
(in millions of US\$)**

Country	For the year ended December 31,				Nine-month period ended September 30,	
	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾	2024 ⁽¹⁾	2024 ⁽¹⁾	2025 ⁽¹⁾
Brazil.....	142.2	229.6	265.4	110.2	50.6	153.7
Cayman Islands.....	29.4	36.6	238.1	72.7	55.9	77.5
United Kingdom.....	160.3	7.1	17.9	99.0	64.6	58.5
Argentina.....	75.2	(37.2)	83.5	77.1	69.3	40.9
Chile.....	50.6	69.1	17.3	57.0	29.7	39.9
Canada.....	3.6	(1.1)	12.1	155.5	113.0	35.0
United States.....	41.9	144.4	(11.9)	(24.2)	(46.9)	30.9
British Virgin Islands.....	32.2	20.9	34.3	53.9	26.3	29.1
Ireland.....	17.4	34.0	52.7	23.2	14.5	26.2
Bolivia.....	(2.5)	2.8	65.7	60.9	50.1	26.1
Uruguay.....	18.6	(7.5)	98.5	17.1	16.5	26.1
Colombia.....	88.0	17.4	(6.2)	3.1	18.9	21.1
Germany.....	20.8	24.7	26.0	19.7	12.7	18.7
Panama.....	5.1	11.6	47.8	18.7	10.5	17.1
Others ⁽²⁾	(292.7)	398.6	(134.2)	187.2	240.6	32.7
Total	389.8	950.9	807.0	931.0	726.4	633.2

(1) Preliminary data.

(2) Includes Netherlands, Bahamas, Switzerland, Mexico, Italy, South Korea, Curaçao, Isle of Man, France, Hong Kong, China, Austria, Sweden, Denmark, South Africa, Singapore, United Arab Emirates, Portugal, Guatemala, Australia, Ecuador, Peru, Venezuela, Bulgaria, Jamaica, Estonia, Israel, Liechtenstein, Saint Kitts and Nevis, Ukraine, Tanzania, Barbados, Côte d'Ivoire, Lithuania, Equatorial Guinea, Puerto Rico, Saint Lucia, Egypt, Cyprus, Lebanon, Belize, New Zealand, Belgium, Philippines, Georgia, Monaco, El Salvador, Taiwan, India, Costa Rica, Morocco, Jersey, Japan, Norway, Marshall Islands, Luxembourg, Bermuda, Spain.

Source: Central Bank.

Foreign Trade

Paraguay's cumulative exports (excluding electricity exports) in 2025 totaled US\$9,860.9 million, representing an increase of 1.4% compared to 2024. The main destination for Paraguayan exports is MERCOSUR, to which exports (excluding electricity) amounted to US\$5,645.6 million in 2025, accounting for approximately 57.3% of Paraguay's total exports.

Other major destinations for Paraguayan exports included the rest of the Latin American Integration Association (the "LAIA") countries, the EU and Russia. Exports to the rest of the LAIA countries totaled US\$1,294.8 million in 2025, representing 13.1% of total exports. Within this group, Chile remained the main destination, accounting for US\$1,015.6 million, while Peru accounted for US\$111.2 million.

In 2025, exports to the European Union amounted US\$391.9 million, representing approximately 4.0% of total exports, and declined by 8.5% compared to 2024. Paraguay exported 1,000 tons of beef with a preferential tariff under the Hilton quota arrangement. As of the date of this Offering Memorandum, Paraguay had used 47.44% of its 2024/2025 quota.

Exports to Russia declined in 2025, totaling US\$165.5 million, down 16.6% from US\$198.3 million in 2024, and represented 1.7% of total exports.

Paraguay's main import trade partners in 2025 were China, which accounted for US\$6,707.1 million, representing 35.1% of total imports, and MERCOSUR member countries, which accounted for US\$5,671.1 million, or 29.6% of total imports.

Geographical Distribution of Merchandise Trade

The following table sets forth Paraguay's exports and imports by geographical distribution for the periods indicated.

Exports by geographical distribution (in millions of US\$, FOB value of exports, except as otherwise indicated)

TRADE BLOCKS	YEAR ENDED DECEMBER 31,					% CHANGE ⁽¹⁾	% OF TOTAL EXPORTS ⁽¹⁾
	2021	2022	2023	2024	2025 ⁽¹⁾		
LAIA	1,263.1	1,438.3	1,659.7	1,303.0	1,294.8	(0.6%)	13.1%
BOLIVIA	58.4	96.2	102.3	92.2	120.4	30.6%	1.2%
CHILE	998.5	1,153.5	1,229.6	932.1	1,015.6	9.0%	10.3%
COLOMBIA	17.5	33.8	37.2	27.0	24.7	(8.6%)	0.3%
CUBA	0.7	0.6	1.4	1.2	0.7	(43.2%)	-
ECUADOR	13.6	14.1	29.6	22.7	15.4	(32.2%)	0.2%
PERU	172.9	134.5	244.7	186.3	111.2	(40.3%)	1.1%
VENEZUELA	1.4	5.6	15.0	41.6	6.8	(83.7%)	0.1%
MERCOSUR	4,683.3	4,117.7	5,745.1	5,886.8	5,645.6	(4.1%)	57.3%
NORTH AMERICA FREE TRADE AGREEMENT (NAFTA)	245.8	318.0	311.2	486.2	716.4	47.4%	7.3%
CENTRAL AMERICAN INTEGRATION SYSTEM (SICA)	21.7	23.9	49.4	37.2	45.9	23.5%	0.5%
CARIBBEAN COMMUNITY (CARICOM)	13.9	20.7	13.6	8.6	5.2	(39.4%)	0.1%
REST OF THE CARIBBEAN	15.8	20.2	14.5	18.0	15.0	(17.0%)	0.2%
EUROPEAN UNION	496.8	437.2	506.3	428.2	391.9	(8.5%)	4.0%
RUSSIA	756.7	356.4	266.8	198.3	165.5	(16.6%)	1.7%
REST OF EUROPE	134.1	133.1	212.7	143.7	188.0	30.8%	1.9%
EAST ASIA	306.6	391.8	544.3	384.3	482.1	25.4%	4.9%
CHINA	77.3	63.8	151.0	111.8	95.7	(14.4%)	1.0%
SOUTH KOREA	24.5	90.3	119.3	22.4	14.5	(35.4%)	0.1%
JAPAN	46.1	15.8	49.9	21.3	28.8	35.3%	0.3%
REST OF EAST ASIA	158.8	221.9	224.1	228.8	343.1	50.0%	3.5%
ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)	140.2	233.7	228.7	167.6	91.3	(45.5%)	0.9%
WESTERN ASIA	200.4	170.3	127.2	217.8	290.4	33.3%	2.9%
GULF COOPERATION COUNCIL (GCC)	59.0	135.4	68.7	83.3	91.4	9.7%	0.9%
OTHER COUNTRIES OF WESTERN ASIA	-	-	-	-	-	-	-
REST OF ASIA	429.2	327.9	402.1	206.4	178.9	(13.3%)	1.8%
AFRICA	171.0	152.5	163.3	148.5	247.9	-	-
SOUTHERN AFRICA CUSTOM UNION (SACU)	2.1	2.3	2.9	2.4	1.8	(26.2%)	-
OTHER COUNTRIES OF AFRICA	168.9	150.2	160.5	146.1	246.1	68.5%	2.5%
CLOSER ECONOMIC RELATIONS (CER)	3.2	8.2	6.0	8.0	10.5	30.9%	0.1%
REST OF THE WORLD	0.7	-	-	-	-	-	-
TOTAL	8,941.6	8,285.5	10,319.8	9,726.0	9,860.7	1.4%	100.0%

% CHANGE | 31.8% (7.3%) 24.5% (5.8%) 1.4%

(1) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance, including data from the Central Bank.

In 2025, electricity exports amounted to US\$1,219.8 million, representing approximately 11.0% of Paraguay's total exports, which totaled US\$11,080.7 million that year. Electricity exports were directed exclusively to Brazil and Argentina.

Brazil remained the main destination for Paraguayan electricity exports in 2025, accounting for US\$894.2 million, equivalent to 73.3% of total electricity exports. Argentina was the second destination, with electricity imports from Paraguay totaling US\$325.6 million, representing 26.7% of electricity exports. No electricity exports were recorded to Uruguay or to countries outside MERCOSUR during the year.

**Total Exports and Exports of Electricity, including Binational Energy Sales
(in millions of US\$, FOB value of exports)**

	Year ended December 31,					% Change ⁽¹⁾ Dec. 2024 -Dec. 2025	% of Total Exports ⁽¹⁾ 2025
	2021	2022	2023	2024	2025 ⁽¹⁾		
Non-Electrical Exports.....	8,941.6	8,285.9	10,319.8	9,726.1	9,860.9	1.4%	89.0%
Exports of Electricity	1,629.4	1,662.4	1,549.3	1,188.3	1,219.8	2.7%	11.0%
Mercosur	1,629.4	1,662.4	1,549.3	1,188.3	1,219.8	2.7%	11.0%
Argentina	255.3	404.4	509.9	191.8	325.6	69.8%	2.9%
Brazil.....	1,374.1	1,258.0	1,039.4	996.5	894.2	(10.3%)	8.1%
Uruguay	-	-	-	-	-	-	-
Rest of the world	-	-	-	-	-	-	-
Total	10,571.0	9,948.3	11,869.1	10,914.4	11,080.7	1.5%	100.0%

(1) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance, including data from the Central Bank.

**Exports of Electricity
(% of total exports to such region or country, unless otherwise indicated)**

Trade Blocks	Year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
MERCOSUR.....	100.0%	100.0%	100.0%	100.0%	100.0%
Argentina	15.7%	24.3%	32.9%	16.1%	26.7%
Brazil.....	84.3%	75.7%	67.1%	83.9%	73.3%
Uruguay	-	-	-	-	-
Rest of the world.....	-	-	-	-	-
Total	1,629.4	1,662.4	1,549.3	1,188.3	1,219.8

(1) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance, including data from the Central Bank.

Imports by Geographical Distribution
(in millions of US\$. CIF value of imports)

Trade Blocs	Year ended December 31,					%	% of Total
	2021	2022	2023	2024	2025 ⁽¹⁾	Change ⁽¹⁾	Imports ⁽¹⁾
LATA	263.3	300.3	277.6	340.8	377.5	10.8%	2.0%
Bolivia	72.1	79.0	57.2	75.9	86.0	13.3%	0.4%
Chile	117.7	127.1	136.2	171.2	171.4	0.1%	0.9%
Colombia	47.5	58.3	48.1	54.2	73.3	35.1%	0.4%
Cuba	0.1	0.3	0.2	0.3	0.7	110.5%	-
Ecuador	6.9	9.7	8.0	10.0	11.8	17.2%	0.1%
Peru	18.9	25.4	27.7	29.0	34.3	18.3%	0.2%
Venezuela	0.2	0.6	0.1	0.1	-	(59.9%)	-
MERCOSUR	4,680.6	5,158.5	5,311.6	5,476.7	5,671.1	3.6%	29.6%
North America Free Trade Agreement (NAFTA)	1,219.8	1,778.6	1,539.4	1,402.2	1,430.7	2.0%	7.5%
Central American Integration System (SICA)	13.3	15.0	16.8	26.7	25.8	(3.2%)	0.1%
Caribbean Community (CARICOM)	0.4	0.4	0.4	0.5	19.1	3,924.7%	0.1%
Rest of the Caribbean	3.1	3.1	7.3	9.8	5.5	(44.6%)	-
European Union	1,006.3	1,147.5	1,190.1	1,233.6	1,365.9	10.7%	7.1%
Russia	191.3	275.5	102.0	131.9	104.1	(21.1%)	0.5%
Rest of Europe	262.3	313.3	274.4	388.6	397.4	2.3%	2.1%
East Asia	4,606.1	5,236.7	5,990.2	6,294.0	7,440.0	18.2%	38.9%
China	4,114.2	4,736.4	5,477.4	5,691.4	6,707.1	17.8%	35.1%
South Korea	186.7	211.7	184.5	237.9	275.0	15.6%	1.4%
Japan	264.0	245.6	268.0	307.2	367.2	19.5%	1.9%
Rest of East Asia	41.3	43.2	60.2	57.5	90.8	58.0%	0.5%
Association of Southeast Asian Nations (ASEAN)	515.5	632.6	492.9	907.8	1,188.8	30.9%	6.2%
Western Asia	11.0	28.2	52.4	52.4	76.6	46.4%	0.4%
Gulf Cooperation Council (GCC)	260.8	447.5	430.9	302.6	432.0	42.8%	2.3%
Other countries of Western Asia	-	-	-	-	-	-	-
Rest of Asia	471.6	418.2	334.8	487.5	460.9	(5.5%)	2.4%
Africa	72.0	87.0	96.5	142.6	125.4	(12.1%)	0.7%
Southern Africa Custom Union (SACU)	2.6	6.9	10.0	6.7	5.9	(10.9%)	-
Other countries of Africa	69.4	80.1	86.6	136.0	119.4	(12.2%)	0.6%
Closer Economic Relations (CER)	6.9	4.1	2.6	8.3	4.8	(42.0%)	-
Rest of the World	28.4	33.1	14.3	3.8	5.4	41.0%	-
Total	13,612.9	15,879.6	16,134.4	17,209.7	19,130.9	11.2%	100.0%
% Change	33.2%	16.7%	1.6%	6.7%	11.2%		

(1) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance, including data from the Central Bank.

Paraguay's exports (excluding electricity) have historically been concentrated in agricultural commodities, particularly soybeans, beef, fats and oils, and cereals. As a result, export revenues remain highly exposed to international commodity price fluctuations and weather conditions.

In 2025, exports of soybeans, frozen and fresh or chilled bovine meat, soybean meal and oil extract residues, and rice amounted to US\$5,419.5 million, calculated as the sum of soybeans (US\$2,354.4 million), frozen bovine meat (US\$1,279.7 million), fresh or chilled bovine meat (US\$815.8 million), soybean meal and oil extract residues (US\$605.0 million), and rice (US\$364.6 million). These products accounted for approximately 54.9% of Paraguay's total exports in 2025, based on total exports of US\$9,860.9 million.

In comparison, exports of the same products totaled US\$5,925.2 million in 2024. Accordingly, exports of these products declined by US\$505.7 million between 2024 and 2025, equivalent to an 8.5% decrease year on year.

At the product level, soybean exports decreased significantly in 2025, falling by 25.7%, from US\$3,170.3 million in 2024 to US\$2,354.4 million in 2025. In contrast, exports of frozen bovine meat increased markedly by 34.4%, reaching US\$1,279.7 million in 2025, compared to US\$952.1 million in the previous year. Exports of fresh or chilled bovine meat also increased, rising by 6.4% from US\$767.0 million in 2024 to US\$815.8 million in 2025.

Exports of soybean meal and oil extract residues showed a modest increase of 1.7%, totaling US\$605.0 million in 2025, while rice exports declined by 17.3%, falling from US\$440.8 million in 2024 to US\$364.6 million in 2025.

The following tables set forth the amount and percentage of total exports by products for the periods indicated.

Total Exports by Products
(in millions of US\$ in FOB prices)

Products ⁽¹⁾	Year ended December 31,					% of
	2021	2022	2023	2024	2025	Change ⁽²⁾
Soybeans	2,975.1	1,226.8	3,424.0	3,170.3	2,354.4	(25.7%)
Frozen beef.....	772.6	850.4	734.3	952.1	1,279.7	34.4%
Fresh beef.....	788.7	883.5	795.3	767.0	815.8	6.4%
Soybean oil.....	621.4	534.2	516.5	409.3	612.5	49.6%
Soybean meal	764.2	586.3	885.1	594.9	605.0	1.7%
Corn.....	409.1	1,088.7	750.7	322.3	596.6	85.1%
Electric wires and cables	235.3	277.3	310.0	348.6	405.6	16.4%
Rice	273.9	293.4	414.9	440.8	364.6	(17.3%)
Other oilseeds.....	117.0	148.3	186.3	209.7	278.5	32.8%
Wheat	89.2	108.1	67.0	127.8	121.2	(5.2%)
Agrochemicals.....	68.0	132.4	114.0	129.7	104.5	(19.4%)
Pharmaceutical products	53.5	61.9	62.0	68.7	83.7	21.8%
Ethyl alcohol	92.1	144.0	140.2	121.0	80.4	(33.5%)
Aluminum scrap	41.5	61.0	51.4	66.5	78.4	17.8%
Edible animal offal ...	78.3	82.4	61.7	64.3	78.2	21.6%
Animal casings	57.1	44.2	48.6	63.2	73.1	15.7%
Animal fats	54.9	70.5	51.0	53.5	65.5	22.4%
Metal caps and closures	37.3	59.5	76.4	63.6	64.1	0.9%
Aluminum products..	61.4	56.8	18.0	72.0	62.1	(13.8%)
Paper and paperboard	48.5	61.1	60.7	56.7	59.6	5.1%
Milk and cream.....	22.5	38.2	54.1	48.0	56.0	16.6%
Pork meat	8.5	5.2	18.5	31.5	54.2	71.7%
Copper scrap.....	46.3	40.6	33.2	42.0	51.9	23.6%
Charcoal	47.9	61.0	53.0	53.7	49.7	(7.6%)
Plastic packaging.....	63.2	56.5	45.2	59.4	45.2	(24.0%)
Household textiles	8.7	12.5	14.8	28.9	41.0	42.1%
Animal feed.....	22.6	28.7	34.1	33.8	40.0	18.1%
Rapeseed and mustard oil	17.8	29.7	57.0	47.5	37.6	(20.7%)
Blankets.....	27.0	39.9	35.4	34.9	37.4	7.1%
Women's apparel.....	13.4	20.3	30.0	37.2	37.3	0.3%
Other	1,024.5	1,182.5	1,176.5	1,207.1	1,227.1	1.7%
Total	8,941.6	8,285.9	10,319.8	9,726.1	9,860.9	1.4%
% Change	31.8%	(7.3%)	24.5%	(5.8%)	1.4%	

(1) Products are classified according to the Harmonized Commodity Description and Coding System.

(2) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance. including data from the Central.

**Percentage of Total Exports by Products
(in percentages)**

Products ⁽¹⁾	Year ended December 31,				
	2021	2022	2023	2024	2025 ⁽²⁾
Soybeans	33.3	14.8	33.2	32.6	23.9
Frozen beef.....	8.6	10.3	7.1	9.8	13.0
Fresh beef.....	8.8	10.7	7.7	7.9	8.3
Soybean oil.....	6.9	6.4	5.0	4.2	6.2
Soybean meal	8.5	7.1	8.6	6.1	6.1
Corn.....	4.6	13.1	7.3	3.3	6.0
Electric wires and cables .	2.6	3.3	3.0	3.6	4.1
Rice	3.1	3.5	4.0	4.5	3.7
Other oilseeds.....	1.3	1.8	1.8	2.2	2.8
Wheat	1.0	1.3	0.6	1.3	1.2
Agrochemicals.....	0.8	1.6	1.1	1.3	1.1
Pharmaceutical products..	0.6	0.7	0.6	0.7	0.8
Ethyl alcohol	1.0	1.7	1.4	1.2	0.8
Aluminum scrap	0.5	0.7	0.5	0.7	0.8
Edible animal offal	0.9	1.0	0.6	0.7	0.8
Animal casings	0.6	0.5	0.5	0.6	0.7
Animal fats.....	0.6	0.9	0.5	0.6	0.7
Metal caps and closures...	0.4	0.7	0.7	0.7	0.7
Aluminum products.....	0.7	0.7	0.2	0.7	0.6
Paper and paperboard	0.5	0.7	0.6	0.6	0.6
Milk and cream.....	0.3	0.5	0.5	0.5	0.6
Pork meat	0.1	0.1	0.2	0.3	0.5
Copper scrap.....	0.5	0.5	0.3	0.4	0.5
Charcoal	0.5	0.7	0.5	0.6	0.5
Plastic packaging.....	0.7	0.7	0.4	0.6	0.5
Household textiles	0.1	0.2	0.1	0.3	0.4
Animal feed.....	0.3	0.3	0.3	0.3	0.4
Rapeseed and mustard oil	0.2	0.4	0.6	0.5	0.4
Blankets.....	0.3	0.5	0.3	0.4	0.4
Women's apparel.....	0.2	0.2	0.3	0.4	0.4
Other	11.5	14.3	11.4	12.4	12.4
Total	100.0	100.0	100.0	100.0	100.0

(1) Products are classified according to the Harmonized Commodity Description and Coding System.

(2) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance. Includes data from the Central Bank.

In 2025, the leading imports were petroleum oils and fuels (US\$1,911.1 million), telecom equipment (US\$1,801.3 million), and passenger vehicles (US\$774.2 million). Taken together, these products represented 23.5% of total imports in 2025.

In 2024, imports of the same products totaled approximately US\$4,372.5 million. Accordingly, the combined value of imports of petroleum oils and fuels, telecom equipment and passenger vehicles increased by US\$114.1 million between 2024 and 2025, which corresponds to a 2.5% increase year on year.

In 2025, the most significant increases in imports were observed in electrical machinery (117.7%), which more than doubled compared to the previous year, hormones and derivatives (1,004.8%), which rose sharply from a very low base, and aircraft and spacecraft (257.1%). Overall, the expansion of imports in 2025 is consistent with the recovery and strengthening of economic activity in the country.

The following table sets forth Paraguay's imports by product for the periods indicated.

Total Imports by Product
(in millions of US\$ in CIF prices)

Products ⁽¹⁾	Year ended December 31,					% of
	2021	2022	2023	2024	2025 ⁽²⁾	Change ⁽²⁾
Petroleum oils and fuels	1,619.5	2,418.4	1,983.8	2,177.7	1,911.1	(12.2%)
Telecom equipment	1,156.7	1,201.3	2,077.7	1,506.9	1,801.2	19.5%
Passenger vehicles	467.6	570.2	551.9	687.9	774.2	12.6%
Electrical machinery	98.8	63.6	117.6	255.1	555.3	117.7%
Data processing machines	320.1	400.1	414.6	410.3	474.4	15.6%
Compound fertilizers	348.3	357.1	363.0	360.4	389.3	8.0%
Agrochemicals	358.7	481.2	425.0	512.8	382.2	(25.5%)
New rubber tires	291.7	348.4	342.9	357.5	356.7	(0.2%)
Goods transport vehicles	251.7	248.4	264.8	309.2	316.2	2.3%
Perfumes and toilet waters	62.2	87.8	112.6	161.6	298.0	84.4%
Blood products and vaccines	177.6	206.9	240.8	205.3	268.9	31.0%
Pharmaceutical products	199.8	203.2	223.3	249.9	254.9	2.0%
Motorcycles	96.5	99.4	89.8	161.3	200.5	24.3%
Electric wires and cables	146.6	164.1	183.7	189.6	199.3	5.1%
Air conditioning machines	74.0	88.6	69.9	165.8	189.9	14.5%
Beer made from malt	154.3	147.9	158.9	185.2	183.4	(1.0%)
TVs and video displays	135.5	150.0	139.7	144.1	162.6	12.9%
Potassic fertilizers	116.7	184.0	188.2	143.2	162.6	13.5%
Auto parts and accessories	95.5	113.3	111.2	136.2	156.4	14.8%
Aluminum plates and sheets	110.5	153.3	90.0	141.9	153.7	8.4%
Tractors	145.9	148.2	179.7	171.8	145.3	(15.4%)
Food preparations	78.5	84.9	87.4	115.2	130.1	12.9%
Nitrogen fertilizers	86.0	119.5	99.1	102.7	124.0	20.8%
Refrigeration equipment	101.5	99.9	80.3	120.1	123.0	2.4%
Harvesting machinery	103.4	145.5	188.2	133.3	117.6	(11.8%)
Aircraft and spacecraft	30.1	11.4	25.1	32.9	117.4	257.1%
Hot-rolled steel products	102.9	75.7	93.1	95.4	114.7	20.2%
Unmanufactured tobacco	61.5	58.1	87.3	120.0	111.0	(7.4%)
Audio equipment	85.6	84.5	88.4	91.9	110.7	20.5%
Hormones and derivatives	4.5	7.7	6.5	9.4	103.5	1,004.8%
Other	6,530.3	7,356.8	7,050.1	7,755.4	8,742.7	12.7%
Total	13,612.9	15,879.6	16,134.4	17,209.7	19,130.9	11.2%
% Change	33.2%	16.7%	1.6%	6.7%	11.2%	

(1) Products are classified according to the Harmonized Commodity Description and Coding System.

(2) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance, including data from the Central Bank.

The following table sets forth the percentage of total imports by products for the periods indicated.

Total Imports by Products
(in percentages)

Products ⁽¹⁾	Year ended December 31,				
	2021	2022	2023	2024	2025 ⁽²⁾
Petroleum oils and fuels	11.2	11.9	15.2	12.3	12.7

Telecom equipment	11.3	8.5	7.6	12.9	8.8
Passenger vehicles	4.0	3.4	3.6	3.4	4.0
Electrical machinery	0.2	0.7	0.4	0.7	1.5
Data processing machines	1.4	2.4	2.5	2.6	2.4
Compound fertilizers	2.2	2.6	2.2	2.3	2.1
Agrochemicals	3.5	2.6	3.0	2.6	3.0
New rubber tires	1.6	2.1	2.2	2.1	2.1
Goods transport vehicles	1.5	1.8	1.6	1.6	1.8
Perfumes and toilet waters	0.3	0.5	0.6	0.7	0.9
Blood products and vaccines	1.0	1.3	1.3	1.5	1.2
Pharmaceutical products	1.6	1.5	1.3	1.4	1.5
Motorcycles	0.6	0.7	0.6	0.6	0.9
Electric wires and cables	0.9	1.1	1.0	1.1	1.1
Air conditioning machines	0.6	0.5	0.6	0.4	1.0
Beer made from malt	1.1	1.1	0.9	1.0	1.1
TVs and video displays	1.1	1.0	0.9	0.9	0.8
Potassic fertilizers	0.8	0.9	1.2	1.2	0.8
Auto parts and accessories	0.7	0.7	0.7	0.7	0.8
Aluminum plates and sheets	0.5	0.8	1.0	0.6	0.8
Tractors	0.8	1.1	0.9	1.1	1.0
Food preparations	0.8	0.6	0.5	0.5	0.7
Nitrogen fertilizers	0.6	0.6	0.8	0.6	0.6
Refrigeration equipment	0.6	0.7	0.6	0.5	0.7
Harvesting machinery	0.6	0.8	0.9	1.2	0.8
Aircraft and spacecraft	0.2	0.2	0.1	0.2	0.2
Hot-rolled steel products	0.5	0.8	0.5	0.6	0.6
Unmanufactured tobacco	0.9	0.5	0.4	0.5	0.7
Audio equipment	0.4	0.6	0.5	0.5	0.5
Hormones and derivatives	0.0	0.0	0.0	0.0	0.1
Other	48.6	48.0	46.3	43.7	45.1
Total	100.0	100.0	100.0	100.0	100.0

(1) Products are classified according to the Harmonized Commodity Description and Coding System.

(2) Preliminary data.

Source: General Directorate of Trade Policy and Integration; Ministry of Economics and Finance. Including data from the Central Bank.

MERCOSUR

MERCOSUR is the most important of Paraguay's preferential trade agreements. It was established in 1991 by the governments of Argentina, Brazil, Uruguay and Paraguay pursuant to the Treaty of Asunción. MERCOSUR's objective is to create a common market and ensure the free movement of goods, services, capital, and labor among member countries.

In 1995, MERCOSUR established a common external tariff ("CET"), aimed at unifying tariff policies of the member states to facilitate trade exchanges. In 2004, MERCOSUR established an origin status for products imported from outside MERCOSUR that complies with MERCOSUR's common tariff policy. The aim was to achieve the free movement of goods and eliminate the double charging of a CET. The first stage in this process, which began in January 2006, refers to goods with a 0% rating in all the member countries or with a tariff preference of 100% within the framework of the agreements concluded by MERCOSUR with third parties. The second stage, which is expected to cover all the goods subject to the CET, has not been implemented yet, although a first step, the entry into force of a MERCOSUR Customs Code, has already been initiated.

As of the date of this Offering Memorandum, the CET has not been fully implemented by the MERCOSUR member states due to the continuous application of exceptions. Each member country maintains a list of CET exceptions that, in Paraguay's case, cover 22.2% of all tariff lines and establish an average tariff that is lower than

MERCOSUR's average CET. The modification of CET rates requires the consent of all MERCOSUR members. The MERCOSUR member states recognize the need to revise the CET to achieve greater competitiveness for the bloc.

The following table sets forth the exceptions to the CET and tariff averages as of December 31, 2025.

**Exceptions to the Common External Tariff and Tariff Averages
As of December 31, 2025**

Tariff Lines NCM (8 digits)	Total Simple Average			List of Exceptions	
	Total	Agricultural goods	Non-agricultural goods	N° of Tariff Lines (*)	% over total Tariff lines
10,504	7.2	8.9	7.00	2,333	22.2

(*) List of National Exceptions, Capital, Computing and Telecommunication Goods

Source: General Directorate of Trade Policy and Integration, Ministry of Economy and Finance

MERCOSUR, as a group, acceded to the Global System of Trade Preferences among developing countries in 2006. Free-trade agreements have been signed by MERCOSUR with Israel (2007), Egypt (2010), Palestine (2011) and SACU (2008), which includes Botswana, Lesotho, Namibia, South Africa, and Swaziland. Apart from the agreement with Palestine, all these agreements have been ratified and are in force.

MERCOSUR has also signed framework agreements to formally initiate preferential trade negotiations with Jordan (2008), which has been ratified by all parties and is in full force; Turkey (2008), which is pending ratification by the Paraguayan and Turkish governments; Pakistan (2006), which is pending ratification by the Paraguayan and Turkish governments; the GCC (which includes the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait) (2005), which is pending ratification by the GCC; and Morocco (2004), which has been ratified by all parties and is in full force. These framework agreements generally involve the establishment of a negotiating committee, composed of the respective parties, to exchange information and propose measures, inter alia.

In addition, Memoranda of Understanding on the promotion of trade and investment have been signed by MERCOSUR with Trinidad and Tobago (1999), Guyana (1999), Syria (2010), Tunisia (2014), Suriname (2015) and the Eurasian Union (2018). These cover, inter alia, exchange of information, identification of areas of mutual interest and measures for expanding trade and investment.

On July 17, 2015, MERCOSUR's members approved the accession protocol of the Plurinational State of Bolivia and the status of partner-states of MERCOSUR of the Republic of Surinam and Cooperative Republic of Guyana. In a significant development in 2024, Bolivia's Senate approved and ratified the protocol signed in 2015, with the President promulgating it on July 5, 2024. Subsequently, on July 8, 2024, during the Summit of Heads of State in Asunción, Bolivia formally presented its Ratification Instrument of the Protocol of Accession to MERCOSUR. Meanwhile, the treaties regarding Suriname and Guyana's partner-state status remain pending ratification.

In September 2016, MERCOSUR's coordinators imposed on the Bolivarian Republic of Venezuela a deadline for compliance with the incorporation of legal instruments listed in the Protocol of Accession to MERCOSUR, which signed on July 4, 2006. In August 2017, Argentina, Brazil, Paraguay and Uruguay decided to suspend the Bolivarian Republic of Venezuela in all rights and obligations to its status as a MERCOSUR member state for its failure to comply with the Ushuaia Protocol regarding commitment to democracy.

In 2017, the MERCOSUR members executed (i) the MERCOSUR Investment Agreement, a common instrument that intends to promote the growth of investment at the regional level, (ii) the MERCOSUR Public Procurement Agreement, which intends to allow companies established in any MERCOSUR country to participate in national public procurement bidding without having a domicile in the country that requests proposals, and (iii) the new MERCOSUR-Colombia Agreement, which refers to the Economic Complementation Agreement (ACE No. 72) which replaces the ACE 59 signed in 2004 by MERCOSUR with Colombia, Ecuador and Venezuela, creating a free trade zone in 2018, and includes special rules agreed by Argentina and Brazil with Colombia for the automotive,

chemical and plastics sectors. The legal regulation to implement the MERCOSUR-Colombia Agreement was approved by Congress in January 2019; however, the MERCOSUR Investment Agreement and the MERCOSUR Public Procurement Agreement have not yet been ratified.

On June 28, 2019, after more than 20 years of longstanding negotiations, MERCOSUR and the EU reached a landmark agreement regarding economic cooperation and integration. Such agreement is intended to grant MERCOSUR access to the EU's market, of strategic importance for MERCOSUR members, with lower costs and trade restrictions, and it is expected to increase exports from regional economies, consolidate the participation of local companies in the global economy, promote investment, foster technological transfers and increase competitiveness. During the 57th Annual MERCOSUR Presidential Summit, the MERCOSUR member states reiterated their willingness to ratify the EU-MERCOSUR Free Trade Agreement.

At the MERCOSUR summit in December 2024, the Member States celebrated the definitive conclusion of negotiations for an Association Agreement between MERCOSUR and the European Union, while also highlighting the potential economic and trade benefits that the agreement will bring to MERCOSUR countries.

Furthermore, negotiations between MERCOSUR and EFTA were concluded in July 2025, and the agreement was signed on September 16, 2025.

In addition, during the 57th Annual MERCOSUR Presidential Summit, the member states of the MERCOSUR confirmed the importance of continuing the work with the Pacific Alliance for the implementation of the Puerto Vallarta Action Plan. The Puerto Vallarta Action Plan was established in 2018 with the firm's goal of continuing to promote sustainable and inclusive economic development, and the competitiveness of Pacific Alliance members by supporting free trade and regional integration.

As of the date of this Offering Memorandum, MERCOSUR is engaged in trade negotiations with partners across North America, East Asia, and the Middle East. The organization has also launched initiatives to expand trade relationships throughout Central America and Southeast Asia, aiming at strengthening regional integration through deeper business ties.

Since 2021, MERCOSUR has broadened its focus by pursuing trade expansion with partners in South Asia, North Africa, Southern Africa, and along South America's Pacific coast. The organization has also proposed a memorandum of understanding with the Pacific Alliance to enhance regional commercial integration, while continuing to develop new trade agreements with nations in the Caribbean and Central American region. During the Annual MERCOSUR Presidential Summit under the Paraguayan Pro Tempore Presidency in July 2022, the member states of the MERCOSUR and Singapore concluded negotiations for a Free Trade Agreement after six rounds of negotiations which began in 2019. This agreement constitutes MERCOSUR's first instrument with a Southeast Asian country and will allow expanded trade flows and increase predictability through modern disciplines and better conditions for investment. On December 7, 2023, within the context of the MERCOSUR Presidents' Summit in Rio de Janeiro, Brazil, the MERCOSUR members and Singapore executed the Free Trade Agreement. The overall coordination of this agreement was led by Paraguay.

Other Preferential Trade Relationships

Paraguay offers preferential access to imports from over 20 countries: Argentina, Brazil, Uruguay, Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, Panama, India, Israel, Egypt, Singapore, and SACU members (South Africa, Botswana, Lesotho, Namibia, Eswatini) (the first four being MERCOSUR member states, with Bolivia having become a full member in 2024 and Panama having become an associated country in January 2025). These preferences are granted through its participation in MERCOSUR, MERCOSUR agreements with countries outside the region and preferences negotiated in the context of Paraguay's membership to the LAIA.

In the Uruguay Round, the eighth round of multilateral trade negotiations conducted under the General Agreement on Tariffs and Trade (the "GATT"), Paraguay bound its imports tariff rate at a ceiling of 35%. When it joined the GATT, Paraguay had bound its tariffs at rates ranging from 10% to 35%, giving Paraguay an average

bound tariff of 33.5%. The gap between applied and bound tariffs remains relatively wide. Market access commitments on agricultural products are not subject to tariff-quota-based limitations.

The arithmetic means of applied most favored nation (“MFN”) tariff to imports in 2025 was 8.9% for agricultural products and 7.00% for non-agricultural products. Paraguay grants at least MFN treatment to all its trading partners. All rates are levied on the CIF value of the product imported. Paraguay did not make use of temporary or variable levies on imports between 2009 and 2025.

In addition to tariffs, imports are subject to other duties and taxes, including a “valuation fee” of 0.5% of the transaction value, a consular fee for endorsing documents, and a duty equivalent to 7% of the consular fee to finance the National Indigenous Institute. Value-added tax (“VAT”) is imposed on sales of imported and domestic goods and services alike. In 2022, VAT applied at a general flat rate of 10%, except for certain household necessities, pharmaceuticals, and books, to which a reduced rate of 5% applies. Sales of agricultural products in their natural condition are subject to VAT at a rate of 5%. Excise taxes apply to a group of products, whether imported or domestically produced, including mainly tobacco, alcoholic beverages, perfumes, and petroleum fuels at rates ranging from 1% to 38%.

In 2020, Paraguay’s automotive trade agreements with Brazil and Argentina became effective, marking a key step in advancing the establishment of the MERCOSUR automotive policy and imposing predictability and legal certainty to attract investment in the automotive sectors in the relevant countries. These agreements determine the liberalization of trade in products originating from the member countries, the regional index of content for automobiles and auto parts (rules of origin), the treatment of used vehicles, as well as the treatment of new products.

MONETARY SYSTEM

The Central Bank

The Central Bank was established in 1952 and works together with the government on monetary, credit, and foreign exchange policies. The Central Bank is also responsible for the supervision and regulation of the financial system. Congress approved a new charter of the Central Bank in 1995 to define more clearly the Central Bank's monetary and foreign exchange management capacity and to enhance its supervisory powers. The Central Bank also serves as a financial agent and economic advisor of the government.

The Central Bank is governed by a five-member board of directors, including the president of the Central Bank. All board members are appointed by the president and ratified by the Senate. Board members serve five-year terms with no limit on the number of terms a member may serve. The Central Bank, acting through the Superintendence of Banks, exercises supervision, reorganization and regularization powers over all banks, financial companies, warehousing companies and foreign exchange trading institutions in Paraguay, which together comprise the financial sector. Acting through the Superintendence of Insurance, the Central Bank also exercises supervision powers over all insurance and reinsurance entities.

The principal law governing the financial sector is Law No. 861/96 as amended by Law No. 5787/16. This law, as amended, provides rules for the creation and supervision of financial entities, as well as for the protection of the financial system. Law No. 861/96 incorporates the Basel Committee on Banking and Supervision ("Basel") provisions relating to the supervision of banks and minimum capital requirements. The Board of the Central Bank must authorize the opening of banks, finance companies and other credit institutions. There are no limits on the participation of foreign capital in financial entities or requirements with respect to the nationality of the members of the board of directors or shareholders. Law No. 861/96 establishes that foreign investment in financial entities will receive the same treatment as domestic capital. According to Article 23 of Law No. 861/96, owners of shares in a bank that allow them to exercise shareholder control or decisively influence the corporate actions of the bank may not hold more than 20% of the shares of another bank, finance company or credit institution. On the other hand, a bank is permitted to be the principal shareholder of an insurance company.

In 2003, Paraguay enacted Law No. 2334/03, which created the concept of a deposit guarantee fund and set up a procedure for winding down companies based on a system of asset and liability transfers intended to ensure rapid and efficient liquidation. See "— Reorganization Regime" and "—Deposit Guarantee Fund." In 2005, the Central Bank and the central government proposed reforms to the legislation of the financial system, including a reform to the Central Bank's Organic Law (Law No. 489/95), intended to provide the Central Bank with greater powers, tools and effective instruments in order to supervise the financial sector.

In 2018, Congress enacted Law No. 6104/18 further amending the Central Bank's Organic Law, enhancing the Central Bank's powers and instruments to supervise the financial sector and providing greater autonomy to the Superintendence of Banks, thus enabling it to adapt its supervision in response to increasingly sophisticated international financial practices. These measures were, in addition to other reforms, promulgated in December 2016, which aimed at strengthening the adoption of a risk-based regulatory and prudential supervision.

As of December 31, 2025, the Central Bank had equity of G.7,155.05 billion (approximately US\$948.2 million), mainly explained by the impact of fluctuations in the prices of assets and liabilities in foreign currency, due to the appreciation of the Paraguayan Guaraní against the US dollar in that period. The negative equity of the Central Bank observed in previous years is explained by a legacy of non-performing claims related to loans to the public and to the financial sector that were largely incurred before the Central Bank's 1995 charter prohibited such practices. In 1992, the Central Bank paid US\$350 million on behalf of the government to certain commercial banks and foreign governments to cover arrears accumulated with respect to certain external borrowings. The Central Bank's balance sheet deteriorated further in the mid-1990s, when it confronted a series of problems in the financial system, including liquidating financial institutions. In August 1998, under the domestic debt restructuring law enacted in March 1997, the government issued US\$425 million in domestic bonds to restructure the principal plus accrued interest and other lines of credit extended by the Central Bank to the government. In 2012, this debt was included in the recapitalization agreement between the Central Bank and the Ministry of Finance. Since the 1998 restructuring,

the Central Bank has recorded losses, which have been exacerbated by the need to conduct large sterilization operations.

As part of a strategy of providing a framework for medium- and long-term macroeconomic stability, over the past decade, the government began to address the Central Bank's negative equity and adopted measures to strengthen the financial position of the Central Bank. In April 2010, Congress enacted Law No. 3974/10, which authorized the Ministry of Finance to issue and transfer to the Central Bank securities in an aggregate principal amount of up to 6.25% of the 2009 GDP (approximately US\$1 billion) in exchange for the irrevocable cancellation and discharge of all debt and nonperforming legacy claims held by the Central Bank against public entities and the assignment to the Ministry of Finance of any remaining legal claims on guarantees by third parties. Interest rates and maturities on the bonds to be transferred were to be agreed between the Central Bank and the Ministry of Finance. On December 19, 2012, both institutions signed an agreement defining the financial conditions and the agreement was ratified by the President of the Republic on the same date. As a result, the Ministry of Finance issued a perpetual bond to the Central Bank, having a principal amount of G.3,927.5 billion (about US\$0.9 billion) initially carrying a 0.25% annual interest rate. Pursuant to a request by the Central Bank to the Ministry of Finance, the interest rate can be adjusted to offset losses the Central Bank may incur in connection with the implementation of its monetary policy.

Financial Supervision

The Superintendence of Banks has the authority to establish accounting principles under which banks, financial companies, warehousing companies and foreign exchange trading institutions must prepare their books and records. These books and records must be audited annually by external independent auditors. As part of its supervisory powers, the Superintendence of Banks also requires these institutions to submit to the Central Bank daily and monthly reports regarding their operations. In addition, the Superintendence of Banks requires banks to publish annual and quarterly financial statements together with the names of directors and managers in a national newspaper. The Superintendence of Banks may also require the disclosure of any other financial information that it deems necessary to present to the public. In 2019, through resolutions issued by each of the Central Bank and the Superintendence of Banks, non-deposit holding companies that lend money solely from their own capital were included under the supervision of the Superintendence of Banks, and in 2020, through the enactment of Law No. 6534/20, credit bureaus were also included under the supervision of the Superintendence of Banks.

As of the date of this Offering Memorandum, the Superintendence of Banks requires financial institutions to maintain a minimum total capital to risk-weighted assets (loans) ratio of 8.0%. The Superintendence of Banks has the regulatory authority to increase this ratio to 14.0%. As of December 31, 2025, all Paraguayan banks and financial companies were in compliance with the Central Bank's capital adequacy requirements.

As of December 2024, the total regulatory capital of the banking system stood at 16.7% of risk-weighted assets and contingencies, exceeding the legal minimum requirement of 12% by 4.7 percentage points. Between 2019 and 2024, the capital adequacy ratio (CAR) levels stood at 17.2% in 2019, 19.1% in 2020, 19.0% in 2021, 17.3% in 2022, 16.5% in 2023 and 16.7% in 2024. Throughout this period, the CAR remained well above the minimum regulatory requirement of 8% and the 12% threshold (including capital conservation and other applicable buffers) established by the Central Bank of Paraguay.

In accordance with Law No. 5787/2016 on the Regulations Governing the Operation of the Paraguayan Financial System, the solvency ratio is calculated as the sum of generic regulatory capital and additional capital for risks. For the determination of the generic regulatory capital, Section b) of Law No. 5787/2016 establishes a minimum requirement, specifying that the minimum proportion shall not be less than 12.0%.

In addition to accounting standards and capital adequacy requirements, the Central Bank imposes cash and liquidity reserve requirements. In determining their compliance with various Central Bank standards and requirements, financial institutions must classify loans according to specific categories. On the one hand, the category used for classification depends on the debtors' ability to pay, and on the other hand, the category used for classification depends on the length of time a loan obligation has been past due. The most recent regulation provides a new scale of provisions and terms of past due loans. A loan is deemed non-performing after obligations under the loan have been past due for more than 60 days.

The following table sets forth the categories used to classify past due loans and the provisions made according to each category.

<u>Category</u>	<u>Obligations past due between</u>	<u>Provisions</u>
1.a	1 to 30 days	0.5%
1.b	31 to 60 days	1.5%
2	over 60 to 90 days	5.0%
3	over 90 to 150 days	25.0%
4	over 150 to 180 days	50.0%
5	over 180 to 270 days	75.0%
6	over 270 days	100.0%

Source: Central Bank.

The following table sets forth the classification of aggregate loan assets of the Paraguayan banking system by categories as of December 31, 2025.

**Classification of Aggregate Loan Assets of the Paraguayan Banking System
(in percentages of total loan assets)**

	<u>As of December 31, 2025</u>							
	<u>1</u>	<u>1a</u>	<u>1b</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Stated-owned bank (BNF).....	91.19%	2.25%	1.37%	0.56%	0.72%	0.23%	0.92%	2.77%
Branches of foreign banks.....	93.03%	1.32%	0.16%	1.26%	0.32%	0.51%	0.24%	3.16%
Majority Foreign Participation.....	90.69%	4.82%	2.49%	0.28%	0.37%	0.10%	0.44%	0.81%
Private domestic local majority property.....	91.28%	4.47%	1.28%	0.54%	0.47%	0.14%	0.33%	1.50%
Total Banks.....	91.03%	4.37%	1.79%	0.44%	0.45%	0.14%	0.43%	1.35%
Total Financial companies.....	81.78%	7.40%	3.94%	2.48%	2.71%	0.53%	0.69%	0.47%

Source: Central Bank.

The Superintendence of Banks may conduct inspections of the institutions it supervises at its discretion. In practice, these inspections are conducted according to an inspection plan approved by the Superintendence of Banks the risk profile of the financial institution and the supervision cycle. Based on the findings of these inspections or daily reports submitted by the institutions, as well as on warnings provided by the on-site supervision management, if the Superintendence of Banks believes that the operations of an institution it supervises require further investigation, the Superintendence of Banks may send inspectors to the institutions to monitor their day-to-day operations. Alternatively, the Superintendence of Banks may conduct a full audit. All financial institutions are required to give access to the Superintendence of Banks to conduct such investigations. If the Superintendence of Banks finds management deficiencies or liquidity problems, it may make specific recommendations, including a change of senior management and/or the board of directors.

Reorganization Regime

Law No. 2,334/03 provides that all financial sector entities must submit a reorganization plan that must be approved by the Superintendence of Banks in case any one or more of the following situations arise:

- (i) legal reserve deficiency larger than the level determined by regulation of the Central Bank;
- (ii) excesses in the legal or regulatory prudential limits set by the Superintendence of Banks for a period exceeding 10 consecutive calendar days;
- (iii) recorded losses for two consecutive quarters, which forecast for the next quarter will affect the capital of the entity and, given the continuity of this trend, reduce the capital ratio below the minimum level required by law;
- (iv) deficit in the capital ratio below the limit legally required, for a period of at least five working days;
- (v) when the entity requires use of facilities provided by the Central Bank as a lender of last resort, except for those facilities which terms and amounts were determined by the Central Bank;

- (vi) repeated infringement of recommended measures or mandatory resolutions issued by the Superintendence of Banks and/or the board of Central Bank, according to current laws and regulations;
- (vii) when the Superintendence of Banks proceeds to reclassify the credit risk classification made by the financial institution in a higher percentage than the level prescribed by regulations; and
- (viii) when reorganization is determined by the Superintendence of Banks, provided a well-founded decision is given that the entity is acting in a way that endangers the safety of public deposits or the liquidity and capital situation of the entity.

Moreover, the Superintendence of Banks will oversee the reorganization process, having the authority to require immediate correction of other abnormalities presented by the entity under reorganization, without the need to require a new reorganization plan. The decision to put an entity of the financial system into the reorganization process will be kept under strict confidentiality, communicating it only to the concerned institution. During reorganization, the competence and authority of governing bodies of the entity will remain, with no other restrictions than those resulting from provisions of other articles of the law.

Deposit Guarantee Fund

Confidence in the Paraguayan banking sector was bolstered in 2003 by the establishment, through Law No. 2,334/03, of the Deposit Guarantee Fund and a special liquidation procedure for financial companies, intended to ensure efficient liquidation and guarantee deposits.

The Deposit Guarantee Fund is administered by the Central Bank and functions as a bank deposit insurance program. It is financed by contributions from financial institutions (including the subsidiaries of foreign banks) and the Central Bank. Under Law No. 2334/03, financial institutions are required to make mandatory quarterly contributions to the bank deposit insurance program in an amount equal to 0.12% of the quarterly average balance of their deposits.

The deposit insurance system guarantees deposits up to an amount equivalent to 75 times the minimum wage, per natural or legal person, in the event that a financial institution is liquidated, and is broadly consistent with international standards. The agency works as a paybox and can contribute to the bank liquidation process under the “least-cost solution.” As of December 31, 2025, coverage amounted to US\$33,065.4 and 16.4% of deposits were fully covered. Accordingly, the risk premium is also among the highest in South America. The large coverage was believed necessary to promote confidence in the banking system after the banking crisis of 1995-2003.

Financial Sector

In 1989, Paraguay embarked on a process of financial liberalization, which continued through the mid-1990s. The authorities introduced a unified, managed floating exchange rate regime, liberalized interest rates, reduced reserve requirements, gradually eliminated the discount facility at the Central Bank and released public sector deposits from the Central Bank to the banking system. Financial liberalization, however, which led to a rapid expansion of the financial sector, was not accompanied by the strengthening of prudential regulations and supervision. Banking regulations did not determine prudential norms for asset classification and did not require arms’ length lending. Relaxed reserve requirements failed to reflect the true risks of banks’ assets. In addition, lax licensing requirements and low required capitalization levels permitted a proliferation of new financial institutions. On June 25, 1992, the Central Bank issued Resolution No. 2, which was the first attempt by the Paraguayan authorities to regulate credit risk and asset classification in the Paraguayan banking system. The 1995 crisis was the byproduct of a rapid financial liberalization without adequate safeguards in terms of sound prudential regulations and enforcement.

Paraguay experienced five financial crises during the 1995-2003 period. The response to the first three crises (1995, 1997 and 1998) was generally inadequate, and the remedial action taken by the public sector resulted in a cost of approximately 15% of GDP. The lack of legislation governing banking insolvency procedures and the absence of protections for local deposits aggravated the financial crises throughout this period.

The 1995 crisis was triggered when two large banks failed to meet their clearing obligations. The inadequate response to the 1995 crisis was mainly responsible for the 1997 crisis. Lack of regulatory capacity and

generous de facto deposit guarantees allowed financial institutions to pay insufficient attention to risk. In 1998, the failure of the fourth largest bank that held approximately 6% of total deposits and whose liquidity dried up while depending increasingly on public sector deposits had consequences for the financial system as a whole.

The 1995 crisis resulted in the adoption of new banking regulations, intended to overhaul the country's financial system. Law No. 4,89/95 and Law No. 861/96, which were adopted in 1995 and 1996, respectively, continue to be in force with a few amendments. These statutes, which were fully implemented by 1999, were aimed at increasing supervision powers of the Central Bank and strengthening the stability of the banking sector by improving internal banking procedures and enforcing minimum capitalization ratios, limitations on related party transactions, risk weighted asset rules and risk control management.

In 2002, further to the effects of the economic downturn and the volatility in South America following Argentina's default, the freeze of deposits in Argentina led to a run on a Paraguayan subsidiary of an Argentine bank, which held approximately 11% of total deposits in the Paraguayan financial system. This led to a loss of confidence in the banking system as a whole and resulted in a run on several banks, which in combination with the depreciation of the Guaraní against major currencies, resulted in a system-wide financial crisis. Finally, in 2003, the Paraguayan monetary authorities were confronted with an isolated case of fraud in a medium-sized locally-owned bank that did not have systemic repercussions. The Superintendence of Banks responded more appropriately and timely to the 2002 and 2003 crises by closing the failing banks, with a cost to the public sector equivalent to approximately 1% of GDP.

Economic performance stabilized in 2003, albeit at a lower level, as a result of improved performance of the agricultural sector and improved regional conditions. However, there were significant difficulties in financing the fiscal deficit which resulted in continued shortfalls and delays in covering of fixed costs of the public sector, including wages, pensions and debt service, which together represented more than 90% of total spending.

In 2003, Paraguay enacted Law No. 2334/03 to provide additional protection to depositors and establish a new liquidation procedure for insolvent entities. The main purpose of this law was to give additional certainty to depositors by preserving public confidence, maintaining stability of the banking sector and providing incentives to encourage the banking sector's discipline.

Paraguay continues to strengthen its regulatory framework and supervision of the financial sector, evidenced by its Financial Sector Assessment Program. Reforms include more stringent information requirements for the granting of loans, stricter conditions for classifying assets and a higher level of reserves requirement. In 2007, a new regulation was introduced that provides for improved risk assessment and the establishment of an assets/reserves ratio that provides better coverage for credit risks. The scale provided in the 2007 regulation for past due terms and provisions was changed in 2011. In addition, further regulation introduced in 2007 established stricter prudential rules for the classification of assets, credit risk and reserves.

Other institutional reforms introduced include the adoption of new regulations on the opening of financial institutions and the strengthening of on-site and off-site supervision and the supervisory capacity of the Superintendence of Banks through the creation of various intendancies. With respect to forward strategy for supervision, financial institutions continue to improve compliance with Basel principles. According to the IMF and the World Bank report, the degree of compliance with Basel principles, which stood at 17% in 2005, had increased to 63% by the end of 2010.

As of December 31, 2025, Paraguay's financial sector consisted of 16 banks (including 1 state-owned bank, nine private domestic banks, three banks with majority foreign shareholding and three branches of foreign banks), four financial companies, 57 savings and loan cooperative type A, three warehousing companies, 23 foreign exchange trading institutions and 36 insurance companies.

Paraguay's banking sector is regulated by Law No. 861/96 and supervised by the Superintendence of Banks. Under Law No. 861/96, banks are authorized to provide a full range of banking services. Banks account for the largest portion of loans and deposits in the financial system.

As of December 31, 2025, the assets of banks operating in Paraguay totaled G.263,397 billion (US\$40.1 billion), equivalent to approximately 80.9% of the 2025 GDP (compared to 68.5% of GDP in December 2025), while bank deposits totaled G.165,557 billion (US\$21.1 billion). As of December 31, 2025, the finance companies were holding G.5,966 billion (US\$907 million) in assets and G.4,124 billion (US\$627 million) in deposits. Bank loans to clients represent about 70% of bank assets. The remaining bank assets are predominantly liquid resources held in Central Bank accounts. Approximately 77% of bank liabilities are deposits, while the balance is represented by liabilities of AFD, foreign creditors, and subordinated and financial bonds.

The following table sets forth the aggregate balance sheet of Paraguayan banks and finance companies as of December 31, 2025.

**Aggregate Balance Sheet of Banks
(in percentage of total assets and liabilities)**

As of December, 2025			
Assets		Liabilities	
Cash.....	3.9%	Deposits.....	67.6%
<i>In Guaraníes</i>	1.9%	<i>In Guaraníes</i>	38.0%
<i>In U.S. dollars</i>	2.0%	<i>In U.S. dollars</i>	29.6%
Legal Reserves.....	8.1%	Liabilities of the Central Bank	0.2%
Free Reserves	3.4%	International Financial Liabilities	9.9%
Total Investment.....	5.3%	Other Liabilities	9.6%
<i>Public Instruments</i>	5.2%	Net Worth	12.7%
<i>Others</i>	0.1%		
Credits (Net of Provisions).....	70.0%		
<i>Financial Sector</i>	4.7%		
<i>Banking Sector</i>	0.0%		
<i>Non-Financial Sector</i>	65.3%		
<i>NPL</i>	1.4%		
<i>Provisions</i>	(2.0)%		
Other Assets	9.8%		
Total Assets	100.0%	Total Liabilities	100.0%

Source: Central Bank.

Banks are classified according to the origin of their capital as follows:

- (i) if its capital is fully foreign-owned, a bank is considered a direct foreign subsidiary;
- (ii) if the majority of its capital is foreign-owned, a bank is considered a branch of a foreign bank;
- (iii) if the majority of its capital is locally-owned, a bank is considered a local bank; and
- (iv) if the majority of its capital is owned by the state, a bank is considered state-owned. There is only one state-owned bank in Paraguay, the National Development Bank (*Banco Nacional de Fomento* - the “BNF”).

Foreign capital continues to maintain a substantial presence in the Paraguayan banking sector. Foreign banks are allowed to set up branches in Paraguay with the authorization of the Central Bank. They enjoy the same operating privileges as domestic banks but are also subject to the same obligations applicable to them under the Law No. 861/96. Branches of foreign banks are not required to have a board of directors; however, each branch must have at least two officers with full authority to operate such branches. In addition, branches of foreign banks are required to provide to the Central Bank letters of guarantee from their parent bank for all aspects of their foreign branch operations in Paraguay. As of December 2025, direct foreign subsidiaries and banks with majority foreign participation held 41.6% of bank assets and 40.9% of deposits, while the majority locally-owned banks had 48.6% of assets and 47.8% of deposits.

As of December 31, 2025, the four largest banks (two of them with majority foreign participation) controlled 60.0% of total bank assets; these were Banco Continental S.A.E.C.A. (19.5%), Sudameris Bank S.A.E.C.A. (15.7%), Banco Itaú Paraguay S.A. (15.1%), and Banco GNB Paraguay S.A.E.C.A. (9.7%).

The BNF acts primarily as a first-tier development bank for the activities of the agricultural and manufacturing sectors, but also conducts regular commercial banking activities. In 2003, the government recapitalized the BNF and imposed limits on the loans granted by the bank, assigning it the role of assisting small- and medium-sized enterprises. In addition, Law No. 5800/17 enacted in 2017, which reforms its Organic Law, provided the BNF more independence and ability to operate on equal conditions as the private sector entities. As of December 31, 2025, the BNF held 9.7% of banking system assets and 11.27% of deposits.

Financial companies (*empresas financieras*) are also regulated by Law No. 861/96, as amended, and supervised by the Superintendence of Banks. Financial companies generally concentrate their operations on providing short-term loans and holding deposits, but are not allowed to offer current or checking accounts. As of December, 2025, financial companies were the third most important providers of loans and holders of deposits in the Paraguayan financial system, accounting for G.4,634 billion (approximately US\$705 million) in loans, and G.4,124 billion (approximately US\$627 million) in deposits. The Central Bank also supervises financial leasing companies, mutual funds, securitization companies and financial trusts.

Savings and loan cooperatives (“Cooperatives”) are regulated by the Savings and Loan Cooperatives Law (Law No. 438/94), enacted in October 1994 and amended in 2015 (Law No. 5501/15) and in 2020 (Law No. 6608/2020), and are supervised by the National Institute of Cooperatives. Cooperatives provide loans and hold deposits exclusively for their members, and their business services cover a majority of micro-loans and small-business financing, which is the reason why they have progressively expanded their participation in Paraguay’s financial system.

Reforms to the General Regulatory and Supervisory Framework for Cooperatives (adopted in 2004), which establishes the minimum capital, liquidity and provisioning requirements and the loan classification that cooperatives must follow, have also been introduced, together with a basic framework for supervision, which is starting to be implemented in the country, demonstrating a commitment to long-term stability in the sector.

Warehousing companies and foreign exchange trading institutions are also supervised by the Superintendence of Banks. Warehousing companies act as depositaries for commodities and other agricultural products, and they issue property titles known as “commodity warrants” over the deposited commodities. The commodity warrants can be pledged to banks and financial companies as collateral for financing. Foreign exchange trading institutions purchase and sell foreign currencies on the spot market.

Insurance companies offer life, property and casualty insurance and reinsurance and invest their funds subject to compliance with applicable regulations. They are not permitted to grant loans or take deposits. The principal law governing insurance companies and insurance activity provides the procedures for establishing, operating and winding down insurance companies, requirements that are imposed on insurance companies, including, among others, reserves, solvency margins and their investment regime, as well as the responsibilities and obligations of the supervisory authority and the provisions applicable to its operation and the appointment of its members. The Superintendence of Insurance is responsible for supervising insurance and reinsurance entities. Its main objective is to ensure the financial and technical capacity of the market operators and the proper administration of the sector’s risks and resources. Its responsibilities include framing sectorial policies, regulating, supervising and ensuring compliance with all the corresponding legal provisions, and intervening in those companies in which serious irregularities are detected.

The AFD, established in 2005, serves as a second-tier bank and makes credit lines available through authorized financial institutions, which include BNF, the Livestock Fund (*Fondo Ganadero*), finance companies, Cooperatives and private banks. In 2006, the AFD began channeling long-term loans from multilateral international financial institutions to local banks and other financial entities, particularly in the area of mortgage lending.

The level of loans in the financial sector, measured as a percentage of GDP, remained stable at 48% from 2021 to 2022. However, a significant increase occurred in 2023, reaching 53%, followed by another rise to 55% in 2024, and 58% in 2025.

The following table sets forth the loans and deposits of financial institutions as of December 31, 2024.

Financial Sector of Paraguay
(in millions of US\$ and percentages)

	As of December 31, 2025			
	Loans	% of Total	Deposits	% of total
Private domestic local majority property.....	\$13,125	46.0%	\$12,955	46.8%
Majority Foreign Participation	\$11,675	40.9%	\$10,640	38.4%
BNF (state-owned)	\$2,816	9.9%	\$3,052	11.0%
Branches of foreign banks	\$233	0.8%	\$429	1.5%
Financial Companies	\$705	2.5%	\$627	2.3%
Saving and loans associations*.....	\$3,014	11.9%	\$2,670	11.0%
Total	\$31,568	100.0%	\$30,373	100.0%

*Data provided by the INCOOP (Instituto Nacional de Cooperativismo) as of November 30, 2025.
Source: Central Bank.

The following table sets forth total deposits in the Paraguayan financial sector as of the dates indicated.

Deposits in the Financial Sector
(in millions of US\$)

	As of December 31,				
	2021	2022	2023	2024	2025
Private domestic local majority property.....	8,994	8,841	8,628	9,760	12,955
Direct foreign subsidiaries.....	7,055	6,823	8,982	8,752	10,640
BNF (state-owned)	2,056	1,881	2,204	2,205	3,052
Branches of foreign banks	379	332	409	423	429
Financial Companies	805	637	592	454	627
Savings and loans cooperatives ⁽¹⁾	2,228	2,146	2,279	2,310	2,670
Total	21,517	20,661	23,094	23,094	30,373

(1) Data provided by the INCOOP (Instituto Nacional de Cooperativismo) as of November 30, 2025.

Source: Central Bank.

The following table sets forth total loans in the Paraguayan financial sector as of the dates indicated.

Loans in the Financial Sector
(in millions of US\$)

	As of December 31,				
	2021	2022	2023	2024	2025
Private domestic local majority property.....	8,774	9,301	8,799	10,284	13,124
Direct foreign subsidiaries.....	5,838	6,235	8,530	9,250	11,675
Branches of foreign banks	1,327	1,536	1,911	2,136	2,816
Financial Companies	224	219	196	208	233
BNF (state-owned)	863	723	782	498	705
Savings and loans cooperatives ⁽¹⁾	2,228	2,146	2,558	2,474	3,014
Total	19,254	20,160	22,776	24,850	31,568

(1) Data provided by the INCOOP (Instituto Nacional de Cooperativismo) as of November 30, 2025.

Source: Central Bank.

The following table sets forth the number of financial institutions of Paraguayan financial sector as of the dates indicated.

Number of Financial Institutions

	As of December 31,				
	2021	2022	2023	2024	2025
Insurance companies	35	35	35	34	36
Foreign exchange trading	26	26	26	24	23
Private Banks.....	16	16	15	16	15
Financial companies	8	8	6	4	4
Warehousing companies.....	3	3	3	3	3
Public Banks.....	1	1	1	1	1

Source: Central Bank.

Indicators of Financial System Efficiency

The following table sets forth main efficiency indicators of Paraguay's financial sector as of the dates indicated.

Indicators of Banks Efficiency (in percentages)

	As of December 31,				
	2021	2022	2023	2024	2025
Return on assets.....	1.7%	2.0%	2.2%	2.4%	2.4%
Return on equity	15.3%	18.4%	21.2%	23.4%	22.5%
Non-Performing Loans as a percentage of total loans	2.2%	2.9%	3.0%	2.2%	2.1%
Gross Operational Margin/Assets.....	3.7%	4.4%	4.6%	4.3%	4.2%
Operating Expenses/Operating Revenues.....	93.0%	91.2%	89.3%	84.4%	93.1%
Operating Expenses/Total Assets	66.3%	59.8%	50.6%	31.9%	78.4%
Regulatory capital to risk weighted assets.....	18.8%	17.3%	16.5%	16.1%	16.3%

Source: Central Bank.

Indicators of Financial Companies Efficiency (in percentages)

	As of December 31,				
	2021	2022	2023	2024	2025
Return on assets.....	1.6%	1.3%	1.4%	2.6%	2.9%
Return on equity	14.6%	12.0%	14.4%	24.4%	27.5%
Non-Performing Loans as a percentage of total loans	4.4%	3.8%	3.8%	5.6%	6.7%
Gross Operational Margin/Assets.....	5.8%	5.1%	5.1%	6.2%	6.7%
Operating Expenses/Operating Revenues.....	83.7%	77.5%	73.5%	53.5%	57.2%
Operating Expenses/Total Assets	54.7%	31.5%	21.7%	16.6%	25.9%
Regulatory capital to risk weighted assets.....	15.6%	15.4%	15.5%	15.7%	16.1%

Source: Central Bank.

Anti-Money Laundering

With respect to the prevention and combat of money-laundering and terrorist financing, Paraguay has strengthened its three subsystems (preventive, intelligence and repressive). It has strengthened the regulatory framework as well as the supervision and control of financial and non-financial subjects, as was pointed out by the Financial Action Task Force (the "FATF") in February 2012, who expressed their view that Paraguay had largely

met its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in its 2010 evaluation.

Furthermore, Paraguay has placed special emphasis on implementing adequate mechanisms to allow for the control of transactions carried out through its financial system, and transparent, accurate and timely information regarding the final beneficiaries of such transactions. Measures taken in this regard have included mandating that all electronic transfers be reported to the Central Bank in order to facilitate its supervisory responsibilities and requiring that all non-electronic remittances abroad be reported to the Central Bank and be made only through legally authorized banks that meet the requirements for the identification of foreign counterparts.

In 2017, Congress enacted Law No. 5895/17, which established transparency standards for corporate governance and imposes the mandatory conversion of bearer shares to registered shares. In 2019, the enactment of Law No. 6446/19 strengthened transparency standards for corporate governance, imposing mandatory obligations on Paraguayan corporations to disclose ultimate beneficial ownership to the Ministry of Economy and Finance. Both laws were enacted in order to comply with FATF Recommendation No. 24. Also, in 2024, Law N° 7363 was enacted, which establishes the control, transparency, and accountability of nonprofit organizations. The law created a "Register" in which all Nonprofit Organizations (NPOs) covered by its scope must be registered. Furthermore, it outlines all the required documents that nonprofit organizations must maintain. The law also mandates that nonprofit organizations submit an annual report to the Ministry of Economy and Finance detailing the activities carried out, the fulfillment of their objectives, as well as the financial and asset balance. The report must include details on the organization's purposes, programs, and beneficiaries, along with a list of all professionals, staff, or other organizations (domestic or foreign) hired or involved in tasks or services related to the nonprofit during the specified period. As observed in the 2022 Mutual Evaluation Report, Paraguay did not have a central database containing complete information on the NPO sector. Therefore, this law will help the UIF SEPRELAD gain access to a comprehensive, complete, and accurate information center, and thereby strengthening its efforts in the fight against money laundering and terrorist financing.

On the other hand, the Central Bank has broad powers to control beneficiaries of Paraguayan financial entities, including powers to prevent persons under investigation for or criminals convicted for money laundering and/or terrorism financing from becoming beneficiaries of financial institutions. Additionally, the Central Bank and SEPRELAD issue rules on anti-money laundering and counter financing of terrorism ("AML / CFT") in Paraguay, provide for their enforcement, and maintain continuous communication with the financial system.

Paraguay, as a member of GAFILAT (*Grupo de Acción Financiera de Latinoamericana*), is subject to continuous evaluation of its compliance with the international ALA / CFT standards, in accordance with the recommendations of the FATF (Financial Action Task Force). In December 2019, following GAFI-FATF recommendations, Paraguay enacted a number of laws aimed at reinforcing money laundering and crime prevention rules, which created a special procedure for the seizure of assets representing the proceeds of crime. In addition, rules for the freezing of assets pertaining to persons linked with terrorism and financing of mass destruction weapons were also introduced. In line with the adoption of these regulations, the criminal code was modified to introduce stricter rules and more severe sanctions. Paraguay's regulatory framework includes specific provisions related to OFAC, including a requirement to cross-check the financial sanctions list for transactions taking place in Paraguay, and the submission to the authorities of a suspicious transaction report within 24 hours of detecting it. Criteria derived from lists like that produced by OFAC, among other financial sanction lists, are considered risk indicators or warning signals that must be incorporated into the policies and procedures implemented by obligated entities, both financial and non-financial, in their dealings with clients and potential clients.

Additionally, in the area of Terrorist Financing Prevention, Paraguay issued Decree No. 3,758/2025, Decree No. 3,759/2025, Decree No. 3760/2025, Decree No. 4,435/2025 and Decree No. 4,857/2025 designating the Islamic Revolutionary Guard Corps, Hamas, Hezbollah, the Cartel de los Soles, the Comando Vermelho and the Primeiro Comando da Capital, respectively, as "terrorist organizations." As a result, domestic financial institutions are required to freeze the assets of individuals and entities linked to such organizations.

In an evaluation conducted by GAFILAT and the Financial Action Task Force (FATF) in 2022, Paraguay achieved 93% implementation of the 40 recommendations of FATF, positioning it as one of the most notable countries in the region in terms of technical compliance. The evaluation report published by the FATF Global

Network confirms that Paraguay has successfully completed the evaluation process, both at the level of compliance with the recommendations and the effectiveness of its National Anti-Money Laundering and Counter-Terrorist Financing System (AML/CFT). Paraguay achieved these favorable results despite the challenges of the COVID-19 pandemic.

In accordance with the Evaluation Report approved by GAFILAT and FATF, Paraguay is undergoing an intensified follow-up process by such organization. This implies that during this process, Paraguay must submit annual progress reports (2023-2028) on the progress made in complying with the established measures. In 2024, the evaluation methodology for the 5th Round of Evaluations was modified. Prior to this, the follow-up process required the submission of semi-annual reports, but following the change in methodology, the process now occurs on an annual basis. To date, Paraguay has submitted three follow-up reports, all of which were approved by the GAFILAT Plenary. On each occasion, the Plenary congratulated the delegation for their progress and encouraged continued efforts in this direction. To support this commitment and reaffirm Paraguay's political will in the fight against money laundering, terrorist financing, and the proliferation of weapons of mass destruction, Presidential Decree No. 2463/2024 was issued. This decree updates and amends the annex related to the Action Plan approved by Decree No. 9012 on March 22, 2023, and becomes a key part of the Paraguayan State's Strategic Plan to combat these issues. Paraguay has adequately passed the "system effectiveness examination" and is considered a cooperating country in the region in the fight against money laundering, terrorist financing, and the proliferation of weapons of mass destruction. These achievements demonstrate Paraguay's efforts and commitment to strengthening its legal framework and systems to prevent and combat these financial and criminal threats.

One of the priority actions taken by the executive branch involves updating the National Risk Assessment (NRA). This work is currently ongoing with support from the Inter-American Development Bank (IDB) and various departments within the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) system. Additional actions have been established based on findings from each area of the system. These efforts aim to enhance the precise identification and assessment of Money Laundering and Terrorist Financing (ML/TF) risks present in Paraguay. By doing so, they facilitate a clearer and more accurate understanding of various risk levels and how illicitly obtained assets, stemming from diverse threats, are linked to the AML/CFT system.

Anti-Corruption

Paraguay has ratified the United Nations Convention against Corruption, and the Interamerican Convention against Corruption (together, the "Anticorruption Conventions"), and created the National Anticorruption Secretariat (the "SENAC") as the enforcing authority for the Anticorruption Conventions and other anticorruption matters. Specifically, the SENAC is in charge of monitoring complaints relating to bribery, graft, and/or other unwarranted benefits provided to public officials, and designs anticorruption policies for the Paraguayan government. In 2017, the SENAC set up an anti-corruption whistleblowing portal for reporting alleged acts of corruption committed by government officials, representatives of private entities or individuals. However, the SENAC has no power to prosecute private parties or public agents.

Over the past decade, Paraguay has enacted a number of laws promoting transparency, publicizing information concerning public tenders, publicly-owned corporations, public officials, annual budgets, and information concerning the three branches of the Paraguayan government. Moreover, Paraguayan banking regulation promotes the transparency of financial operations and requires financial institutions to inform clients and banking authorities (the Central Bank, the SIB and/or the SEPRELAD) of credit card interest rates, banking commissions, shareholders' equity, the identity of members of boards of directors and internal balance sheets.

Under Law No. 1160/97, as amended (the "Paraguayan Criminal Code"), solicitation of gifts or favors or any type of "benefit" by or on behalf of public officials is a criminal offense. Additionally, in November 2019, Paraguay enacted Law No. 6452/19 which criminalizes solicitation of gifts or favors or any type of "benefit" by or on behalf of private parties acting as representatives or agents of private entities in exchange of accepting offers of goods or services in conditions disadvantageous to other competitors in the market.

Paraguay's ranking in Transparency International's Corruption Perceptions Index has materially improved throughout the last decade, with Paraguay moving from the 150th position in the rankings in 2014 to the 137th position in 2019. This 13-position improvement in the ranking is largely attributable to the enactment and

implementation of Law No. 5282/14 on Access to Public Information and Government Transparency. Law No. 5282/14 became a platform for promoting transparency, contributing to the fight against corruption and building bridges between the public sector and citizens, which has led to an improvement in the perception of corruption in the Paraguay public sector.

Securities Markets

The Paraguayan equity and bond market was governed by the capital markets law adopted in 2017 (the “Capital Markets Law”). The Capital Markets Law governed, amongst other things, public offerings of equity and fixed income securities, broker dealers, fund administrators, rating agencies, external auditors and exchanges. Pursuant to Law No. 7,162 enacted by Congress in September 2023, the National Securities Commission (CNV) was integrated into the Central Bank as the Superintendency of Securities. Since then, the Superintendency possesses the authority to regulate and supervise the securities markets, encompassing the formulation of professional ethical standards, the promotion of corporate disclosure such as annual and interim reporting by listed companies, the establishment of compliance regulations, controls and penalties and the regulation of the relationships between securities issuers and investors in the securities market.

During 2025, the Superintendency of Securities advanced significant initiatives to modernize Paraguay’s capital market oversight. A comprehensive data reengineering process was launched, introducing a new reporting structure for supervised entities to enhance transparency and consistency. In parallel, the Superintendency began developing a dedicated data portal to centralize market information and improve public access. Most notably, the Securities Market Law (Law No. 7,572/2025) was enacted in November 2025, consolidating and modernizing the regulatory framework into a single, coherent structure. These reforms aim at strengthening the institutional role of the Superintendency, reinforcing its risk-based supervisory approach and aligning Paraguay’s securities regulation with international standards.

The Asunción Stock Exchange (the “BVPASA”), established in 1993, is the only securities exchange in Paraguay. As of December 2025, the total trading volume was US\$8.1 million composed primarily of non-governmental securities offerings (80%), reflecting a notable year-on-year increase of 33%. Public-sector securities represented 17% of the total trading volume, marking a 4% decline compared to 2024. Equities accounted for 3% of the trading volume (down 15% year-on-year), while investment funds represented 0.4% (down 10% year-on-year). Despite the continued relevance of public bonds, primary market transactions of public securities remain conducted through the Central Bank’s securities depository instead of the BVPASA.

In 2025, further measures were introduced to deepen the development of Paraguay’s financial market. Notably, the Central Bank authorized the acquisition of Monetary Regulation Bills (“LRM”) by individual investors starting in June of that year, broadening access to these instruments beyond financial institutions. This reform marked a significant step toward democratizing investment opportunities, enhancing market participation, and reinforcing the role of LRM as a key tool for monetary policy and liquidity management.

The following table summarizes the listed companies and total value traded on the BVPASA during the indicated periods.

Asunción Stock Exchange: Listed Companies and Trading Volume
(in thousands of US\$, unless otherwise indicated)

	December 31,				
	2021	2022	2023	2024	2025
Number of listed companies (end of period).....	94	113	116	127	150
Private sector securities					
Equities	\$46,563	\$79,732	\$49,716	\$245,899	\$209,402
Investment Funds.....	\$24,210	\$27,925	\$26,753	\$34,474	\$31,087
Certificates of deposit and others	\$2,486,790	\$2,060,913	\$3,381,423	\$4,896,631	\$6,489,636
Public Sector Securities.....					
Bonds.....	\$871,825	\$729,038	\$1,627,991	\$1,402,021	\$1,345,628
Total.....	\$3,429,288	\$2,897,608	\$5,085,883	\$6,579,025	\$8,075,753

Source: Superintendencia de Seguridades, Central Bank and the Asunción Stock Exchange (BVPASA).

Monetary Policy

The fundamental objectives of the Central Bank are to preserve and safeguard the stability of the currency and to promote efficiency, integrity, and stability of the financial system. In July 2018, Congress passed the Central Bank’s revised organic law (Law No. 6104/18), updating a twenty-year-old law as part of a series of reforms in Paraguay’s financial system. The revised organic law expands the Central Bank’s oversight to certain institutions (for example, credit and money transfer institutions) that were previously beyond its purview and gives the Central Bank greater authority to intervene and sanction noncomplying financial entities. In addition, the law strengthens the autonomy of the Central Bank.

In May 2011, the Central Bank adopted an inflation targeting scheme to manage monetary policy. The Central Bank focuses its efforts on maintaining a low, stable and predictable level of inflation. The main instrument to develop the inflation targeting system in Paraguay is the benchmark short-term interest rate, which allows the Central Bank to influence aggregate demand and inflation.

To implement its inflation targeting scheme, the Central Bank develops and releases monetary policy reports, which were initially published semi-annually, and have been published quarterly since September 2014. The objectives of the monetary policy report are to:

- (i) inform and explain the views of the Central Bank on recent and expected inflation and its consequences for monetary policy;
- (ii) make public the analytical framework used in the formulation of the monetary policy’s horizon; and
- (iii) provide useful information to the market to build economic agents’ expectations about the future path of inflation and economic activity.

The Central Bank has introduced operational instruments to manage liquidity and develop the money market, in order to increase efficiency and deepen the transmission of its monetary policy decisions. As of the date of this Offering Memorandum, the operational instruments used by the Central Bank are:

- (i) the short-term liquidity facility;
- (ii) the short-term liquidity deposit;
- (iii) central bank bills (“LRM”, by its Spanish acronym);
- (iv) legal reserves; and
- (v) market operations in the money market.

The Central Bank makes liquidity projections on the overall balance of the banks’ current accounts in the Central Bank to determine the liquidity request of the system to guide the interbank rate to its target rate. The Central Bank extracts from or injects liquidity into the banking system in order to align the interbank rate to its

target rate. These operations are made by auctions of overnight deposits or intra-day repos, LRM and other open market operations.

The Central Bank manages its financial liabilities by placing long-term bills, the LRM, which are issued with monthly expiration dates. The auctions are held at least once a month and the expiration date of the LRM is, generally, the last Friday of each month that is a business day.

The purpose of the LRM loans is to manage financial system liquidity in the long term, as well as certain legacy liabilities of the Central Bank incurred in the 1990s in connection with financial crises that affected Paraguay.

As a result of the various measures taken in 2019 and 2020, and in response to the internal and external macroeconomic environment, the profile of monetary policy during this period adjusted from a more contractive profile to a more expansive one. However, in August 2021, the Central Bank decided to move from a highly expansionary monetary policy to a more neutral one. As a result, the Central Bank increased the MPR by 450 basis points between August and December 2021, reaching 5.25% as of December 31, 2021. In 2022, the Central Bank raised its reference interest rate by 325 basis points, reaching 8.50% as of December 31. These decisions were taken due to the external shocks that occurred as a result of the war between Russia and Ukraine and its repercussions on local food and fuel prices. Also, the scenario of high uncertainty caused the medium-term inflation expectations remained slightly above the Central Bank's target. During the second half of 2023, the Central Bank shifted towards a more neutral monetary policy. This involved a reduction of the Monetary Policy Rate (MPR) by 175 basis points, decreasing from 8.50% in July to 6.75% in December. This adjustment was prompted by the declining trend of inflation, a stable growth in economic activity, and a decrease in commodity prices. In 2024, the Central Bank continued the cycle of monetary policy easing, adjusting the MPR to 6.00%, equivalent to a decrease of 75 basis points in March of 2024, a rate at which it remained until the end of 2025, which is within the neutral range for the Paraguayan economy. Thus, the weighted average of LRM rate was 1.9% in 2021, 8.3% in 2022, 8.4% in 2023, 6.2% in 2024, and 6.4% in 2025.

The following table sets forth the weighted average interest rate of the LRM for the periods indicated.

**Weighted Average Interest Rate of LRM
(in percentages)**

For the year ended December 31,	Percentage
2021	1.9
2022	8.3
2023	8.4
2024	6.2
2025	6.4

Source: Central Bank

In 2024, the ratio of net international reserves to the adequacy indicator developed by the International Monetary Fund (IMF) stood at 1.8, suggesting that the country maintains a sufficiently comfortable level of international reserves relative to the IMF's adequacy criteria. This implies that Paraguay is well-prepared to handle external shocks or fluctuations in the balance of payments. Compared to other countries in the region, Paraguay exhibits one of the highest coverage levels, indicating a relatively strong profile in terms of external resilience.

The following table sets forth the composition of Paraguay's monetary base (expressed in terms of the Central Bank's monetary liabilities) and the Central Bank's international reserves (net), as of the dates indicated.

Monetary Base and the Central Bank's International Reserves (Net)
(in millions of US\$)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Currency in circulation, including cash in vaults at banks and financial companies in US\$	\$ 2,667	\$ 2,653	\$ 2,682	\$ 2,752	\$ 2,882
Banks' reserves at the Central Bank ⁽²⁾	984	1,009	1,103	1,261	1,303
Monetary Base.....	3,651	3,662	3,785	4,013	4,185
International reserves (net)	9,947	9,825	10,197	9,872	11,001

(1) Preliminary data.

(2) Includes financial companies.

Source: Central Bank,

As of November 2025, the ratio of the Central Bank's international reserves (net) to the monetary base was 2.73 to 1, remaining close to its November 30, 2024 value.

The following table sets forth liquidity and credit aggregates as of the dates indicated.

Liquidity and Credit Aggregates
(in millions of US\$)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
<i>Liquidity aggregates</i>					
Currency in circulation, excluding cash in vaults at banks and financial companies.....	\$2,163	\$2,217	\$2,221	\$2,311	\$2,435
Add: Deposits in current accounts.....	3,953	3,714	3,639	3,890	3,889
M1	6,118	5,931	5,860	6,201	6,324
Add: Savings and term deposits	3,968	4,168	4,731	5,239	6,464
M2	10,086	10,099	10,591	11,440	12,788
Add: Deposits in foreign currency.....	7,881	7,853	8,338	8,985	8,766
M3	\$17,967	\$17,952	\$18,928	\$20,425	\$21,555
<i>Credit aggregates</i>					
Private sector credit.....	16,776	18,205	19,211	21,991	23,699
Public sector credit.....	937	961	1,317	1,313	1,532
Total domestic credit	\$17,713	\$19,166	\$20,528	23,305	25,231

(1) Preliminary data.

Source: Central Bank.

The following table sets forth the percentage changes in nominal value in money supply and credits as of the dates indicated.

Selected Monetary Indicators
(percentage change from previous year)

For the year ended December 31,				
2021	2022	2023	2024	2025 ⁽¹⁾

Currency in circulation, including cash in vaults at banks and financial companies.....	5.6	2.5	5.5	6.4	4.5
M1 ⁽²⁾	8.8	(0.1)	3.1	9.8	1.8
M2 ⁽³⁾	8.2	3.2	9.5	12.0	11.6
M3 ⁽⁴⁾	9.1	3.0	10.1	11.9	5.3
Credit from the financial system ⁽⁵⁾	11.9	11.5	11.8	17.8	8.1
Deposit in the financial system ⁽⁵⁾	7.5	3.1	11.2	10.5	5.9

(1) Preliminary data.

(2) Currency in circulation, excluding cash in vaults at banks, plus Guaraníes-denominated current accounts.

(3) M1 plus Guaraníes-denominated savings and term deposits.

(4) M2 plus foreign currency deposits.

(5) Excludes Cooperatives.

Source: Central Bank.

From 2021 through 2025, the average annual change in Paraguay's monetary aggregate M2 was 8.9% while average GDP growth was 4.0%. As of December 31, 2025, the M2's interannual percentage change was 11.6% when compared to the same period of the previous year.

From December 2021 through December 2025, M2 grew by 41.2% because the Central Bank increased the amount of currency in circulation to provide adequate liquidity consistent with non-inflationary growth. Further, from 2021 through December 2025, M3 increased by 33.6% as a result of growth in foreign currency deposits.

Private sector credit consists primarily of trade, consumer, and service/financial sector credit. From 2021 through 2025, credit extended to private sector borrowers increased by 57.3% as a result of general economic growth and the increase in imports and domestic consumption. During the same period, public sector credit increased by 82.2% as a result of a 50.8% increase in credits in foreign currency and an 93.0% increase in credits in national currency.

As of December 31, 2025, total outstanding loans in the financial system, which includes loans by banks and other financial companies to the non-financial system, totaled G.190,375.8 billion or US\$25.2 billion, which represents an increase of US\$1.9 billion from the level of outstanding loans in December, 2024. These figures exclude inter-bank loans. Total deposits in the financial system increased by 5.9% in Guaraníes terms from December 2024 to December 2025 and totaled US\$21.9 billion as of December 31, 2025.

Dollarization

High dollarization is one of the primary characteristics and risks of the Paraguayan financial system. As of December 31, 2025, dollar deposits represented 38.3% of total deposits and dollar-denominated loans represented 36.8% of total loans extended by Paraguay's public and private banks, financial corporations and cooperatives. High dollarization generates systemic risks and liquidity risks in the financial system, which stem from the Central Bank's limited capacity to be a lender of last resort in providing dollar liquidity, as well as solvency risks linked to U.S. dollar credits held by unhedged borrowers who do not earn their income in U.S. dollars and who may be unable to refinance their debt in case of a sudden depreciation of the Guaraní. As of December 31, 2025, Paraguay's total international reserves amounted to US\$11.0 billion. See "The Paraguayan Economy—Current Economic Policy—Overview."

However, Paraguay is working on de-dollarizing its financial system. In November 2023, Paraguay successfully carried out a key step in the de-dollarization process by converting loans denominated in U.S. dollars to the local currency, securing highly favorable financial conditions for the country. This strategic operation involved the conversion of US\$100 million into Guaraníes with a remaining average term of 13 years, achieving a local currency interest rate of 6.3%, significantly lower than market rates under similar circumstances. Furthermore, in February 2024, the Paraguayan government successfully issued its first set of sovereign bonds denominated in Guaraníes in international financial markets. The issuance totaled the equivalent of US\$500 million, with an interest rate of 7.9% and a maturity term of seven years. In 2025, the de-dollarization of public debt advanced further with a

new issuance of sovereign bonds denominated in Guaraníes, equivalent to US\$600 million, with a maturity of ten years and an interest rate of 8.5%. In addition to improving the currency composition of the debt portfolio, these operations contributed to mitigating risks associated with exchange rate fluctuations.

Inflation

The following table shows changes in the CPI for the periods indicated.

**Consumer Price Index
(percentage change of from previous year)**

	CPI % change
2021	6.8%
2022	8.1%
2023	3.7%
2024	3.8%
2025	3.1%

Source: Central Bank.

The Central Bank has adopted an inflation targeting scheme in order to maintain relatively low rates of inflation.

During the 2021-2025 period, the annual inflation rate, CPI, remained within the government’s target range. However, in December 2021 and December 2022, the annual inflation rate, CPI, exceeded the government’s target range by 0.8 percentage points and 2.1 percentage points, respectively. Inflation was 6.8% in 2021. In December 2022, inflation increased by 1.3 percentage points compared to the same period in the previous year, standing at 8.1% as of December 31, 2022. The inflation exceeding the target range was primarily attributed to increases in food and fuel prices, influenced by high commodity prices which have been intensified by the longer than expected conflict between Russia and Ukraine.

In December 2023, annual inflation fell to 3.7%, primarily influenced by declines in fuel prices and the relatively stable behavior of food prices. The decrease in some commodity food prices, which remained low throughout the year, and the stability in oil prices played a significant role in steering inflation towards the target range in 2023. Additionally, the Central Bank’s decisions to align expectations with its monetary policy and efforts to stabilize undesirable fluctuations in exchange rates have been crucial for the convergence in inflation.

Inflation expectations for Paraguay over the next 12 months have remained anchored to the target since July 2023. During the most challenging period (2021 and 2022), when inflation accelerated mainly due to the rise in food and energy commodity prices worldwide, Paraguay’s inflation expectations remained within the target range, reflecting the credibility of economic agents in the management of monetary policy.

In December 2024, inflation stood at 3.8%, remaining close to the target, despite temporary upward pressures caused by supply shocks. These disruptions led to a notable increase in the prices of volatile items, particularly fruits and vegetables, during the first half of the year. However, as the supply shocks affecting production and distribution eased in the second half, prices stabilized, allowing inflation to remain within the target range.

Additionally, in December 2024, the Board of the Central Bank decided to lower the inflation target for the monetary policy horizon from 4.0% to 3.5%, while maintaining the tolerance range at +/- 2 percentage points. This decision is supported by several key outcomes. Notably, the favorable evolution of inflation under the target framework, which has generally remained below the established objectives, the proven effectiveness of monetary policy, and the credibility the Bank has gained in guiding the expectations of economic agents. Furthermore, the decision took into account both the current and projected macroeconomic conditions, both locally and internationally.

In 2025, inflation continued to moderate, with annual inflation declining to 3.1% by year-end, explained by lower inflation in non-food goods, particularly fuels and durable goods, and reduced external pressures associated with the weakening of the U.S. dollar in international markets. Food prices also contributed to the moderation of inflation, mainly due to lower inflation in beef prices, while the prices of services remained relatively stable. Inflation expectations remained aligned with the monetary policy target.

Foreign Exchange and International Reserves

Foreign Exchange

Paraguay has maintained a managed free floating exchange rate system since 1989. Paraguay has also maintained free capital flows; there are no restrictions on the purchase or sale of foreign exchange by Paraguayan residents or on the repatriation of funds in foreign currency by foreign investors in Paraguay. Government revenues from Itaipú and Yacyretá are denominated in U.S. dollars whereas most of the government's expenses are denominated in local currency. The Central Bank buys the government's U.S. dollar revenues in return for local currency and conducts compensatory operations selling those U.S. dollars back into the market through planned and pre-announced auctions.

Exchange Rates

Paraguay has a floating exchange rate regime. From time to time, the Central Bank intervenes in the foreign exchange market to stabilize the Guaraní, without changing the market trend. In the last decade, the exchange rate in Paraguay has followed the trend of regional currencies; however, during such period, the Guaraní has proven to be one of the relatively more stable currencies in the region. In 2021, the Guaraní appreciated against the U.S. dollar in the first quarter of the year as a result of a large inflow of U.S. dollars from agricultural exports. A subsequent decrease in agricultural exports between the second and third quarters of 2021 resulted in the depreciation of the Guaraní against the U.S. dollar. The exchange rate remained relatively stable from August 2021 to the end of 2021. In 2022, the cumulative depreciation of the Guaraní against the U.S. dollar was 3.08%. Although the nominal exchange rate remained relatively stable during the first half of 2022, the Guaraní depreciated rapidly from the third quarter onward. This depreciation was driven by the strengthening position of the U.S. dollar within the global market, triggered by adjustments to the Federal Reserve's interest rates and the heightened likelihood of a global recession.

In 2023, despite the increases of exports and a positive trade balance in Paraguay in the first three quarters, the Guaraní depreciated against the U.S. dollar by 4.38%, resulting in average G.7,288.9 per US\$1.00, mainly due to the persistently high U.S. treasury interest rates observed during the year. In 2024, the average exchange rate was G.7,560.2 per US\$1.00, resulting in a depreciation of 3.72% against the U.S. dollar, mainly due to the strengthening of the U.S. currency resulting from persistently high US bond reference rates. Finally, in 2025, the average exchange rate was G.7,545.4 per US\$1.00, equivalent to an appreciation of the Guaraní against the U.S. dollar by 0.20% compared to the close of 2024, largely due to the easing of the United States monetary policy in the second semester of the year.

The following table sets forth the high, low, average and period end Guaraníes to U.S. dollar exchange rates for the dates and periods indicated.

	Exchange Rates ⁽¹⁾ (Guaraníes per US\$)			
	High ⁽²⁾	Low ⁽²⁾	Average ⁽³⁾	Period End ⁽⁴⁾
2021.....	6,993.7	6,092.7	6,774.2	6,879.1
2022.....	7,370.1	6,794.1	6,982.8	7,331.3
2023.....	7,482.7	7,116.6	7,288.9	7,273.6
2024.....	8,010.5	7,251.2	7,560.2	7,827.8
2025.....	8,031.2	6,362.1	7,545.4	6,579.0

- (1) Exchange rates for transactions between financial institutions and non-financial clients.
- (2) Daily Bid and Offer exchange rates for transactions between financial institutions and non-financial clients.
- (3) Annual simple average of monthly average bid/offer exchange rates.
- (4) Average bid/offer US\$/G. exchange rate as of the close of business for the last business day of December each year.

Source: Central Bank.

The bilateral real exchange rate between Paraguay and the United States has remained relatively stable in recent years. In December 2024, the real exchange rate stood 1.5% above the recent historical average (from January 2021 to December 2024).

International Reserves

The following table sets forth the international net reserves of the Central Bank for the periods indicated.

International Net Reserves of the Central Bank (in millions of U.S. dollars)

	As of December 31,				
	2021	2022	2023	2024	2025
Gold ⁽¹⁾	475.6	478.3	547.5	687.4	1,143.3
Foreign Exchange.....	9,269.3	9,156.4	9,453.4	8,991.8	9,454.0
Subtotal.....	9,744.9	9,634.7	10,000.9	9,679.2	10,597.2
Special Drawing Rights.....	136.1	128.0	133.0	131.9	339.4
Reserve Position at IMF.....	65.6	62.4	62.9	61.1	64.2
Subtotal.....	201.7	190.3	195.9	193.0	403.6
Total.....	9,946.6	9,825.0	10,196.8	9,872.3	11,000.8

- (1) Gold valued for each period at London market prices at the end of each year.

Source: Central Bank.

Under the charter of the Central Bank, international reserves are earmarked to maintain the stability of the free exchange rate system, to solve transitory difficulties of the balance of payments and preserve the value of the Guaraní.

Between 2011 and December 2025, the international net reserves increased from US\$4,983.9 million to US\$11,000.8 million. In terms of GDP, this increase represents a growth from 14.8% to 22.2% of GDP over the period. The international net reserves reached US\$4,983.9 million in 2011 and increased to US\$9,490.1 million in 2020, recording a 90.4% growth during the 2011-2020 period. The Reserve Adequacy Assessment Indicator, a measure designed to evaluate the adequacy of a country's reserves (specifically relating to foreign exchange reserves) remained at a low level between 2010-2012. Subsequently, aligning with the increasing trajectory of net international reserves, the indicator moved into the suggested adequacy range and, starting from 2020, has remained above such suggested adequacy range.

The international reserves of the Central Bank increased, on average, between 2017 and 2021. In 2017, international reserves increased, primarily as a result of current account surpluses, while during 2018 and 2019, international reserves decreased mainly as a result of current account deficits, explained by a reduction in trade balance surpluses and decreased FDI inflows. In 2020, international reserves increased primarily as a result of record levels of bond issuances by the public and private sectors, directly impacting international reserves and creating a current account surplus. As of December 31, 2025, international reserves were US\$11.0 billion, an increase of 11.4% compared to 2024, mainly due to deficit in the current account compensated by positive developments in the services sector and in secondary income.

PUBLIC SECTOR FINANCES

General

Paraguay's public sector consists of the central government, financial public institutions (including the Central Bank and the BNF), non-financial public institutions (including SOEs) and other general government agencies (including the social security system, departments, national universities, and the custom department and other decentralized government entities). Central government revenues are derived mainly from tax collection (VAT, excise taxes, corporate income tax and personal income tax since 2013) and non-tax revenue (royalty payments from Itaipú Binational and Yacyretá Binational, compensation payments from the Brazilian and Argentine governments for sales of capacity generated in Itaipú and Yacyretá, respectively, and unused by Paraguay, and social security contributions). Central government expenditures consist mainly of compensation of employees, payments for goods and services, interest paid on public debt and transfer payments to other public sector institutions. Other public sector institutions derive revenue from operating income or transfers from the central government. The budgets of all public sector institutions (including SOEs) are included in the government's annual budget for each year. Public sector institutions must obtain authorization from both the government and Congress to incur medium-and long-term financing, and the amount and sources of such financing must be contemplated in the annual budget. For more information see "Public Sector Debt."

Municipalities are not included in the government's annual budget and do not require authorization from the government to obtain financing. However, there would be no recourse to the central government for any such financing. Accordingly, all information regarding the consolidated public sector finances excludes any finances related to municipalities.

The following table sets forth consolidated public sector finances for the periods indicated below.

Consolidated Public Sector					
(in millions of US\$)					
For the year ended December 31,					
	2020	2021	2022	2023	2024
Revenue.....	\$7,749.9	\$8,849.6	\$9,807.5	\$10,249.3	\$11,323.3
Taxes	3,497.3	4,061.6	4,463.6	4,533.9	5,239.7
On income, profits and capital gains	881.7	1,023.6	1,253.6	1,120.2	1,406.2
On goods and services.....	2,136.1	2,453.4	2,561.7	2,758.1	3,056.2
Value-added taxes	1,725.8	2,012.3	2,169.8	2,327.3	2,564.0
Excises	410.3	441.2	391.9	430.7	492.2
Other taxes on goods and services.....	1.7	1.9	2.0	2.0	2.2
On international trade and transactions.....	295.3	357.6	409.3	408.8	486.7
Other taxes	182.4	225.0	237.0	244.8	288.5
Social Contributions	1,331.9	1,525.7	1,694.9	1,779.5	1,758.5
Grants	57.2	58.4	43.4	55.2	50.8
Other revenue	2,863.4	3,203.9	3,605.6	3,880.7	4,274.2
Property income	893.3	1,019.2	1,029.4	1,311.5	1,404.3
Royalties ⁽¹⁾	229.0	245.3	258.5	303.6	330.8
Sales of goods and services	1,727.8	1,907.6	2,292.9	2,165.0	2,579.8
Compensation transfer of energy ⁽²⁾	214.2	110.4	141.6	138.0	261.6
Miscellaneous revenue	242.4	277.0	283.3	404.2	290.2
Expense	8,022.6	8,556.3	9,040.7	10,083.1	10,695.9
Compensation of employees	3,491.5	3,586.9	3,690.9	3,798.8	3,911.0
Use of goods and services	1,756.6	2,189.1	2,348.8	2,675.6	2,880.2
Interest.....	484.8	563.3	654.2	908.2	1,102.4
Subsidies	-	-	-	-	-
Grants.....	(234.5)	(3.2)	(74.1)	(15.1)	(10.9)
Social Benefits	2,060.8	1,755.7	1,976.0	2,189.2	2,246.3
Other Expense	463.5	464.5	444.9	526.5	567.0
Net Operating Balance ⁽³⁾	(272.7)	293.3	766.8	166.3	627.4
Net Acquisition of Nonfinancial Assets	1,844.9	1,787.1	1,903.8	1,757.0	1,491.3
Net Lending (Borrowing).....	\$(2,117.7)	\$(1,493.7)	\$(1,137.0)	\$(1,590.7)	\$(863.9)

(1) Includes royalty payments from Itaipú and Yacyretá binationals.

(2) Includes compensation payments by Brazil and Argentina for sales of unused capacity generated by Itaipú and Yacyretá, respectively.

(3) Revenue minus expense.

Source: Ministry of Economy and Finance.

During the 1980s, the public sector ran significant deficits. A complex tax regime lacking consistency and clarity resulted in weak enforcement and an increasing deterioration of central government revenues. In 1991,

Congress passed a comprehensive tax reform that reduced the number of taxes, eliminated complexity, and introduced VAT. These developments translated into an improvement of central government balances.

In 2000, 2001 and 2002, public sector finances once again deteriorated materially. During 2003, in the aftermath of the economic and financial crisis of 2002, measures were adopted to improve central government efficiency by streamlining public procurement procedures and further simplifying the tax regime. The combined effect of these initiatives, the economic growth experienced during the period, and the efforts undertaken to control central government expenditures resulted in central government primary surpluses from 2004 through 2011.

Central Government Fiscal Balance

In 2021, central government primary expenditures totaled US\$5.3 billion, an increase of 0.3% compared to 2020, with central government revenues totaling US\$5.5 billion, an increase of 14.1% compared to 2020, a net operating deficit (revenue minus expense) of G.1,949 billion (US\$287.8 million) and an overall central government deficit of US\$1.45 billion (3.6% of GDP). The central government's primary balance in 2021 showed a deficit equivalent to 2.5% of GDP for that period.

In 2022, central government primary expenditures totaled US\$5.4 billion, an increase of 1.4% compared to 2021, with central government revenues totaling US\$5.9 billion, an increase of 7.5% compared to 2021, a net operating deficit (revenue minus expense) of G.214.6 billion (US\$30.7 million) and an overall central government deficit of US\$1.23 billion (2.9% of GDP). The central government's primary balance in 2022 showed a deficit equivalent to 1.7% of GDP for that period.

In 2023, central government primary expenditures totaled US\$5.9 billion, an increase of 10.0% compared to 2022, with central government revenues totaling US\$6.0 billion, an increase of 2.0% compared to 2022, and an overall central government deficit of US\$1,759.9 million (4.1% of GDP). The central government's primary balance as of December 31, 2023, showed a deficit equivalent to 2.4% of GDP for that period.

In 2024, central government primary expenditures totaled US\$6.1 billion, an increase of 3.5% compared to 2023, with central government revenues totaling US\$6.7 billion, an increase of 11.6% compared to 2023, and an overall central government deficit of US\$1,135.0 million (2.5% of GDP). The central government's primary balance as of December 31, 2024, showed a deficit equivalent to 0.6% of GDP for that period.

In 2025, central government primary expenditures totaled US\$6.3 billion, an increase of 3.3% compared to 2024, with central government revenues totaling US\$7.0 billion, an increase of 4.7% compared to 2024, and an overall central government deficit to US\$991.3 million (2.0% of GDP). The central government's primary balance as of December 31, 2025, showed a deficit equivalent to 0.1% of GDP for that period.

The FRL governs the preparation and approval of budgets, but not their execution, and is intended to prevent discretionary increases in expenditures, setting targets for the central government's overall balance. Ultimately, the FRL pursues the adoption of balanced budgets that conform to the financial capacity of the government. Although the 2025 budget complies with the parameters established in the FRL, as part of the gradual convergence process following the consecutive shocks experienced due to the drought in 2019 and 2022, as well as the impacts of the COVID-19 pandemic in 2020, Congress has approved the suspension of the fiscal deficit limit for the fiscal year 2025. This approval includes an expansion of the deficit ceiling from 1.5% of GDP to 1.9% of GDP.

The following table sets forth a summary of the central government's overall balance for the periods indicated below.

Central Government Fiscal Balance

	For the year ended December 31,				
	2021	2022	2023	2024	2025
Net Lending (Borrowing) (in millions of US\$).....	(1,450.6)	(1,230.7)	(1,759.9)	(1,135.0)	(991.3)
Net Lending (Borrowing)/GDP (%).....	(3.6)	(2.9)	(4.1)	(2.5)	(2.0)

Source: Ministry of Economy and Finance.

Economic reforms aimed at increasing the formality of the Paraguayan economy have been a priority for the government. A broader tax base with improved collection initiatives has generated increases in tax revenue. VAT collection, the central government's main source of tax revenues, averaged a growth rate of 11.7% for the period from 2021 through 2025. The number of registered taxpayers as of December 31, 2023, totaled 1,108,479, a 21.3% decrease compared to 1,408,447 registered taxpayers as of December 31, 2022. In 2020, the increase in registered taxpayers was mainly driven by the subsidies granted by the Paraguayan government to informal workers during the COVID-19 pandemic, which were contingent upon their registration to tax and social security authorities. The decrease observed in 2023 is the result of those same taxpayers being removed from the register, as a result of showing no movements in their accounts. The number of registered taxpayers as of December 31, 2025, totaled 1,270,687, a 7.3% increase compared to the same period of 2024.

Since the creation of the National Taxpayer Identification Department (DNIT), there has been a significant increase in the number of taxpayers, partly due to greater formalization of the economy and advancements in the digitalization of tax processes. This has resulted in an expanded tax base and higher tax collection, which has provided more resources for priority sectors such as infrastructure, education, and healthcare.

The following table sets forth the increase in the number of registered taxpayers (as a percentage) from the previous year.

Registered Taxpayers

	As of December 31,				
	2021	2022	2023	2024	2025
Taxpayers (percentage increase from the previous year).....	3.1	3.9	(21.3)	6.8	7.3

Source: Ministry of Economy and Finance.

From 2021 to 2025, tax revenue increased by an average of 12.9% per year. Tax revenues in 2025 totaled G.41.5 billion (approximately US\$7.0 billion), equivalent to a tax burden of 11.2% of GDP, a decrease of 0.1% of GDP during the same period in 2024.

In 2025, tax revenues increased by 8.6% compared to a 20.3% nominal increase in 2024. This increase in tax revenues can be largely attributed to gains in efficiency after the creation of the new National Directorate of Tax Revenue (Dirección Nacional de Ingresos Tributarios – DNIT). [Tax revenue from internal and external taxes registered a good performance in 2025, with an increase of 8.1% for internal taxes and an increase of 9.0% for external taxes.](#) Tax revenues constituted 11.2% of GDP in 2025, marking a 0.1% decrease from 11.3% of GDP in 2024.

The government regards social spending as a key component of public spending. In recent years, there has been a steady increase in social spending measured in relation to total central government expenditure. In the year ended December 31, 2025, social spending increased to 55.5% of total central government expenditure. In 2021, the composition of government spending was dominated by public-sector salaries (45.7%), followed by social services

(16.6%), and transfers to other government entities such as municipalities (12.2%). More recently, government spending has been characterized by a significant decrease in transfers and public-sector salaries, which in 2025, represented 11.4% and 43.5% of expenditures, respectively.

The majority of the accumulated central administration salaries in 2025 were allocated to the education sector (43.7%), the security sector (23.9%), the health sector (12.4%), the rest of the executive branch (12.4%), and the judiciary (5.4%), the legislative branch (2.1%). The following table sets forth a summary of central government finances for the periods indicated below.

Central Government Finances
(in millions of US\$)

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Revenue	5,477.0	5,889.1	6,028.6	6,730.5	7,047.5
Taxes	3,898.5	4,290.8	4,355.9	5,054.2	5,500.2
On income, profits and capital gains.....	1,023.6	1,253.6	1,120.2	1,406.0	1,449.3
On goods and services	2,452.9	2,561.6	2,758.0	3,056.3	3,150.6
Value-added taxes	2,012.3	2,169.8	2,327.3	2,564.1	2,682.6
Excises	440.6	391.8	430.7	492.2	468.0
On international trade and transactions	357.6	409.3	408.8	486.7	557.1
Other taxes.....	64.5	66.3	68.8	105.0	343.2
Social Contributions	410.0	519.9	508.9	428.6	448.2
Grants	270.5	229.9	248.3	256.2	238.9
Other revenue	898.0	848.5	915.5	991.5	860.2
Property income.....	394.6	368.5	449.8	400.8	491.1
Royalties ⁽²⁾	245.3	258.5	303.6	330.8	446.2
Sales of goods and services	309.8	372.8	378.6	490.0	278.3
Compensation transfer of energy ⁽³⁾	110.4	141.6	138.0	261.6	11.2
Miscellaneous revenue.....	193.5	107.2	87.1	96.7	90.8
Expense	5,764.7	5,919.8	6,654.8	7,024.4	7,274.8
Compensation of employees.....	2,633.7	2,720.0	2,815.7	2,909.2	3,167.4
Use of goods and services.....	799.3	643.9	838.4	883.5	684.2
Interest	437.3	517.5	715.8	877.4	923.5
Grants.....	704.1	678.6	709.6	793.3	829.7
Social Benefits.....	958.9	1,109.8	1,257.0	1,270.9	1,460.9
Other Expense.....	231.5	250.1	318.4	290.0	209.0
Net Operating Balance ⁽⁴⁾	(287.8)	(30.7)	(626.1)	(293.9)	(227.4)
Net Acquisition of Non-financial Assets.....	1,162.8	1,200.0	1,133.8	841.1	763.9
Net Lending (Borrowing).....	(1,450.6)	(1,230.7)	(1,759.9)	(1,135.0)	(991.3)

(1) Preliminary data.

(2) Includes royalty payments from Itaipú and Yacyretá.

(3) Includes compensation payments by Brazil and Argentina for sales of unused capacity generated by Itaipú and Yacyretá, respectively.

(4) Revenues minus expenses.

Source: Ministry of Economy and Finance.

The following table sets forth a summary of central government sector finances expressed as a percentage of nominal GDP for the periods indicated below.

**Central Government Finances as a Percentage of GDP
(as a percentage of GDP)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Revenue.....	13.7	14.1	14.0	15.0	14.3
Taxes	9.8	10.3	10.1	11.3	11.2
On income, profits and capital gains	2.6	3.0	2.6	3.1	2.9
On goods and services.....	6.1	6.1	6.4	6.8	6.4
Value-added taxes	5.0	5.2	5.4	5.7	5.5
Excises	1.1	0.9	1.0	1.1	1.0
On international trade and transactions.....	0.9	1.0	0.9	1.1	1.1
Other taxes	0.2	0.2	0.2	0.2	0.7
Social Contributions	1.0	1.2	1.2	1.0	0.9
Grants	0.7	0.5	0.6	0.6	0.5
Other revenue	2.2	2.0	2.1	2.2	1.7
Property income	1.0	0.9	1.0	0.9	1.0
Royalties ⁽²⁾	0.6	0.6	0.7	0.7	0.9
Sales of goods and services.....	0.8	0.9	0.9	1.1	0.6
Compensation transfer of energy ⁽³⁾	0.3	0.3	0.3	0.6	0.0
Miscellaneous revenue	0.5	0.3	0.2	0.2	0.2
Expense	14.4	14.1	15.4	15.7	14.8
Compensation of employees.....	6.6	6.5	6.5	6.5	6.4
Use of goods and services	2.0	1.5	1.9	2.0	1.4
Interest.....	1.1	1.2	1.7	2.0	1.9
Grants.....	1.8	1.6	1.6	1.8	1.7
Social Benefits	2.4	2.7	2.9	2.8	3.0
Other Expense	0.6	0.6	0.7	0.6	0.4
Net Operating Balance ⁽⁴⁾	(0.7)	(0.1)	(1.5)	(0.7)	(0.5)
Net Acquisition of Non-financial Assets	2.9	2.9	2.6	1.9	1.6
Net Lending (Borrowing).....	(3.6)%	(2.9)%	(4.1)%	(2.5)%	(2.0)%

(1) Preliminary data.

(2) Includes royalty payments from Itaipú and Yacyretá.

(3) Includes compensation payments by Brazil and Argentina for sales of unused capacity generated by Itaipú and Yacyretá, respectively.

(4) Revenues minus expenses.

Source: Ministry of Economy and Finance.

Revenues

The following table sets forth the composition of central government revenues as a percentage of total central government revenues for each of the periods indicated below.

	Central Government Revenue (as percentage of total revenue)				
	For the year ended December 31,				
	2021	2022	2023	2024	2025⁽¹⁾
Taxes	71.2%	72.9%	72.3%	75.1%	78.0%
On income, profits and capital gains.....	18.7	21.3	18.6	20.9	20.6
On goods and services.....	44.8	43.5	45.7	45.4	44.7
Value-added taxes	36.7	36.8	38.6	38.1	38.1
Excises	8.0	6.7	7.1	7.3	6.6
Other taxes on goods and services.....	-	-	-	-	-
On international trade and transactions.....	6.5	7.0	6.8	7.2	7.9
Other taxes	1.2	1.1	1.1	1.6	4.9
Social Contributions	7.5	8.8	8.4	6.4	6.4
Grants	4.9	3.9	4.1	3.8	3.4
Other revenue	16.4	14.4	15.2	14.7	12.2
Property income	7.2	6.3	7.5	6.0	7.0
Royalties ⁽²⁾	4.5	4.4	5.0	4.9	6.3
Sales of goods and services	5.7	6.3	6.3	7.3	3.9
Compensation transfer of energy ⁽³⁾	2.0	2.4	2.3	3.9	0.2
Miscellaneous revenue	3.5	1.8	1.4	1.4	1.3
Total Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.

(2) Includes royalty payments from Itaipú and Yacyretá.

(3) Includes compensation payments by Brazil and Argentina for sales of unused capacity generated by Itaipú and Yacyretá, respectively.

Source: Ministry of Economy and Finance

Tax Revenue

Tax revenues increased steadily from 2004 through 2024 as a result of reforms in tax legislation and improved management of tax administration. Two key tax laws were approved in 2013, the Agricultural Activities Income Tax and the extension of VAT to agricultural products at a rate of 5%, which were previously exempted from VAT. In 2019, a new tax law was enacted implementing a modernized and simplified tax system.

Tax revenues averaged 73.9% of total central government revenues for the 2021-2025 period. However, the COVID-19 pandemic had a strong effect on the central government's tax revenue in 2020. In 2025, tax revenues accounted for 78.0% of the total central government revenues, an increase of 2.9% compared to the same period in 2024.

Taxes on income, profits, and capital gains. Revenues from personal, corporate, and agricultural income taxes represented 26.3% of total central government tax revenues in 2025. Since the enactment of the new tax law in 2019, corporate income is taxed at a rate of 10.0% for commercial and industrial activity and services sectors, with no distinctions between agricultural and non-agricultural activities, but gross profits distributions are taxed at 8.0%

for distributors and a 15.0% withholding tax applies on any payments to non-residents if such dividends are remitted abroad.

The Personal Income Tax (“PIT”) is assessed at a rate that ranges from 8% to 10% for personal income, capital income, capital gains and other income after certain exemptions and deductions. In 2019, PIT was assessed separately for personal income and capital gains of income. For personal income, a rate of 10% is applied over the difference between revenues and expenditures. For capital gains income, a rate of 8% is applied over revenues and expenditures.

Taxes on goods and services. In 2025, taxes on goods and services (VAT and excise taxes) represented 57.3 of total tax revenues. Tax rates are moderate with the general VAT rate being 10.0%, and a reduced rate of 5% applying to certain household necessities, pharmaceuticals, and books. Commencing in 2013, livestock, soybeans and other agricultural products in their natural state ceased to be exempt from VAT and became subject to VAT at a rate of 5.0%. Excise tax is levied primarily on fuel, beverages, and cigarettes. As of the date of this Offering Memorandum, cigarettes are taxed at 22.0%; alcoholic beverages are taxed at 11% and 13%, respectively; and non-essential goods are taxed at a range between 1% and 5%. Fuel is subject to a special tax levied at a rate of up to 50.0%.

Taxes on international trade and transactions. Revenue from international trade and transactions, which corresponds entirely to import duties, represented approximately 10.1% in 2025. A significant part of VAT and excise taxes are derived from foreign trade and are collected by customs.

Modernization and Simplification of the National Tax System. In September 2019, the Modernization and Simplification of the National Tax System Law was enacted. The main objective of the Modernization and Simplification of the National Tax System Law is to improve the current tax system by making it simpler, more efficient, equitable, and competitive. The Modernization and Simplification of the National Tax System Law reflect certain principles that prevail in modern tax systems, aiming to reduce tax avoidance and tax evasion.

The Modernization and Simplification of the National Tax System Law seek to raise revenue with an emphasis on fairness and direct taxation, implementing a more progressive tax system, in which the tax rate increases in line with the taxable amount.

The Modernization and Simplification of the National Tax System Law became effective in January 2020 and has, since then and until the date of this Offering Memorandum, represented approximately US\$278 million in additional revenue.

Non-tax Revenue. Non-tax revenues (social contributions, grants and other revenue) represent, on average, 26.1% of the total central government revenues for the period from 2021 through 2025. The largest contribution is derived from royalty payments from Itaipú Binational and Yacyretá Binational and compensation payments by Brazil and Argentina, which in the period from 2021 through 2025 accounted for an average of 7.2% of total central government revenues. Social security contributions also represent a significant source of non-tax revenue, accounting for 7.5% on average for the period from 2021 through 2025.

Pursuant to the Itaipú Treaty, Paraguay is entitled to receive (i) an annual royalty from Itaipú Binational in an amount determined on the basis of a formula set forth in the Treaty and (ii) compensation from the Brazilian government for the unused portion of Paraguay’s share of electricity produced by Itaipú that must be sold to Eletrobras at cost in accordance with the Treaty. The amount of compensation is negotiated between both governments and is US\$9.2 per GW/hour as of the date of this Offering Memorandum.

In 2025, Paraguay received from Itaipú Binational royalty and compensation payments of US\$411.6 million (equivalent to 0.8% of GDP), a decrease of 0.3% compared to royalty and compensation payments of US\$497.1 million (equivalent to 1.1% of GDP) during the same period in 2024.

In 2022, a total of US\$386.1 million (0.9% of GDP) was received. In 2021, income from royalties and compensation represented 1.0% of GDP, about US\$404.2 million. Paraguay received royalty and compensation

payments of US\$444.8 million in 2020 (1.2% of GDP), US\$520.0 million in 2019 (1.3% of GDP). Revenues fluctuate from year to year as a result of the total production of electricity, which in turn depends on the flow of water from the Paraná River, as well as the receipt of amounts due in a year that correspond to previous years. In addition, while compensation payments have increased as a result of negotiations with the Brazilian government, they would decrease to the extent that the energy generated by Itaipu is consumed in the country. For more information regarding Itaipú see “The Paraguayan Economy—Principal Sectors of the Economy—Binational Entities (Binationals)—Electricity Production at Itaipú and Yacyretá Hydroelectric Plants” and “Republic of Paraguay—History, Government and Political Parties.”

According to the Yacyretá Treaty, Paraguay receives (i) royalty payments and (ii) compensation payments based on revenues from the sale of Paraguay’s unused electricity to Argentina. The latter is paid by the government of Argentina directly to Paraguay. The construction of Yacyretá was largely financed by loans from the World Bank and the IDB to Yacyretá Binational, which were guaranteed by Argentina.

In 1992, the governments of Paraguay and Argentina signed notes related to the Yacyretá Treaty to amend its provisions concerning the cost of the project. Paraguay and Argentina agreed in January 1992 to defer the payment of accumulated royalties and compensation (for the electricity Paraguay sold to Argentina) for the 1994 to 2004 period until 2019, and to reinvest such deferred amounts in construction and operational improvements. The deferred amounts shall be paid in equal, monthly installments over eight years, and without interest beginning in 2019. Despite the agreement, since Yacyretá commenced operations in 1994, Paraguay has received advances on deferred royalties and compensation.

However, a substantial part of the early payments due to Paraguay for the periods prior to 2004 is at Yacyretá Binational’s discretion and is agreed to on an annual basis by Argentina and Paraguay. Revenues received by Paraguay from Yacyretá Binational totaled US\$45.8 million, US\$78.9 million, US\$54.3 million, US\$116.8 million and US\$43.6 million in 2021, 2022, 2023, 2024 and 2025, respectively.

Expenditures

Central government expenditures consist primarily of compensation of employees, use of goods and services, interest payments, subsidies, grants, social benefits, and other expenses. The main component of expenditures is compensation of employees, representing an average of 43.6% of total expenditures for the period from 2021 through December 2025. The provision of social benefits, including social security, social assistance and social benefits from employers, is another significant component of central government expenditure, representing, on average, approximately 18.5% of total expenditures for the period from 2021 through 2025. Grants also represent an important component of expenditures, accounting for an average of 11.4% of total expenditures for the same period. Grants include the current and capital transfers to foreign governments, international organizations and local governments units.

The following table sets forth central government expenditures by category for the periods indicated below.

**Central Government Expenditures
(as percentage of total)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025⁽¹⁾
Compensation of employees.....	45.7	45.9	42.3	41.4	43.5
Use of goods and services	13.9	10.9	12.6	12.6	9.4
Non-personal services	4.9	4.5	3.8	3.5	3.0
Consumer goods	8.6	6.0	8.3	8.7	5.9
Commissions	0.2	0.2	0.2	0.2	0.2
Other use of goods and services	0.2	0.2	0.2	0.2	0.2
Interest.....	7.6	8.7	10.8	12.5	12.7
Subsidies.....	0.0	0.0	0.0	0.0	0.0
Grants	12.2	11.5	10.7	11.3	11.4
To foreign governments	0.0	0.0	0.0	0.0	0.0
To international organizations	0.1	0.1	0.1	0.1	0.1
To local governments	12.1	11.3	10.5	11.2	11.3
Social Benefits.....	16.6	18.7	18.9	18.1	20.1
Other Expense	4.0	4.2	4.8	4.1	2.9
Current.....	1.1	1.2	1.7	1.6	0.9
Capital	3.0	3.1	3.1	2.5	2.0
Total Expenditures	100.0	100.0	100.0	100.0	100.0

(1) Preliminary data.

Source: Ministry of Economy and Finance

**Capital expenditures (Net Acquisition of Non-financial Assets) Central Government Finance
(in millions of U.S. dollars)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025
Net acquisition of non-financial assets	1,162.8	1,200.0	1,133.8	841.1	763.9

(1) Preliminary data.

Source: Ministry of Economy and Finance

Net acquisition of non-financial assets comprises payments for the construction of infrastructure such as roads, buildings, hospitals and schools, as well as research laboratories, computers, and modern equipment. During the 2021-2025 period, net acquisition of non-financial assets decreased on average 7.4% per year. In 2025, net acquisition of non-financial assets represented 1.6% of GDP, a decrease of 0.3% of GDP compared to 2024. Nevertheless, the investment levels were consistent with the economic growth registered in 2025 and in line with the medium-term convergence to a deficit within the FRL.

Expenditure (excluding investment) showed variations across different strategic areas of the government in 2025. Notably, there were increases in social services (3.9%), general services (10.7%), and the public debt service, excluding amortizations (20.3%). In contrast, spending on economic services experienced a decrease of 10.4%.

The following table sets forth government expenditures by purpose for the periods indicated. The table includes the amortization of public debt, and all expenses related to public debt, including the issuance, management and cancellation of public debt, and service.

Government Expenditures by Purpose
(in millions of U.S. dollars)

	For the year ended December 31,				
	2021	2022	2023	2024	2025⁽¹⁾
Social Services.....	4,167.5	4,229.7	4,512.1	4,727.7	4,921.0
Health.....	1,213.4	1,088.9	1,283.7	1,282.2	1,104.2
Promotion and social action.....	804.7	804.3	887.7	912.9	1,001.8
Social security.....	684.4	768.5	765.8	817.7	992.2
Education and culture.....	1,282.8	1,396.1	1,396.3	1,510.5	1,676.5
Science, technology and dissemination....	31.1	34.2	33.0	36.8	30.4
Labor.....	43.6	46.6	43.0	40.9	41.9
Housing and community.....	106.5	89.9	101.8	125.7	74.0
General Services.....	1,400.6	1,504.6	1,520.1	1,518.1	1,684.4
Public services.....	678.0	747.6	740.2	708.7	708.0
Defense and security services.....	722.6	757.0	779.9	809.4	976.3
Economic Services.....	1,042.0	1,021.6	1,153.7	824.8	740.5
Energy, fuels and mining.....	0.7	0.4	0.3	0.4	0.1
Transport.....	10.2	17.6	28.9	14.7	5.6
Ecology and environment.....	7.5	8.3	9.3	10.6	9.5
Agriculture, livestock and fishing.....	103.6	85.5	80.6	71.7	66.6
Manufacturing/Industry.....	2.7	2.8	3.3	2.7	3.5
Commerce, storage and tourism.....	19.8	23.3	22.3	21.4	20.9
Economic services and public work.....	897.6	883.8	1,009.2	703.3	634.2
Public debt service.....	740.9	1,018.6	992.1	1,216.4	1,466.6
Regulation and control services.....	18.8	39.1	52.3	50.0	49.1
Total.....	\$7,369.7	\$ 7,813.5	\$ 8,230.3	\$ 8,337.1	\$ 8,861.4

(1) Preliminary data.

Source: Ministry of Economy and Finance.

The following table sets forth government expenditures by purpose as a percentage of total expenditures for the periods indicated below.

**Distribution of Central Government Expenditures by Purpose
(as percentage of total)**

	For the year ended December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Social Services	56.5	54.1	54.8	56.7	55.5
Health.....	16.5	13.9	15.6	15.4	12.5
Promotion and social action.....	10.9	10.3	10.8	11.0	11.3
Social security.....	9.3	9.8	9.3	9.8	11.2
Education and culture	17.4	17.9	17.0	18.1	18.9
Science, technology and dissemination	0.4	0.4	0.4	0.4	0.3
Labor.....	0.6	0.6	0.5	0.5	0.5
Housing and community.....	1.4	1.2	1.2	1.5	0.8
General Services.....	19.0	19.3	18.5	18.2	19.0
Public services	9.2	9.6	9.0	8.5	8.0
Defense and security services	9.8	9.7	9.5	9.7	11.0
Economic Services	14.1	13.1	14.0	9.9	8.4
Energy, fuels and mining	0.0	0.0	0.0	0.0	0.0
Transport.....	0.1	0.2	0.4	0.2	0.1
Ecology and environment	0.1	0.1	0.1	0.1	0.1
Agriculture, livestock and fishing	1.4	1.1	1.0	0.9	0.8
Manufacturing/Industry	0.0	0.0	0.0	0.0	0.0
Commerce, storage and tourism ..	0.3	0.3	0.3	0.3	0.2
Economic services and public work	12.2	11.3	12.3	8.4	7.2
Public debt service	10.1	13.0	12.0	14.6	16.5
Regulation and control services.....	0.3	0.5	0.6	0.6	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.

Source: Ministry of Economy and Finance

A significant portion of the increases in non-discretionary current expenditures have resulted from the introduction of new laws that increased compensation for public sector employees without generating additional revenue. However, the approval of the FRL was intended to avoid future discretionary increases in compensation for employees. Although non-discretionary government expenditures continue to represent a high percentage of total expenditure, a lower increase in compensation of public sector employees has resulted in an improvement in the ratio of non-discretionary expenditures to total expenditures. In 2021 and 2022, non-discretionary expenditures totaled US\$4.6 billion and US\$4.9 billion, representing 65.1% and 67.2% of total expenditures, respectively. In 2024 and 2025, non-discretionary expenditures totaled US\$5.7 billion and US\$6.2 billion, representing 70.8% and 75.4% of total expenditures, respectively.

Budget Process

The government's fiscal year runs from January to December. Pursuant to applicable regulation, the Ministry of Economy and Finance prepares the annual government budget, where it presents the goals and specific characteristics of the budget (including estimates of revenues and expenses for the budget year), implementation of the government's social and economic development policies and the provision of public services.

The budget bill process begins with the submission by each governmental agency of its proposed budget to the Ministry of Economy and Finance, which in turn then drafts the initial annual budget. The Ministry of Economy and Finance may revise, modify or amend each agency's proposed budget prior to presenting the annual budget to the president for approval. The president is required to submit a bill setting forth the annual budget for the following year to the Chamber of Deputies by September 1 of each year that meets the requirements of the FRL.

A special commission composed of members of the Senate and the Chamber of Deputies then convenes for 60 days to review the proposed annual budget. At the completion of this period, the proposed annual budget is submitted to the Senate and the Chamber of Deputies for an additional 15-day review period. The budget process is subject to the rules and limitations set forth in the Fiscal Responsibility Law. If Congress, for example, decides to modify the annual budget by increasing expenditures, it must comply with the Fiscal Responsibility Law's requirement that the source of each additional expenditure be identified. The president may veto the congressionally amended budget, but following such a veto, the annual budget from the preceding year remains in effect. In no event is the government required to spend all the amounts that are provided in the annual budget. In addition, Paraguay includes in its annual budget the external borrowings it needs according to estimates of payments for projects underway and projects pending approval by Congress.

As part of the budget implementation process, the Ministry of Economy and Finance prepares a financial plan based on actual revenue flows and the actual ability of governmental agencies and institutions to implement the budget. The financial plan may adjust the budget if necessary, including the reduction of expenditures to the extent that revenues contemplated in the budget do not materialize, and such budget, as modified, is the one that is implemented. In addition to the financial plan, the treasury's *Plan de Caja* allows for monthly adjustments to expenditures depending on the treasury's ability to finance particular expenditures. Governmental entities use the *Plan de Caja* to conform their execution of the budget to the resources they have available. Through the financial plan and the *Plan de Caja*, the Ministry of Economy and Finance can adjust expenditures subject to the maximum amounts approved in the budget.

The government can cover a shortfall of forecasted revenues by transferring credits, changing funding sources, or through short-term loans from the Central Bank. If the deficit at the end of the first quarter exceeds 3% of the budget, the government must submit to Congress a revised national budget by no later than June 30th of that year. Congress can transfer or reduce expenditures, change funding sources, or remove budgetary expenditures that do not affect budgetary commitments under special laws. In addition, Congress can also authorize the issuance of treasury bonds to cover the projected deficit, which would be recorded as public debt for the next fiscal year.

2026 Annual Budget

Following the approval by both chambers of Congress in December 2025, the executive branch enacted the 2026 budget on December 31, 2025. The bill includes aggregate expenditures totaling US\$19.0 billion, representing a 8% increase compared to 2025. The 2026 budget allocates 50% of total resources to the central government and 50% to decentralized entities. In terms of funding resources, 34% of the Budget is financed through resources from the Public Treasury (part of the budget that is financed by tax revenues), 14% from Public Credit (part of the budget that is financed with public debt), and 52% from Institutional Resources (part of the budget that is financed with resources generated by public sector entities).

Health, Education, Security, and Social Promotion and Action represent the Government's main priorities, aimed at ensuring the continuity and strengthening of key programs that directly impact the population's quality of life. Planned actions include maintaining school feeding programs, expanding coverage for senior citizens, ensuring timely access to essential medicines, fulfilling commitments to the education sector, and reinforcing citizen security.

In particular, the Zero Hunger in Schools program includes an additional US\$83.4 million in this budget, raising the total allocation to US\$368 million to benefit approximately 1.0 million students nationwide. This increase is made possible by the sustained growth in tax revenue, allowing the National Treasury to allocate more resources to programs with high social returns.

Furthermore, in order to continue improving the quality of life of our senior citizens and further solidify the commitment to universalizing pensions, the 2026 Budget proposes adding US\$48.6 million to the Access to

Pensions for Senior Citizens program. This will incorporate 30,000 new beneficiaries, bringing the total number of senior citizens receiving benefits to 370,000. The total allocation for this program is US\$406 million.

Education is highlighted in the budget with an additional investment of US\$9 million for the implementation of the Teacher Career Ladder and a 3.6% salary adjustment for inflation, effective January 2026, totaling US\$35.5 million, which will benefit 92,808 teaching positions.

An additional allocation of US\$25 million is also planned for the National Cancer Institute, intended to improve cancer care, expand access to medications and specialized treatments, and support patients and their families throughout the palliative, recovery, and comprehensive care process.

Security was addressed decisively through the addition of thousands of officers, new patrol vehicles, radar systems, and aircraft to strengthen territorial control. This includes additional Treasury resources allocated to the National Police (US\$71.6 million) and the Armed Forces (US\$24.5 million). Regarding the police budget, the proposed increase includes the addition of 5,000 new officers.

The following table sets forth a comparison between the main macroeconomic assumptions used in September 2024 for the preparation of the 2025 budget and the main macroeconomic assumptions used in September 2025 for the preparation of the 2026 draft budget.

Main Macroeconomic Assumptions for 2026

	2025 Budget Assumptions	2026 Budget Assumptions
Real GDP Growth	3.8%	3.8%
Domestic inflation CPI.....	4.0%	3.5%
Imports (US\$ million).....	\$16,145	\$17,250
Average Nominal G./US\$ Exchange Rate	G.7,569	G.7,881

Source: Ministry of Economy and Finance

The following table sets forth a comparison between the macroeconomic assumptions used in preparation of the 2025 budget and the final macroeconomic indicators for 2025.

Main Macroeconomic Assumptions for 2025 vs. Actual 2025¹⁾

	Assumptions	Actual 2025
Real GDP Growth	3.8%	6.0%
Domestic Inflation CPI.....	4.0%	3.1%
Imports (US\$ million).....	\$16,145	\$17,742
Average Nominal G./US\$ Exchange Rate	G.7,569	G.7,545

(1) The macroeconomic assumptions included in this table were published in the notice of public finance that accompanied the 2025 budget presented to Congress in September 2024.

Source: Ministry of Economy and Finance, Central Bank.

The projection for GDP growth in 2025 was revised upward to 6.0%, reflecting stronger than expected economic activity. This stronger growth is primarily attributed to the tertiary sector, whose forecast was adjusted from 5.3% to 6.1%, driven by improved performance in trade (8.0% compared to the previously forecast 7.0%) and the “other services” component (6.1% compared to 5.2%), particularly in restaurants and hotels, and services to households and businesses. The secondary sector is also expected to expand more than anticipated (6.2% instead of 5.4%), supported by stronger manufacturing activity (5.3% growth compared to the previously forecast 4.3%), driven by increased production of oils, textiles, beverages, and tobacco. Likewise, the electricity and water sector is projected to grow by 9.4%, exceeding the initial estimate of 8.7%, due to the increased distribution of electricity locally. Meanwhile, the primary sector is expected to increase marginally (from 5.1% to 5.3%), driven by stronger

growth in the forestry and fishing sectors. On the expenditure side, both exports (4.2% versus 1.5%) and imports (9.2% versus 5.9%) are expected to expand more than anticipated. Public consumption, however, is projected to contract by 1.0% (compared to a previous estimate of 0.5%), while gross fixed capital formation is expected to close the year with slightly lower growth than previously projected (14.5% versus 16.8%). With these results, the forecast for GDP excluding agriculture and binational entities is estimated at 6.1%.

Social Security

Paraguay's social security system is a government-administered system, financed by a combination of contributions from employees, employers and the government. The current contributions to the social security system are used to finance the retirement funds and services provided to current users. Paraguay's social security system is composed of eight entities according to the type of employees to which they relate:

- (i) the Institute of Social Welfare for private sector workers;
- (ii) the General Bureau for Retirement Funds (the "Caja Fiscal") for public sector workers;
- (iii) railroad workers;
- (iv) bank employees;
- (v) electricity workers;
- (vi) members of parliament;
- (vii) municipal employees; and
- (viii) Itaipú workers.

The Caja Fiscal has a direct impact on the central government's fiscal balance because it is responsible for payments to central government employees.

Paraguay's social security system provides coverage to approximately 46.9% of the total population that receive a salary or work as employees. The IPS and the Caja Fiscal are the largest entities of the social security system. The IPS is the main component of Paraguay's social security system covering retirement and pensions, as well as health insurance. Coverage extends to all employees in the formal private sector, non-government entities and mixed private-public enterprises, public and private school teachers, domestic services employees, retirees and veterans of the Chaco War. Benefits can generally be made available to dependents.

According to the IPS, the ordinary retirement age is 60 years, along with a minimum of 25 years of contributions. With the promulgation of Law No. 7446/24, an individual will receive 100% of their salary. To this end, the reference period for calculating retirement assets will increase gradually, from 36 to 120 months, at a rate of 1 month for each year of validity of the law.

The Caja Fiscal is run by the Ministry of Economy and Finance and administers the pension system for public sector employees. It is divided into two broad schemes: civil servants and non-civil servants' schemes. The civil servants scheme covers university professors, national teachers, judicial magistrates, and public officials and employees. The non-civil scheme covers the armed forces and the police forces.

In 2024, the contributive scheme of Caja Fiscal ran a deficit of G.2,559.9 billion (approximately US\$339 million, representing 0.69% of GDP), higher than the deficit of G.2,219.1 billion (approximately US\$294 million, representing 0.66% of GDP) recorded in December 2024, primarily due to payments to military, police, and teachers, the covered sectors with the highest deficits.

Any individual covered by the Caja Fiscal who has worked for at least 20 years and reaches 62 years of age may retire. Individuals of 50 years or older who have worked for at least 20 years are eligible for retirement benefits.

Looking ahead to the Caja Fiscal reform, an actuarial study has been carried out to help design changes in parametric measures, ensuring long-term financial sustainability. The actuarial valuation, based on a close population model, shows a present value of assets of US\$4,096 million, while mathematical reserves amount to US\$22,760 million, leaving a substantial deficit of US\$18,664 million. In addition, the Ministry of Economy and Finance administers a non-contributory pension system which, since August 2024, has been limited to special (grace) pensions granted by the government on an exceptional basis, pensions awarded to veterans of the Chaco War and to their heirs, as well as pensions granted to the heirs of police officers and military personnel who died in the line of duty, in accordance with the applicable legal framework. In 2025, expenditure associated with these pensions amounted to G. 152.7 billion (approximately US\$20.3 million), a figure significantly lower than that recorded in 2024 (around US\$216.8 million), when the system also included, until July, the Universal Non-Contributory Pension Program for Older Adults, targeted at individuals aged 65 and over without access to contributory pension funds. Pursuant to Law No. 7,322/2024, this program was transferred to the Ministry of Social Development (MDS), which executed approximately US\$138.5 million between August and December 2024. In 2025, MDS budget execution under this program reached G. 2,806 billion, equivalent to approximately US\$371.9 million.

The non-contributory pensions cover veterans of the Chaco War, and gratuitous pensions granted to individuals who have no retirement funds. The non-contributory scheme is composed mainly of pensions defined by the parliament and has significantly influenced overall results of public finance, because it represents only expenditures without any contribution in return.

In 2025, decisive progress was made in the implementation of Law No. 7,235/2023, with the formation and institutionalization of the Social Security Council as the governing body of the pension system. Through (i) Decree No. 3,847 of May 7, 2025, Jorge Sebastián López Luraghi was appointed as member representing the workers' sector, and Ramón Tomás Ávalos González as alternate member; (ii) Decree No. 4,356 of July 28, 2025, Rodi Hernán Ozuna Paredes was appointed as member representing the retired sector, and Jorge Pineda Brítez as alternate member; and (iii) Decree No. 3,098 of December 18, 2024, Enrique Vidal Lovera was appointed as member representing the employers' sector, and Luis Fleitas Bogarín as alternate member. In addition, Decree No. 4,776/2025 established its internal organization, operation, and procedures. Furthermore, Decree No. 4,807/2025 appointed the Minister of Economy and Finance as President of the Social Security Council.

With the Council fully operational, the roadmap for the launch of the Superintendency of Retirement and Pensions was established and coordinated with the country's pension entities. The main milestone of the year was the public competition to select the Superintendent, a process that culminated in the appointment of the Superintendent by Decree No. 5,081/2025, effective January 1, 2026. These actions complied with the institutional stages provided for in the law and marked a significant advance in the strengthening, transparency, and supervision of the Paraguayan social security system.

PUBLIC SECTOR DEBT

General

Paraguayan public sector debt is composed of debt incurred by the central government, financial public institutions (BNF, AFD, Livestock Fund (*Fondo Ganadero*), and Agricultural Credit (*Crédito Agrícola de Habilitación*)), and non-financial public institutions (including SOEs). In general, Paraguay has relied on public external and public sector domestic debt to finance capital expenditures, primarily to expand the country's infrastructure, invest in education, grant low-interest rate loans and help the manufacturing and agricultural sectors. As of December 31, 2025, 92.1% of public sector external debt and approximately 5.1% of public sector domestic debt were denominated in foreign currencies.

All public sector domestic and external debt incurred by the central government is backed by the full faith and credit of Paraguay and medium- and long-term debt must be authorized by both the Ministry of Economy and Finance and Congress.

Incurrence of public sector debt is limited each year to the amount authorized by Congress in the annual budget.

The principal guidelines in the government's public debt policies are the ratio of total outstanding public sector debt to GDP, and the ratio of total principal, interest payments and other financial costs (including interest, commissions and others) on public sector external debt to GDP. As of December 31, 2025, the ratio of total outstanding public sector debt to GDP was 41.2%.

As of December 31, 2025, 80.6% of the central administration's debt was in US dollars, representing a decrease of 6.5% compared to 2024. The percentage of debt in Guaraníes, on the other hand, increased by 5.5%, rising from 12.3% in 2024 to 17.8% by December 31, 2025. Debt in other currencies increased from 0.6% in 2024 to 1.6% in 2025.

In addition, as of December 31, 2025, public debt reached US\$20,408.6 million. With a projected GDP of US\$49,488 million, the debt-to-GDP ratio is estimated at 41.2%.

The following table sets forth a summary of Paraguay's total gross public sector debt as a percentage of GDP for the periods indicated below.

Total Gross Public Sector External Debt by Creditor
(in millions of U.S. dollars and percentages)

	For the year ended December, 31									
	2021		2022		2023 ⁽¹⁾		2024 ⁽¹⁾		2025 ⁽¹⁾	
	US\$	% of GDP	US\$	% of GDP	US\$	% of GDP	US\$	% of GDP	US\$	% of GDP
<i>Public Sector Debt⁽²⁾.....</i>	\$13,631.3	33.8%	\$15,053.7	35.8%	\$16,565.9	38.4%	\$18,083.2	40.7%	\$20,408.6	41,2%
External Public Debt.....	\$11,812.0	29.3%	\$13,323.1	31.7%	\$14,338.3	33.2%	\$15,722.2	35.4%	\$17,346,1	85%
Domestic Public Debt ⁽³⁾	\$1,819.3	4.5%	\$1,730.6	4.1%	\$2,227.6	5.2%	\$2,361.1	5.3%	\$3,062,4	15%

(1) Preliminary data

(2) Public sector debt is classified as external and domestic. Domestic public debt comprises debt contracted with individuals or legal entities resident or domiciled in the Republic of Paraguay, whose payment may be payable within the national territory. External public debt comprises debt contracted with another country or international organization, or any other natural or legal person without residence or domicile in the Republic of Paraguay, the payment of which may be due outside the national territory.

(3) The domestic debt includes since 2012 the result of the capitalization of the Central Bank in the amount of US\$915.5 million, through the issuance of a perpetual bond. This amount represented 2.9% of total public debt as of December 31, 2025 (US\$597.3 million).

Source: Ministry of Economy and Finance and Central Bank.

As of December 2024, public sector interest payments amounted to approximately 2.0% of GDP, reflecting, among other factors, the prevailing international interest rate environment. As of the end of 2025, this ratio declined slightly to approximately 1.9% of GDP, consistent with a moderation in financing conditions and the implementation of fiscal consolidation measures in line with the Fiscal Responsibility Law.

Public Sector External Debt

Paraguay's current strategy focuses on minimizing the cost of its public sector external debt. As of December 31, 2025, public sector external debt represented 85.0% of outstanding public sector debt, most of which was incurred to finance infrastructure projects in the form of bilateral and multilateral loans.

The following table sets forth gross public sector external debt by creditor for the periods indicated below.

Gross Public Sector External Debt by Creditor
(in millions of U.S. dollars and percentage of total)

	As of December 31,								As of December 31,			
	2021		2022		2023		2024		2024		2025	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in millions of U.S. dollars and percentages)											
Official creditors.....	5,591.5	47.3	6,808.5	51.1	7,631.5	53.2	8,197.2	52.1	8,197.2	52.1	8,755.5	50.5
Multilateral organizations.....	5,373.8	45.5	6,626.3	49.7	7,477.7	52.2	8,037.1	51.1	8,037.1	51.1	8,487.3	48.9
IDB	2,541.0	21.5	3,183.5	23.9	3,368.0	23.5	3,795.0	24.1	3,795.0	24.1	3,876.5	22.3
IBRD	879.9	7.4	885.4	6.6	1,117.9	7.8	1,135.6	7.2	1,135.6	7.2	1,142.1	6.6
C A F.....	1,483.9	12.6	2,018.5	15.2	2,342.7	16.3	2,414.5	15.4	2,414.5	15.4	2,512.3	14.5
F O N P L A T A	276.1	2.3	342.6	2.6	342.3	2.4	379.9	2.4	379.9	2.4	455.7	2.6
I F A D.....	23.2	0.2	23.4	0.2	22.5	0.2	22.4	0.1	22.4	0.1	21.3	0.1
A I D.....	2.0	0.0	1.4	0.0	0.9	0.0	0.2	0.0	0.2	0.0	0.1	0.0
O P E C.....	60.0	0.5	67.2	0.5	169.3	1.2	164.2	1.0	164.2	1.0	159.1	0.9
B E I.....	107.7	0.9	104.4	0.8	114.3	0.8	125.3	0.8	125.3	0.8	120.0	0.7
FMI											200.1	1.2
Bilateral organizations	217.7	1.8	182.2	1.4	153.8	1.1	160.1	1.0	160.1	1.0	268.2	1.5
J I C A.....	171.5	1.5	135.4	1.0	108.3	0.8	115.5	1.0	115.5	0.7	134.6	0.8
K F W.....	7.6	0.1	5.6	0.0	4.2	0.0	3.6	4.0	3.6	-	3.7	0.0
U S A I D.....	-	-	-	-	-	-	-	-	-	-	-	-
FINAME.....	-	-	-	-	-	-	-	-	-	-	-	-
I C O.....	38.6	0.3	41.2	0.3	41.3	0.3	41.0	42.5	41.0	0.3	43.2	0.2
NATIXIS	-	-	-	-	-	-	-	-	-	-	-	-
BNDES	-	-	-	-	-	-	-	-	-	-	65.6	0.4
Other	-	-	-	-	-	-	-	-	-	-	21.1	0.1
Private creditors.....	5,858.0	49.6	6,071.2	45.6	6,263.3	43.7	7,103.7	7,112.7	7,103.7	45.2	8,213.7	47.4
Banks.....	1.7	0.0	-	-	-	-	-	-	-	-	-	-
B B V A Spain.....	-	-	-	-	-	-	-	-	-	-	-	-
EXIMBANK CHINA....	1.7	0.0	-	-	-	-	-	-	-	-	-	-
Bonds.....	5,856.4	49.6	6,071.2	45.6	6,263.3	43.7	7,103.7	7,112.7	7,103.7	45.2	8,213.7	47.4
Bonds due 44/26/27/48/ 50/31/33/33_2/33_3, 31_2, 36.....	5,856.4	49,6	6,071,2	45,6	6,263,3	43,7	7,103,7	7,112,7	7,103,7	45,2	8,213,7	47,4
Chinese Bonds (CHINA TRUST COMM. B.).....	-	-	-	-	-	-	-	-	-	-	-	-
Turnkey Law (5.074/13).....	362,4	3,1	443,5	3,3	443,5	3,1	421,3	443,5	421,3	2,7	377,0	2,2
Consorcio Corredor Vial Bioceánico	362,4	3,1	443,5	3,3	443,5	3,1	421,3	443,5	421,3	2,7	377,0	2,2
Total external debt	11.812,0	100	13.323,1	100	14.338,3	100,0	15,722,2	15468,6	15722,2	100,0	17346,1	100,0

(1) Preliminary data.

Source: Ministry of Economy and Finance.

As of December 31, 2024, Paraguay's gross public sector external debt was US\$15.7 billion, an increase of approximately 9.7% compared to December 31, 2023. Central government borrowings represented 43.7% of Paraguay's gross total public sector external debt as of the same period.

The following table sets forth a summary of Paraguay's total public sector external debt by type of debtor.

**Total Gross Public Sector External Debt
(in millions of U.S. dollars and percentages)**

	As of December 31,						As of December 31,					
	2021	% of Total	2022	% of Total	2023	% of Total	2024	% of Total	2024	% of Total	2025 ⁽¹⁾	% of Total
Central												
Government	11,153.9	94.4	12,625.3	94.4	13,335.2	93.0%	14,653.6	93.2%	14,653.6	93.2%	16,003.9	92.3%
Financial public sector ⁽²⁾	151.5	1.3	154.7	1.2	154.4	1.1%	153.9	1.0%	153.9	1.0%	159.3	0.9%
Non-financial public sector.....	506.6	4.3	543.0	4.4	848.7	5.9%	914.7	5.8%	914.7	5.8%	1,183.0	6.8%
Total	11,812.0	100.0	13,323.1	100.0	14,338.3	100.0%	15,722.2	100.0%	15,722.2	100.0%	17,346.1	100.0%
Total public external debt/GDP	29.3%		31.7%		33.2%		34.8%		34.8%		35.1%	

(1) Preliminary data.

(2) Includes the Central Bank.

Source: Ministry of Economy and Finance and Central Bank.

The following table shows the total public sector external debt net of international reserves.

**Total Public Sector External Debt, Net of International Reserves
(in millions of U.S. dollars)**

	As of December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Total public external debt.....	\$11,812.0	\$13,323.1	\$14,338.3	\$15,722.2	\$17,098.7
Less: Gross international reserves of Central Bank	\$9,946.6	\$9,825.0	\$10,196.8	\$9,872.3	\$11,000.8
Total public external debt, net of international reserves.....	\$1,865.4	\$3,498.1	\$4,141.5	\$5,849.9	\$6,345.3

(1) Preliminary data. Includes the Central Bank.

Source: Ministry of Finance and Central Bank.

Paraguay has historically relied on multilateral organizations, bi-lateral loans and commercial banks as sources of public sector external debt. Multilateral and bilateral organizations accounted for 52.1% of total gross public sector external debt outstanding as of December 31, 2024. The IDB and the CAF are currently Paraguay's largest creditors, accounting for 49.7% and 27.9% as of December 31, 2024, respectively, of gross total public sector external debt owed to multilateral organizations and 21.0% and 13.4%, respectively, of total public sector external debt. Paraguay's borrowings from multilateral organizations are used primarily for infrastructure and social development programs.

On March 13, 2018, Paraguay issued bonds for an aggregate principal amount of US\$530 million (the "2048 Bonds"), which mature on March 13, 2048. The 2048 Bonds bear interest at rate of 5.6%, payable semi-annually in arrears on September 13 and March 13 of each year.

On February 7, 2019, Paraguay issued bonds for an aggregate principal amount of US\$500 million (the "Initial 2050 Bonds"), to mature on March 30, 2050. The Initial 2050 Bonds bear interest at rate of 5.4%, payable semi-annually in arrears on March 30 and September 30 of each year. On January 21, 2020, Paraguay reopened the Initial 2050 Bonds and made a further issuance, under the indenture dated March 31, 2016 (as amended, modified and/or supplemented from time to time), for an aggregate principal amount of US\$450 million (the "First Additional 2050 Bonds," together with the Initial 2050 Bonds, the "Reopened 2050 Bonds"). This issuance was consolidated with the Initial 2050 Bonds to form a single series of 5.4% bonds due 2050. On January 29, 2021, Paraguay reopened for a second time the 2050 Bonds and made a further issuance, for an aggregate principal amount of

US\$225.8 million (the “Second Additional 2050 Bonds,” together with the Reopened 2050 Bonds, the “2050 Bonds”). This issuance was consolidated with the Initial 2050 Bonds and the Reopened 2050 Bonds to form a single series of 5.4% bonds due 2050.

On April 28, 2020, Paraguay issued bonds for an aggregate principal amount of US\$1 billion (the “April 2031 Bonds”), which mature on April 28, 2031. The April 2031 Bonds bear interest at a rate of 4.950%, payable semi-annually in arrears on April 28 and October 28 of each year.

On January 29, 2021, Paraguay issued bonds for an aggregate principal amount of US\$600 million (the “2033 Bonds”), which mature on January 29, 2033. The 2033 Bonds bear interest at a rate of 2.739%, payable semi-annually in arrears on January 29 and July 29 of each year.

On January 28, 2022, Paraguay issued bonds for an aggregate principal amount of US\$500.6 million (the “January 2033 Bonds”), which mature on June 28, 2033. The January 2033 Bonds bear interest at a rate of 3.849%, payable semi-annually in arrears on June 28 and December 28 of each year.

On July 12, 2023, Paraguay issued bonds for an aggregate principal amount of US\$500 million (the “July 2023 Bonds”), which mature on August 21, 2033. The July 2023 Bonds bear interest at a rate of 5.850%, payable semi-annually in arrears on February 21 and August 21 of each year.

On February 5, 2024, Paraguay issued bonds for an aggregate principal amount of G.3.64 trillion equivalent to US\$500 million (the “February 2031 Bonds”), which are denominated in Guaraníes but payable in U.S. dollars and mature on February 9, 2031. The February 2031 Bonds bear interest at a rate of 7.90%, payable semi-annually in arrears on February 9 and August 9 of each year. On the same date, Paraguay issued bonds for an aggregate principal amount of US\$500 million (the “2036 Bonds”), which mature on February 9, 2036. The 2036 Bonds bear interest at a rate of 6.00%, payable semi-annually in arrears on February 9 and August 9 of each year.

On February 25, 2025, Paraguay issued bonds for an aggregate principal amount of G.4.74 trillion equivalent to US\$600 million (the “G. 2035 Bonds”), which are denominated in Guaraníes but payable in U.S. dollars and mature on March 4, 2035. The G. 2035 Bonds bear interest at a rate of 8.50%, payable semi-annually in arrears on March 4 and September 4 of each year. On the same date, Paraguay issued bonds of an aggregate principal amount of US\$600 million (the “USD 2055 Bonds”), which mature on March 4, 2055. The USD 2055 Bonds bear interest at a rate of 6.65%, payable semi-annually in arrears on March 4 and September 4 of each year.

The following table sets forth information regarding gross public sector external debt service.

Public Sector Gross External Debt Service
(in millions of U.S. dollars and as a percentage of total)

For the year ended December 31,

	2021	% of Total	2022	% of Total	2023	% of Total	2024 ⁽¹⁾	% of Total	2025 ⁽¹⁾	% of Total
	(in millions of U.S. dollars. and percentages)									
Interest payments ⁽²⁾	402.8	64.5%	486.8	66.3 %	727.7	56.0%	861.4	61.8%	896.6	53.5%
Principal amortization ...	221.5	35.5%	248.1	33.7 %	571.2	44.0%	531.9	38.1%	778	46.5%
Total	624.3	100.0%	734.9	100.0%	1,298.9	100.0%	1,393.3	100.0%	1,674.6	100.0%

(1) Preliminary data.

(2) Includes financial costs.

Source: Ministry of Economy and Finance.

The following table sets forth information regarding gross public sector external debt amortization schedule by creditor.

Gross Public Sector External Debt Amortization Schedule by Creditor⁽¹⁾
(in millions of U.S. dollars)

	Total Outstanding External Debt as of December 31, 2025	Amortization Schedule for					2030 and thereafter
		2026	2027	2028	2029		
Multilateral organizations.....	8,487.3	481.6	559.7	622.4	653.3	6,170.3	
Foreign governments.....	268.2	13.5	13.5	20.5	19.7	201.1	
Bonds	8,213.7	132.1	400.0	0.0	333.3	7,348.3	
Turnkey Projects (Law 5074/13.....)	377.0	44.3	44.3	44.3	44.3	199.6	
Total	17,346.1	671.5	1,017.5	687.2	1,050.7	13,919.2	

(1) Includes only loans approved by Congress and not those under negotiation or pending approval by Congress.

(2) Preliminary data.

Source: Ministry of Economy and Finance.

On October 16, 2019, the IDB converted the interest rates on five loans from floating to fixed rates. With this conversion, the amount of outstanding public sector external debt at a fixed rate increased from 64.6% as of October 31, 2018, to 68.6% as of October 31, 2019, thereby reducing the exposure to the risk of interest rate fluctuations. However, as of December 31, 2025, the amount of outstanding public sector external debt at a fixed rate was 59.4%, decreasing from 58.9% as of December 31, 2024, mainly due to the disbursements of loans contracted for infrastructure works and budget support.

The following table sets forth a summary of Paraguay's gross public sector external debt by interest rate type.

Summary of Gross Public Sector External Debt by Interest Rate Type
(in millions of U.S. dollars and as a percentage of total)

	For the year ended December 31,									
	2021		2022		2023 ⁽¹⁾		2024 ⁽¹⁾		2025 ⁽¹⁾	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
Fixed Rate	7,991.7	67.7	8,257.2	62.0	8,425.6	58.8	9,196.8	58.5%	10,301.9	59.4%
Between 0%-3%.....	2,202.9	18.7	2,176.0	16.3	2,057.9	14.4	2,041.8	13.0%	2,022.5	11.7%
Between 3%-6%.....	4,426.3	37.5	4,637.7	34.8	4,822.0	33.6	5,181.4	33.0%	4,933.0	28.4%
Between 6%-9%.....	1,362.4	11.5	1,443.5	10.8	1,545.7	10.8	1,973.6	12.6%	3,346.4	19.3%
Floating Rate ⁽¹⁾	3,820.3	32.3	5,065.9	38.0	5,915.1	41.2	6,525.4	41.5%	7,044.3	40.6%
Total	11,812	100.0	13,323.1	100.0	14,340.7	100.0	15,722.2	100.0	17,346.1	100.0%

(1) Preliminary data

(2) Primarily LIBOR-based and SOFR-based.

Source: Ministry of Economy and Finance.

The following table sets forth a summary of Paraguay's gross public sector external debt outstanding by maturity.

Summary of Gross Public Sector External Debt Outstanding by Maturity of Indenture Date
(in millions of U.S. dollars and percentages)

	As of December 31,						As of December 31,					
	2021	% of Total	2022	% of Total	2023	% of Total	2024	% of Total	2024	% of Total	2025	% of Total
0-5 years	-	-	-	-	-	-	-	-	-	-	-	-
Between 5-10 years	1,722.8	14.6%	1,664.1	12.5%	1,967.2	13.7%	2,153.3	13.7%	2,153.3	13.7%	2,628.7	15.2%
Between 10-15 years	1,495.8	12.7%	2,094.2	15.7%	2,042.7	14.2%	2,461.4	15.7%	2,461.4	15.7%	2,416.2	13.9%
More than 15 years	8,593.4	72.8%	9,564.8	71.8%	10,328.4	72.0%	11,107.5	70.6%	11,107.5	70.6%	12,301.2	70.9%
Total	11,812.0	100%	13,323.1	100%	14,338.3	100%	15,722.2	100%	15,722.2	100%	17,346.1	100%

(1) Preliminary data.

Source: Ministry of Economy and Finance.

The following table sets forth gross public sector external debt denominated in foreign currency, by currency as of the dates indicated.

Summary of Gross Public Sector External Debt Outstanding by Currency
(in millions of U.S. dollars and percentages)

	As of		As of	
	Dec 31, 2024	% of Total	Dec 31, 2025	% of Total
United States Dollar	15,033.0	95.6%	15,620.5	90.1%
Japanese Yen	115.5	0.7%	134.6	0.8%
Euro	9.3	0.1%	9.9	0.1%
Canadian Dollar	0.2	-	0.1	-
Special Drawing Rights ⁽¹⁾	11.9	0.1%	211.5	1.2%
British Pound	-	-	-	-
Swedish Krona	-	-	-	-
Norwegian Krone	-	-	-	-
Paraguay Guarani	552.3	3.5%	1,369.4	7.9%
Total	15,722.2	100.0%	17,346.1	100.0%

(1) Preliminary data.

(2) Units of account used by IMF and reflects disbursements from the International Fund for Agricultural Development, an agency of the United Nations.

Source: Ministry of Economy and Finance.

Public Sector External Debt Owed to Multilateral Organizations and Credit Agencies

IDB. The IDB is Paraguay's principal multilateral financial institution creditor. According to preliminary numbers for December 2025, financing from this multilateral organization amounted to US\$3,751.7 million, representing 19.0% of Paraguay's total public sector external debt.

CAF. The Development Bank of Latin America, also known as CAF, is the second major multilateral financial institution active in Paraguay, providing lending operations, funding studies, and offering both technical and financial assistance. According to preliminary numbers for December 2025, the projects in Paraguay financed by CAF totaled US\$2,518.8 million, representing 12.6% of Paraguay's total public sector external debt.

JICA. Paraguay's principal bilateral creditor is the Japan International Cooperation Agency ("JICA"). JICA finances projects focused on reducing social disparities (improvement of public health, and assistance for the self-reliance of small-scale farmers) and advancing sustainable economic development (improvement of water and sanitation, and of economic infrastructure).

According to preliminary numbers for December 2025, loans outstanding owed to JICA totaled US\$134.7 million, representing 0.7% of Paraguay's total public sector external debt.

The following table sets forth the loans of official institutions approved by law in the year 2025.

<u>Creditor</u>	<u>Project/Program</u>	<u>Date of Contract Signing</u>	<u>Amount (Millions of US\$)</u>	<u>Original Currency</u>	<u>Law No.</u>	<u>Objective</u>
BIRF	Joining Efforts for an Education of Excellence in Paraguay Project	08/07/2024	125.3	US\$	7433/2025	The objectives of the project are to improve learning environments in selected schools and teacher training institutions, strengthen institutional frameworks in core priority areas, and in case of an eligible crisis or emergency, respond promptly and effectively to it.
BNDES	Procurement of Aerial Platforms (Aircraft) with Advanced Technological Capabilities for the Defense of National Airspace and Support in Counter-Narcoterrorism Operations	11/19/2024	101.6	US\$	7479/2025	The project's objective is to optimize the protection of national airspace with aerial assets (aircraft) capable of intercepting unidentified aerial vectors, safeguarding territorial integrity, and contributing to national defense in the aerospace field.
THE EXIMBANK OF THE REPUBLICA OFI CHINA (TAIWAN)	"Che Róga Pora" Program	02/14/2025	200.0	US\$	7510/2025	The program aims to contribute to reducing the housing deficit by providing funding to financial intermediaries to facilitate the financing of home purchases.
BID	Consolidation of the National Directorate of Tax Revenue	01/27/2025	30.0	US\$	7502/2025	The general objective is to improve the capacity to generate tax and customs revenue, through the specific objective of improving the efficiency of the operations of the National Directorate of Tax Revenue (DNIT).
CAF	Rehabilitation, Improvement, and Maintenance Program for National Route PY22, Concepción, Vallemí, San Lázaro, and	12/02/2024	135.0	US\$	7517/2025	The overall objective of the project is to improve the transitability of the Department of Concepción, by improving the road infrastructure in the corridor of National Route PY22, as well as its connections and access to the free zone, in order to reduce transport costs and guarantee

	Access Roads (VIAL 4)					adequate levels of service in the Paraguayan road network.
OFID	Rehabilitation, Improvement, and Maintenance Program for National Route PY22, Concepción, Vallemí, San Lázaro, and Access Roads (VIAL 4)	11/22/2024	50.0	US\$	7517/2025	The overall objective of the project is to improve the transitability of the Department of Concepción, by improving the road infrastructure in the corridor of National Route PY22, as well as its connections and access to the free zone, in order to reduce transport costs and guarantee adequate levels of service in the Paraguayan road network. The Program's general objective is to improve the transitability of the network of rural roads by improving roads and building bridges, promoting integration and access to services for the population, and inclusive socio-economic development.
CAF	Rural Roads and Bridges Program - Phase 3	05/25/2025	74.2	US\$	7586/2025	
	Total US\$		716.1			

Source: Ministry of Economy and Finance.

Sustainable financing

In December 2024, the Republic published the “Framework for Sustainable Sovereign Bonds of Paraguay”. The framework establishes the guidelines for issuing green, social, and sustainable bonds in accordance with standards developed by the International Capital Markets Association (ICMA), and is aligned with the United Nations Sustainable Development Goals and the National Development Plan 2030.

The net proceeds from any issuance by the Republic under this Framework will be fully allocated to finance and/or refinance eligible green and/or social expenditures, or a combination of both, through the legal framework of the general budget for the applicable year.

Some of the target population includes elderly individuals living in poverty, families in extreme poverty, children living on the streets, and vulnerable communities. These projects are aligned with the Sustainable Development Goals (SDGs), addressing key areas such as poverty reduction, social inclusion, and gender equality.

Public Sector Domestic Debt

Medium- and long-term public sector domestic debt of Paraguay can be issued by the central government and financial public sector institutions with the authorization of the Ministry of Economy and Finance and congressional approval. Paraguayan public sector domestic debt may be in bills having a maturity of less than one year or bonds. Under the Constitution, the Central Bank may not extend any loans to the government, except for short-term cash advances and loans for national emergencies.

The Central Bank issues Remunerated Liquidity Bills (LRMs), with terms ranging from 14 to 392 days to refinance liabilities incurred in the 1990s in connection with the liquidation of financial institutions. The government issues medium- and long-term treasury bonds guaranteed by the state, which can be placed through the Central Bank, the BVPASA or directly. In addition, AFD issues medium- and long-term bonds through BVPASA without a guarantee by the state.

The maturity of domestic instruments issued by the government currently range from one to twenty. As of December 31, 2025, gross public sector domestic debt outstanding was approximately US\$3,062.4 million, of which US\$1,967.8 million was issued by the central government and US\$1,087.5 million was issued by AFD.

The following table sets forth Paraguay's public sector domestic debt outstanding as at the dates indicated below.

Gross Public Sector Domestic Debt
(in millions of U.S. dollars)

	As of December 31,				
	2021	2022	2023	2024	2025 ⁽¹⁾
Central Government					
Guaraní-denominated ⁽²⁾	1,181.7	1,067.4	1,350.9	1,441.9	1,819.7
Foreign currency-denominated ⁽³⁾	45.8	73.8	134.3	162.0	148.1
Subtotal	1,227.5	1,141.1	1,485.2	1,603.9	1,967.8
AFD					
Guaraní-denominated ⁽²⁾	591.8	589.5	742.4	757.1	1,087.5
Foreign currency-denominated ⁽³⁾	-	-	-	-	7.1
Subtotal	591.8	589.5	742.4	757.1	1,094.6
Total	\$1,819.3	\$1,730.6	\$2,227.6	\$2,361.1	\$3,062.4

(1) Preliminary data.

(2) Translated at average Paraguay Guaraní-U.S. Dollar exchange rate at the close of business for the last business day of December of each year as reported by the Central Bank.

(3) Denominated in United States Dollars in its entirety.

Source: Ministry of Economy and Finance.

The following table sets forth the amortization schedule of Paraguay's outstanding public sector domestic debt as of December 31, 2025.

Domestic Debt Amortization Schedule
(in millions of U.S. dollars)

	Total Outstanding Domestic Debt as of December 31, 2025	Amortization Schedule for					2030 to Final Maturity ⁽³⁾
		2025	2026	2027	2028	2029	
Central Government							
Guaraní-denominated ⁽¹⁾	1,819.7	-	-	7.3	240.8	22.8	1,548.8
Foreign currency- denominated ⁽²⁾	148.1	-	23.1	23.1	23.1	23.1	55.5
Subtotal	1,967.8	-	23.1	30.4	264.0	45.9	1,604.3
AFD							
Guaraní-denominated ⁽¹⁾	1,087.5	-	244.9	268.1	153.4	83.0	338.0
Foreign currency- denominated ⁽²⁾	7.1	-	-	-	3.0	-	4.1
Subtotal	1,094.6	-	244.9	268.1	156.4	83.0	342.1
Total	\$3,062.4	\$0.0	\$268.0	\$298.6	\$420.4	\$129.0	\$1,946.4

(1) Converted at average Paraguay Guaraní-United States Dollar exchange rate at the close of business for the last business day of December of each year as reported by the Central Bank.

(2) Denominated in United States Dollars in its entirety.

(3) This amount includes (i) the perpetual bond in favor of the Central Bank for an amount equivalent to US\$597.27 million as of December 31, 2025, and (ii) several treasury bonds issued for the capitalization of the deposit guarantee fund of the Central Bank

Source: Ministry of Economy and Finance.

Treasury Bonds

Since 2006, Paraguay has issued treasury bonds in the domestic market through the Central Bank, as financial agent of the government, and starting in July 2012, on the Asunción Stock Exchange (“BVPASA”).

Until 2008, bonds were issued in both Guaraníes and U.S. dollars. Starting in 2009, bonds were issued only in local currency. The bonds’ maturities range from one to twenty years, with the largest placement of bonds having a maturity of three years, representing 23.7% of the total amount placed in the period 2012-2018. Long-term bonds, which are bonds that have maturities of five or more years, have been issued since 2010 and only in Guaraníes.

In 2019, Paraguay issued different series of bonds denominated in Guaraníes in the local market in an amount equal to US\$85.3 million.

In August 2020, Paraguay made its first issuance of fifteen-year bonds in Guaraníes in the local market in an amount equal to US\$2.84 million, which bonds bear interest at a rate of 9.5%. As of December 31, 2024, an aggregate principal amount of US\$20.43 million of these fifteen-year bonds had been issued in the local market.

Also, in September 2020, Paraguay made its first issuance of twenty-year bonds in Guaraníes in the local market in an amount equal to US\$14.2 million, which bonds bear interest at a rate of 9.9%. As of December 31, 2024, an aggregate principal amount of US\$83.17 million of these twenty-year bonds had been issued in the local market.

Furthermore, to deepen the local currency bond market, Congress enacted Decree No. 9301/2023 in May 2023. This decree establishes a regulatory framework for the issuance of Treasury Debt Securities and the management of public debt. As a result, non-resident investors can now acquire treasury bonds denominated in Guaraníes through custodian banks. This development has injected greater liquidity into the local market and facilitated the diversification of the investor base, presenting new opportunities for both domestic and international investors.

In June 2023, non-resident investors were able to acquire treasury bonds issued in Guaraníes in the local market for the first time in history, marking an unprecedented milestone in the country.

In December 2023, Paraguay issued bonds for a total aggregate amount of G.1.6 trillion, equivalent to US\$222.50 million.

As of December 31, 2023, Paraguay, through the Central Bank, as financial agent, issued treasury bonds in an aggregate principal amount of G.2.5 billion (equivalent to approximately US\$344 million) on the BVPASA, marking a record year in terms of treasury bonds issued in the local market, four times the amount issued in prior record years. Of the total amount issued in 2023, 12.4% were acquired by foreign investors, while the remaining 87.6% consisted of local investors.

As of December 31, 2024, Paraguay, through the Central Bank, as financial agent, issued treasury bonds in an aggregate principal amount of G.1.5 trillion (equivalent to approximately US\$198 million). As of December 31, 2024, foreign investors held 4.9% of the total outstanding amount of local bonds, while local investors held the remaining 95.1%.

As of December 31, 2025, Paraguay, through the Central Bank, as financial agent, issued treasury bonds in an aggregate principal amount of G.1.6 billion (equivalent to approximately US\$218.3 million). As of December 31, 2025, 3.9% of the total outstanding amount of local bond was held by foreign investors, while the remaining 96.1% was held by local investors.

The following table sets forth Paraguay’s treasury bond issuances since 2021:

Paraguay's Treasury Bonds
(issued in Guaraníes, but presented in millions of US\$, except percentages)

For the year ended December 31,

Maturity (years)	2021	Average Interest Rate	2022	Average Interest Rate	2023	Average Interest Rate	2024	Average Interest Rate	2025	Average Interest Rate
1-2.7	-	-	-	-	-	-	-	-	-	-
3-3.7	-	-	-	-	-	-	-	-	-	-
4-4.7	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	129.6	8.25%	26.0	7.48%	15.0	8.10%
6	-	-	-	-	0.0	-	-	-	-	-
7	37.8	7.8%	4.0	7.8%	214.8	9.03%	40.0	9.03%	20.5	8.87%
8	-	-	-	-	-	-	16.1	7.50%	-	-
9	-	-	-	-	-	-	-	-	-	-
10	93.6	7.9%	0.3	7.8%	-	-	39.9	7.65%	143.3	9.50%
15	43.5	8.8%	0.1	8.0%	-	-	76.1	8.00%	-	-
12	-	0.0	-	-	-	-	-	-	-	-
20	61.5	9.9%	3.8	9.9%	-	-	-	-	-	-
Total	\$236.5		\$8.2		\$344.4		\$198.1		\$ 218.3	

Source: Ministry of Economy and Finance.

During 2025, new treasury bonds were issued with maturities of 9 and 12 years, along with reopenings of bonds with maturities of 12 years and 15 years. The table below illustrates the yield rates observed for the newly issued treasury bonds during the year, together with the amounts corresponding to each issuance:

New Treasury Bonds Issued in 2025⁽¹⁾
(in millions of U.S. dollars)

Issue Date	Principal Aggregate Amount	9-year Bond	12-year Bond	12-year Bond
March 2025.....	34.62	8.10%	8.40	
June 20245	84.66	-	-	9.10%
Novembre 2025	39.54	-	-	9.10%

(1) Equivalent in millions of U.S. dollars. Issuances are conducted in Guaraníes.

(2) Source: Ministry of Economy and Finance.

Debt Record

History of Debt Restructuring

1871-1872 Bonds. In 1871 and 1872, the government placed bonds in Great Britain (the “1871-1872 Bonds”). The proceeds were used to rebuild the country, finance expenses and pay external debts incurred as a result of the Triple Alliance war (1864-1870) with Uruguay, Argentina and Brazil. The 1871-1872 Bonds were denominated in British pounds. In March 1876, the terms of the 1871-1872 Bonds were renegotiated. According to historical records, payments of principal and interest on the 1871-1872 Bonds were paid in full in 1932. A claim against Paraguay with respect to the 1871-72 Bonds was threatened in 1999 but has not been commenced. The statute of limitations under the Paraguayan civil code has run.

1963 Bonds. In 1935, the government issued domestic bonds to finance expenses related to the 1932-35 Chaco war with Bolivia (the “1963 Bonds”). The 1963 Bonds were scheduled to mature in 1963 and were denominated in sealed gold pesos, the Paraguayan currency in circulation at that time. No administrative or judicial claims against Paraguay have been made requesting such payment, except for an administrative claim against Paraguay made at the end of 1996, which the Ministry of Finance rejected on the basis that the statute of limitations

under the civil code had run. No further claim or action has been commenced. Pursuant to Minister of Finance Resolution No. 1521/96, the 1963 Bonds are considered to be without any legal or financial validity by the Ministry of Finance. The 1963 Bonds have no officially registered value.

Brazil Bonds. In 1985, Paraguay fell in arrears with respect to borrowings from Brazil of approximately US\$486 million. In 1989, Paraguay restructured amounts owed to Brazil totaling US\$435.6 million, including principal and accrued but unpaid interest, by purchasing on the secondary market Brazilian bonds with a face value approximating the principal and interest owed to Brazil. Such Brazilian bonds were purchased by Paraguay at the then-market price of US\$128.2 million. Brazil and Paraguay subsequently agreed to cancel their respective debts with each other in full satisfaction of all outstanding amounts.

1998 Debt Restructuring. In 1992, the Central Bank paid US\$350 million on behalf of the government to certain commercial banks and foreign governments to cover arrears accumulated with respect to certain external borrowings. In August 1998, under the domestic debt restructuring law enacted in July 1997, the government issued US\$425 million in domestic bonds to restructure the principal plus accrued interest and other lines of credit extended by the Central Bank to the government. In 2012, this debt was included in the recapitalization agreement between the Central Bank and the Ministry of Finance.

Recapitalization of the Central Bank

Since 2010, the Treasury is authorized to issue bonds to capitalize the Central Bank and cancel certain debts incurred as a result of the measures taken by the Central Bank and the government to tackle the crisis that affected the Paraguayan financial system in the 1990s, during which the Central Bank provided liquidity and guaranteed most withdrawals of deposits and certain financing arrangements provided to state-owned enterprises under the government of President Stroessner.

The Central Bank was recapitalized most recently in 2012. The Central Bank's negative equity position was the legacy of non-performing claims related to loans to the public and to the financial sector largely incurred prior to 1995, when its charter was amended to prohibit such practices. In 2012, the Ministry of Finance issued a perpetual bond of approximately US\$0.9 billion to recapitalize the Central Bank and better position its focus on monetary policy issues rather than on the implication of its actions on the balance sheet.

Paraguay has taken measures to realign the Central Bank's capital requirements and established the financial terms of bonds to be issued as a replacement for the cancelled debt. The debt was cancelled, and new debt was issued in December 2012. For more information see "Monetary System—The Central Bank."

Economic Recovery Structural Adjustment Loan

In 2002, further to the effects of the economic downturn, the volatility in South America following Argentina's default, the freeze of deposits and adoption of exchange controls in Argentina led to a run on a Paraguayan subsidiary of an Argentine bank, which held approximately 11% of total deposits in the Paraguayan financial system. This led to a loss of confidence in the banking system as a whole and resulted in a run on several banks, which in combination with the depreciation of the Guaraní against major currencies, resulted in a system-wide financial crisis. Finally, in 2003, the Paraguayan monetary authorities were confronted with an isolated case of fraud in a medium-sized, locally owned bank that did not have systemic repercussions. The Superintendence of Banks responded more appropriately and timely to the 2002 and 2003 crises by closing the failing banks, with a cost to the public sector equivalent to approximately 1% of GDP.

In 2003, Paraguay entered into a stand-by facility with the IMF for special drawing rights equivalent to US\$73 million. The economic agreement signed with the IMF included a series of targets that the country agreed to meet during 2004. The US\$70 million facility granted by the IMF to strengthen monetary reserves in case of an emergency was not used. In addition, Paraguay received an economic recovery credit-line facility from the World Bank for US\$30 million, which allowed Paraguay to resume servicing its debt by the end of the first half of 2004. Moreover, a US\$30 million credit-line facility was granted to Paraguay by the IDB, of which US\$20 million was drawn and US\$10 million was not used.

Contingencies

Mota Engil Arbitration

In 2015, Paraguay, through the MOPC, issued a public tender for the construction of a bus rapid transit system (“Metrobus”) along the Avenida Eusebio Ayala in Asunción. Portuguese company Mota Engil bid for the construction, and in March 2016 was awarded the contract for the design and construction of the Metrobus. Construction commenced on November 26, 2016, but was delayed on several occasions over the course of 2017 and 2018.

On December 23, 2019, Mota Engil initiated an arbitration against the MOPC by filing a Notice of Arbitration under the 2013 Rules of the United Nations Center on International Trade Law (“UNCITRAL”).

A final award was issued on December 23, 2023, ruling that the Republic must pay approximately US\$17 million to Mota Engil, plus interests. The Attorney General’s Office requested the arbitration tribunal to rectify the award, aiming for Mota Engil to also bear part of the legal costs of the arbitration procedure.

On February 5, 2024, the Republic filed for the partial annulment of the award. Subsequently, on October 22, 2024, the Court of Appeals, Third Chamber of Asunción, partially annulled the award, leaving only two outstanding obligations: the payment of G.600 million by Mota-Engil, and the reimbursement of US\$2.6 million by the Ministry of Public Works and Communications to the company.

On November 6, 2024, Mota-Engil filed an action before the Supreme Court of Justice challenging the constitutionality of the partial annulment decision. On July 1, 2025, Mota-Engil initiated an investment arbitration against the Republic before the International Centre for Settlement of Investment Disputes (ICSID) pursuant to the Paraguay-Portugal Bilateral Investment Treaty. Mota-Engil alleges that the termination of the “Metrobus” contract and the subsequent judicial annulment of the arbitral award constitute breaches of the applicable investment treaty.

On December 1, 2025, the arbitral tribunal was constituted. As of the date of this Offering Memorandum, there have been no further developments.

Gramont Berres Litigation

In 1979, Gustavo Gramont Berres was appointed Honorary Consul of Geneva. Furthermore, in 1983 Mr. Gramont Berres was appointed “Ambassador on Special Mission” in Geneva. Mr. Gramont Berres negotiated loans for two industrial projects by private companies owned by him: ROSI S.A. (“Rosi”) and Lapachos de San Isidro S.A. (“Lapachos”). Mr. Gramont Berres executed a private loan agreement between Rosi and the Overland Trust Bank for the construction of a processing and canning plant for citrus fruits, and another private loan agreement between Lapachos and the Overland Trust Bank for the construction of and equipment for a pharmaceutical plant. The loans were granted to Mr. Gramont Berres, who invoked the representation of the Paraguayan State as an “Ambassador in Special Mission.” Rosi and Lapachos never commenced operations.

After failed negotiations with 10 banks holding the loans, Banque Bruxelles Lambert (Suisse) SA, D.G. Bank (Schweiz) AG, Banque Paribas, Union de Banques Arabes et Françaises, Cassa de Risparmio de Torino, Banca di Roma International, Mecfint (Jersey) Ltd., Sanpaolo-Lariano Bank SA, Banca Popolare di Milano and the Republican National Bank of New York (collectively, the “Swiss Bank Creditors”) filed suit against Paraguay in Swiss federal court. The Swiss Bank Creditors demanded that Paraguay, as alleged guarantor, repay the loans made to Rosi and Lapachos in the amount of in the amount of approximately US\$85 million.

In its answer to the complaint, Paraguay maintained that the government is not a guarantor and is not liable for these loans because: (i) the loan agreements signed by Mr. Gramont Berres and allegedly guaranteed by Paraguay never received congressional approval prior to their execution, as would be required under the Constitution for a valid sovereign guarantee, (ii) Mr. Gramont Berres executed the loan agreements on behalf of Paraguay with a seal of the “Embassy of Paraguay in Switzerland” when no such Embassy existed, (iii) Mr. Gramont Berres did not have the power to execute the loan agreements because he was appointed “Ambassador

on a Special Mission” of Paraguay (appointment that did not entail the creation of a Paraguayan embassy) in Switzerland by President Stroessner without proper congressional approval and (iv) the Swiss Bank Creditors failed to exercise good faith in their due diligence investigation as to whether actual governmental authorization was in place for the purported guarantee.

In May 2005, the Swiss Federal Court issued a judgment in favor of nine banks for approximately US\$85 million (the “2005 Judgment”).

Banque Paribas (now BNP Paribas London Branch) was one of the Swiss Bank Creditors, but it had withdrawn its lawsuit prior to the judgment. After the 2005 Judgment, BNP reinstated its complaint. In September 2010, the complaint was sustained, and BNP obtained a judgment against Paraguay in the amount of approximately CHF10 million (approximately US\$11.2 million as of April 30, 2023) plus interest (the “2010 Judgment” and, together with the 2005 Judgment, the “Swiss Judgments”).

Pursuant to settlement agreements entered into between SACE and each of the ten banks, SACE holds all rights to portions of the Swiss Judgments that granted monetary awards to the ten banks. In July 2015, SACE filed an action in the U.S. District Court for the District of Columbia (the “D.C. District Court”) seeking recognition of the Swiss Judgments against Paraguay and in favor of the banks. On January 21, 2016, Paraguay filed a motion to dismiss for lack of jurisdiction on grounds of sovereign immunity. Consistent with its previous arguments, Paraguay maintains that the government is not liable as an alleged guarantor of the Rosi and Lapachos loan agreements because (i) Mr. Gramont Berres had neither the actual nor apparent authority to waive Paraguay’s sovereign immunity and (ii) the alleged guarantees were invalid under the Constitution that was in force at such time because only Congress held the power to authorize the contracting of loans on behalf of the government, which authorization Mr. Gramont Berres did not receive.

On March 21, 2016, SACE filed a motion in opposition of Paraguay’s motion to dismiss, wherein SACE reaffirms its arguments that Paraguay is bound by the Swiss Judgments. On September 2, 2016, the D.C. District Court held a hearing on Paraguay’s motion to dismiss for lack of jurisdiction, and on March 21, 2017, the D.C. District Court granted such motion to dismiss. As the date of this Offering Memorandum, SACE had not appealed the D.C. District Court’s judgment and the deadline for filing such appeal has passed, rendering this judgment final and non-appealable. As of the date of this Offering Memorandum, SACE had not initiated litigation regarding the matter in any other jurisdiction. For more information see “Risk Factors—Risk Factors Relating to Paraguay—Part of the offering proceeds could be attached by creditors to satisfy outstanding judgments against Paraguay” and “Risk Factors—Risk Factors Relating to Paraguay—Payments to holders of the Bonds could be attached by creditors to satisfy outstanding judgments against Paraguay. As a result, Paraguay may not be able to make payments to holders of the Bonds.”

PETROPAR’s Debt to Venezuela’s PDVSA

In 2004, the presidents of Paraguay and Venezuela signed the Energy Cooperation Agreement of Caracas (the “Caracas Agreement”). The Caracas Agreement provides that Venezuela will supply Paraguay with 18.6 million barrels per day (or its energy equivalent) of crude oil, refined products and liquid gas processing. The financing arrangements in the agreement provide short-term financing of 90 days for payment of principal at a fixed interest rate of 2% and long-term financing of up to 15 years with a grace period of two years at a fixed interest rate of 2%. During the period 2006-2008, PETROPAR, the state-owned oil company of Paraguay, had a risk of oil shortage as a result of tight supply in South America and strong demand.

On September 24, 2009, a deed of agreement was signed between PETROPAR and PDVSA to renegotiate PETROPAR’s debt, which, according to the agreement, amounted to US\$269 million. PETROPAR requested the following terms: a one-year or longer freeze at 2% interest on US\$162 million, a 15-year refinancing grace period at 2% interest on US\$60 million, and the elimination of cost overruns totaling US\$37.3 million.

On July 20, 2016, PETROPAR was notified that PDVSA had filed a claim against PETROPAR in an arbitration seated in Paris, France, before the International Chamber of Commerce (“ICC”), for US\$290,000,000 in addition to alleged interests. The dispute arose over the renegotiation of the Caracas Agreement. PDVSA sent its Notice of Arbitration (“NoA”) in July 2016 and PETROPAR responded to the NoA arguing that the debt has not yet

become due because the parties had not yet exhausted the previous negotiations provided for in the Caracas Agreement. In addition, PETROPAR objected to the jurisdiction of the arbitral tribunal and filed a counterclaim requesting return of all excess payments it believed it had made, due to the alleged unfairness of the agreement's terms throughout its duration, along with its defense statement for the wrongful collection of interest and capitalization of undue interest.

On March 7, 2019, PETROPAR requested the suspension of the arbitration proceedings on the basis that PDVSA, as a company owned by the Venezuelan government, was under the control of the Nicolas Maduro regime, whose authority was not recognized by the Republic of Paraguay. On March 19, 2019, the arbitral tribunal issued Procedural Order No. 5, declaring the suspension of the arbitral proceedings, and cancelled the scheduled hearings on the merits and any counterclaim originally scheduled for June 2019. The Tribunal did not schedule a date to lift the stay of arbitration proceedings; however, it reserved that decision to its own motion or upon request of any of the parties.

However, PDVSA filed a request, in which its representatives demanded for the suspension of the proceedings to be lifted and the litigation to resume. In response, the arbitral tribunal, in an email dated January 5, 2026, instructed the parties to submit their positions regarding the resumption of the arbitration, setting January 12, 2026 as the deadline for such submissions. PETROPAR objected PDVSA's request due to the current situation of political uncertainty in Venezuela.

As of the date of this Offering Memorandum, no decisions on the merits of the case have been rendered, and the order of the Tribunal to stay arbitration proceedings has not been lifted. Because PETROPAR is a legal entity (*persona juridica*), it would be solely responsible for satisfying any eventual adverse arbitration award, and there would be no recourse to the Republic of Paraguay to satisfy such an award.

DESCRIPTION OF THE BONDS

The Bonds will be issued under the indenture dated March 31, 2016 (as amended, modified and/or supplemented from time to time, the “indenture”) between Paraguay and The Bank of New York Mellon, as trustee.

This section of this Offering Memorandum is intended to be an overview of the material provisions of the Bonds and the indenture. Because this section is only a summary, you should refer to the indenture for a complete description of Paraguay’s obligations and your rights as a holder or beneficial owner of the Bonds. Paraguay has filed copies of the indenture at the offices of the trustee, where they will be made available to you free of charge.

The definitions of certain capitalized terms used in this section are set forth under “—Defined Terms.”

General

Basic Terms

The Bonds will:

- be initially issued in an aggregate principal amount of G. 6,506,960,000,000;
- pay the principal amount in full at maturity;
- have a final maturity date of April 4, 2038;
- be issued in denominations of G.1,000,000 and in integral multiples of G.1,000,000 in excess thereof;
- be general, direct, unconditional, unsubordinated and unsecured obligations of Paraguay and will be backed by the full faith and credit of Paraguay;
- be subject to optional redemption prior to their scheduled maturity, as set forth in “Redemption and Repurchase—Optional Redemption” below;
- not be entitled to the benefit of a sinking fund;
- be represented by one or more registered bonds in global form, but in certain limited circumstances may be represented by bonds in certificated form. For more information see “Book-Entry, Delivery and Form;”
- contain “collective action clauses” under which Paraguay may amend certain key terms of the Bonds, including the maturity date, interest rate and other terms, with the consent of less than all of the holders of the Bonds; and
- pay all amounts due in respect of principal and interest in U.S. dollars, calculated by the calculation agent by converting Guaraní amounts into U.S. dollars at the Observed Exchange Rate on the applicable Rate Calculation Date.

Interest

Interest on the Bonds will:

- accrue at the rate of 8.500% per annum;
- accrue from the date of issuance or the most recent interest payment date;

- be payable semi-annually (other than the first interest period) in arrears on April 4 and October 4 of each year, commencing on October 4, 2026 to the holders of the bonds in global form registered in the record on the April 3 and October 3 immediately preceding the related interest payment date (whether or not a business day);
- be converted to and payment of interest will be made in U.S. dollars; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

For purposes of all payments of interest, principal or other amounts contemplated herein with respect to the bonds:

- “*Observed Exchange Rate*” means, for any Rate Calculation Date, the average of the Representative Market Rates for each business day in the 10 business day period ending on, but excluding, that Rate Calculation Date, rounded to two decimal places.
- “*Rate Calculation Date*” means the tenth business day preceding each scheduled interest or principal payment date or any other date on which principal or interest shall become payable as a result of an acceleration of the maturity of the Bonds.
- “*Representative Market Rate*” means the average of the buy and sell spot foreign exchange rates, rounded to two decimal places, in the Fluctuating Market with Non-Financial Clients, involving market transactions of amounts of US\$ 50,000 or more, for conversion of Guaraníes into U.S. dollars published by the Central Bank of Paraguay (*Banco Central del Paraguay*) on the Central Bank’s website at <https://www.bcp.gov.py/webapps/web/cotizacion/referencial-fluctuante/anual> or any successor website established and maintained by the Central Bank for such purposes. The Republic shall promptly notify the calculation agent of any change in the location of the spot foreign exchange rates for conversion of Guaraníes into U.S. dollars on the Central Bank’s website. If such exchange rates are not reported by the Central Bank for any business day, then the Representative Market Rate for such day shall be determined based on the Alternative Rate.
- “*Alternative Rate*” means the exchange rate obtained by the Republic by polling the Reference Banks at 4:30 P.M. (Paraguay time) on the relevant business day and taking the arithmetic mean of the polled exchange rates, rounded to two decimal places; provided that if fewer than three Reference Banks provide rates, the Republic shall obtain rates from at least one other bank that operates in Paraguay, having similar characteristics to the Reference Banks. The Republic, upon notification by the calculation agent that the Representative Market Rate for a Business Day is unavailable, will, within 1 (one) Business Day, obtain and share the relevant Alternative Rate with the calculation agent.
- “*Reference Banks*” means Itau Paraguay S.A., Banco GNB Paraguay S.A., and Sudameris Bank SAECA each located in Asunción, Paraguay. If any Reference Bank ceases to operate in Paraguay, it shall be replaced by the Republic, for the purpose of determining the Alternative Rate, with subsidiaries or branches of other foreign banks having similar characteristics.
- “*Business day*” means any day that is not a Saturday or Sunday, or any other day on which commercial banks in New York City (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close; *provided, however*, that solely for the purpose of determining the Observed Exchange Rate, “business day” means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in Asunción, Paraguay.

Payment

Principal of, and premium, if any, and interest on, the Bonds will be payable at the offices or agencies maintained by Paraguay for such purpose (which initially will be the offices of the paying agent specified on the inside back cover page of this Offering Memorandum). Payment of principal of, and premium, if any, and interest on Bonds in global form registered in the name of or held by The Depository Trust Company (“DTC”) or its nominee, will be made in U.S. dollars in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of the global bonds, which will receive the funds in trust for, and for distribution to, the

beneficial owners. If any of the Bonds are no longer represented by global bonds, payment of principal of and interest on Certificated Securities may, at Paraguay's option, be made by check mailed directly to holders at their registered addresses (except for (i) registered holders of at least G. 7,000,000,000 aggregate principal amount of Bonds, to whom payments will be made by wire transfer if such holder elects so; *provided* that not less than 15 days prior to the payment date, such holders have given the trustee notice of their election to receive payment by wire transfer and provided the trustee with bank account information and wire transfer instructions or (ii) if Paraguay is making such payments at maturity and such person surrenders the Certificated Securities at the corporate trust office).

If Paraguay is not required to pay principal or interest by wire transfer, it will, subject to applicable laws and regulations, mail a check on or before the due date for the payment. The check will be mailed to such holder at their address as it appears on the register as of the applicable record date.

Paraguay will maintain a paying agent, a transfer agent and a registrar in New York City. Paraguay will give prompt notice to all holders of the Bonds and the trustee of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

If any date for an interest or principal payment is not a business day, Paraguay will make the payment on the next business day. Such payments will be deemed to have been made on the due date, and no interest on the Bonds will accrue as a result of the delay in payment.

To the extent permitted by law, claims against Paraguay for the payment of principal of or interest or other amounts due on, the Bonds (including Additional Amounts (as defined below)) will become void unless made within six years of the date on which that payment first became due.

The registered holder of a Bond will be treated as its owner for all purposes.

Certificated Securities

Paraguay may issue Certificated Securities in certain limited circumstances. For more information see "Book-Entry, Delivery and Form—Certificated Securities."

Transfer, Exchange and Replacement of Bonds

The Bonds may be transferred or exchanged in whole or in part at the offices or agencies maintained by Paraguay for such purpose (which initially will be the offices of the transfer agent specified on the inside back cover page of this Offering Memorandum) together with an executed instrument of transfer or exchange.

No service charge will be made for any registration of transfer or exchange of Bonds, but Paraguay, the trustee or any transfer agent may require payment of an amount sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

If a Bond becomes mutilated, defaced, apparently destroyed, lost or stolen, Paraguay may issue, and the trustee will authenticate and deliver, a substitute Bond. In each case, the applicant for a substitute Bond will be required to furnish to Paraguay, the trustee, the paying agent, the transfer agent and the registrar an indemnity under which it will agree to pay Paraguay, the trustee, the paying agent, the transfer agent and the registrar for any losses they may suffer relating to the Bond that was mutilated, defaced, destroyed, lost or stolen. Paraguay and the trustee may also require that the applicant present other documents or proof. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen Bond.

Further Issuances

Paraguay may from time to time, without the consent of holders of the Bonds, create and issue additional debt securities of the same series as the Bonds having the same terms and conditions as the Bonds in all respects, except for issue date, issue price and the first payment on the Bonds; provided, however, that any such additional debt securities subsequently issued shall be issued, for U.S. federal income tax purposes, either (a) as part of the “same issue” as the Bonds or (b) in a “qualified reopening” of the Bonds, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from the previously outstanding Bonds. Such additional debt securities will be consolidated with and will form a single series with the previously outstanding Bonds.

Ranking

The Bonds will constitute direct, general, unconditional and unsubordinated External Debt of Paraguay for which the full faith and credit of Paraguay is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated External Debt of Paraguay. It is understood that this provision will not be construed so as to require Paraguay to make payments under the Bonds ratably with payments being made under any other External Debt of Paraguay.

Additional Amounts

Payments of principal of, and premium, if any, and interest on the Bonds are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature in Paraguay. All payments by Paraguay in respect of the Bonds shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction is required by law. If any such withholding or deduction is imposed or levied by or on behalf of Paraguay, or any political subdivision or taxing authority or agency therein or thereof having the power to tax (collectively, “relevant tax”), Paraguay shall pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the amounts received by holders or beneficial owners after such withholding or deduction shall equal the respective amounts of principal and interest that would have been receivable in respect of the Bonds in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts shall be payable in respect of any relevant tax:

- in respect of any Bond held by or on behalf of a holder or a beneficial owner of a Bond that is liable for such taxes, duties, assessments or governmental charges by reason of such holder or beneficial owner having some present or former connection with Paraguay other than any connection arising merely from the holding of such Bond or from receipt, of principal or interest or the enforcement of rights in respect thereof;
- in respect of any Bond held by or on behalf of a holder or a beneficial owner of such Bond that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such holder or beneficial owner to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Paraguay, or any political subdivision or taxing authority thereof or therein, of such holder or beneficial owner or of the holder or beneficial owner of any interest in such Bond or any rights in respect thereof, provided that, (A) compliance is required by Paraguay, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 30 days prior to the first scheduled payment date for which compliance will be required, Paraguay has notified the holders in writing that holders of Bonds must comply with such certification, identification or other reporting requirement in order to receive Additional Amounts; and (C) such requirements are not materially more onerous to such holders or beneficial owners (in form, in procedure or in the substance of information disclosed) 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 (“IRS”) Forms W-8 and W-9); or

- in respect of any Bond presented for payment (where such presentation is required) more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to Additional Amounts on presenting the same for payment on any date during such 30-day period.

As used herein, “relevant date” in respect of any Bond means the date on which payment in respect thereof first becomes due or, if the full amount of the money payable has not been received by the trustee on or prior to such due date, the date on which notice is duly given to the holders that such monies have been so received and are available for payment. All references in this Offering Memorandum to principal of, and premium, if any, or interest on the Bonds will include any Additional Amounts payable by Paraguay in respect of such principal or interest.

Paraguay will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Paraguay or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Bonds or any other document or instrument referred to therein. Paraguay will also indemnify the holders or beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Paraguay under the Bonds or any other document or instrument referred to therein following the occurrence of any event of default.

Redemption and Repurchase

The Bonds will not be redeemable prior to maturity at the option of Paraguay or repayable prior to maturity at the option of the holders, except as set forth below. Paraguay may at any time purchase Bonds in the open market or otherwise at any price. Any Bond so purchased (including upon any redemption) shall not be re-issued or resold except in compliance with the Securities Act and other applicable law.

Optional Redemption

On or after January 4, 2038 (three months prior to the maturity date of the Bonds), Paraguay may redeem the bonds, 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 Bonds being redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

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

In the case of a partial redemption, selection of the Bonds 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 Bonds held in global form for redemption will be made in accordance with applicable depository procedures. No Bonds of a principal amount of G. 1,000,000 or less will be redeemed in part. If any Bond is to be redeemed in part only, the notice of redemption that relates to the Bond will state the portion of the principal amount of the Bond to be redeemed. A new Bond in a principal amount equal to the unredeemed portion of the Bond will be issued in the name of the holder of the Bond upon surrender for cancellation of the original Bond. For so long as the Bonds are held by DTC (or another depository), the redemption of the Bonds shall be conducted in accordance with the policies and procedures of the depository.

Unless Paraguay defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Bonds or portions thereof called for redemption.

Negative Pledge Covenant

So long as any Bond remains outstanding, Paraguay may not allow any Lien on its assets or revenues as security for any of its Public External Debt, unless Paraguay’s obligations under the Bonds are secured equally and

ratably with such Public External Debt. Paraguay may, however, grant or agree to any Permitted Lien (as defined under “—Defined Terms”) on its assets or revenues.

Events of Default

Each of the following is an event of default with respect to the Bonds:

(i) *Non-Payment:*

- failure to pay principal of the Bonds when due; or
- failure to pay interest on the Bonds within 30 days following the due date; or

(ii) *Breach of Other Obligations:* failure to observe or perform any of the covenants or agreements provided in the Bonds or the indenture (other than those referred to in paragraph (i) above) for a period of 30 days following written notice to Paraguay by the trustee or holders representing at least 25% in principal amount of the then outstanding Bonds to remedy such failure; or

(iii) *Cross Default:*

- failure by Paraguay, beyond any applicable grace period, to make any payment when due on Public External Debt in an aggregate principal amount greater than or equal to US\$25,000,000 (or its equivalent in other currencies); or
- acceleration of any Public External Debt in an aggregate principal amount greater than or equal to US\$25,000,000 (or its equivalent in other currencies) due to an event of default, unless such acceleration is rescinded or annulled; or

(iv) *Moratorium:* declaration by Paraguay of a general suspension of, or a moratorium on, payments of Public External Debt; or

(v) *Validity:*

- Paraguay contests any of its obligations under the Bonds or the indenture in a formal administrative, legislative or judicial proceeding; or
- Paraguay denies any of its obligations under the Bonds or the indenture; or
- any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of Paraguay, or any final decision by any court in Paraguay having jurisdiction, renders it unlawful for Paraguay to pay any amount due on the Bonds or to perform any of its obligations under the Bonds or the indenture; or

(vi) *Judgments:* any writ, execution, attachment or similar process is levied against all or any substantial part of the assets of Paraguay in connection with any judgment for the payment of money exceeding US\$25,000,000 (or its equivalent in other currencies) and failure by Paraguay either to satisfy or discharge such judgment, or adequately bond, contest in good faith or receive a stay of execution or continuance in respect of such judgment, within a period of 120 days, *provided*, however, that this clause shall not include any action taken to enforce the Gramont Berres judgment; or

(vii) *Membership in International Monetary Fund:* failure by Paraguay to maintain its membership in, and its eligibility to use the general resources of, the IMF.

If any of the events of default described above occurs and is continuing, the holders of not less than 25% of the aggregate principal amount of the then-outstanding Bonds may, by written notice to Paraguay with a copy to the

trustee, declare all the Bonds then outstanding to be immediately due and payable. Accordingly, holders of less than 25% of the aggregate principal amount of the outstanding Bonds may not, on their own, declare the Bonds due and payable immediately. The holders of the Bonds may exercise these acceleration rights only by providing such written notice to Paraguay, with a copy to the trustee, at a time when the event of default is continuing.

Paraguay will notify the trustee promptly upon becoming aware of the occurrence of any event of default or potential event of default.

Upon any declaration of acceleration, the principal of, and interest and all other amounts payable on, the Bonds will become immediately due and payable on the date on which Paraguay receives written notice of the declaration, unless Paraguay has remedied the event or events of default prior to receiving the notice. The holders representing in the aggregate more than 50% of the principal amount of the outstanding Bonds may, on behalf of all holders, waive any existing defaults or events of default and their consequences or rescind a declaration of acceleration, if:

- following the declaration of the Bonds to be due and payable immediately, Paraguay deposits forthwith with the trustee a sum sufficient to pay all overdue installments of principal, interest and other amounts in respect of the Bonds as well as the reasonable expenses and indemnities, fees and compensation of the trustee; and
- all other events of default have been remedied.

Meetings, Amendments and Waivers—*Collective Action*

Paraguay may call a meeting of the holders of the Bonds at any time regarding the indenture or the Bonds. Paraguay will determine the time and place of the meeting and will notify the holders and the trustee of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, Paraguay or the trustee will call a meeting of the holders of the Bonds if holders of not less than 10% of the aggregate principal amount of the outstanding Bonds have delivered a written request to Paraguay or the trustee (with a copy to Paraguay) setting forth the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, Paraguay will notify the trustee and the trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notice is given.

Only holders of Bonds and their proxies are entitled to vote at a meeting of holders. Paraguay will set the procedures governing the conduct of the meeting and if additional procedures are required, Paraguay will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of Bonds pursuant to written action with the consent of the requisite percentage of Bonds. Paraguay will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by Paraguay.

The holders of the Bonds may generally approve any proposal by Paraguay to modify or act with respect to the indenture or the terms of the Bonds with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of the Bonds.

However, holders of any series of debt securities issued under the indenture (including the Bonds) may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by Paraguay that would do any of the following (such subjects referred to as “reserve matters”):

- change the date on which any amount is payable on the debt securities;

- reduce the principal amount (other than in accordance with the express terms of the debt securities and the indenture) of the debt securities;
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify Paraguay's obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the debt securities;
- change the definition of "outstanding debt securities" or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserve matter modification";
- change the definition of "uniformly applicable" or "reserve matter modification";
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of Paraguay or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

A change with respect to a reserve matter, including the payment terms of the Bonds, 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 Bonds insofar as the change affects the Bonds (but does not modify the terms of any other debt securities issued under the indenture);
- where such proposed modification would affect the outstanding debt securities of any two or more series (including the Bonds) issued under the indenture, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met; or
- where such proposed modification would affect the outstanding debt securities of any two or more series (including the Bonds) issued under the indenture, whether or not the "uniformly applicable" requirements are met, the holders of more than 66⅔ of the aggregate principal amount of the outstanding debt securities of all of the series (including the Bonds) affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the Bonds) affected by the modification, taken individually.

Any modification consented to or approved by the holders of debt securities pursuant to the above provisions will be conclusive and binding on all holders of the relevant series of debt securities or all holders of all series of debt securities affected by a cross-series modification, as the case may be, whether or not they have given such consent, and on all future holders of those debt securities whether or not notation of such modification is made upon the debt securities. Any instrument given by or on behalf of any holder of a debt security in connection with

any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that debt security.

For so long as any series of debt securities issued under the indenture dated as of June 2, 2013 between the Republic of Paraguay, as issuer, and Citibank, N.A. as trustee, as amended by the first supplemental indenture dated as of April 29, 2015 (the “2013 indenture”) (the “2013 debt securities”) are outstanding, if Paraguay certifies to the trustee and to the trustee under the 2013 indenture that a cross-series modification is being sought simultaneously with a “2013 indenture reserve matter modification”, the 2013 debt securities affected by such 2013 indenture reserve matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture with respect to both cross-series modifications with single aggregated voting and cross-series modifications with two-tier voting; *provided*, that if Paraguay seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2013 debt securities affected by the 2013 indenture reserve matter modification shall be deemed “holders of debt securities of all series affected by that modification,” for the purpose of the uniformly applicable definition. It is the intention that in the circumstances described in respect of any cross-series modification, the votes of the holders of the affected 2013 debt securities be counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2013 debt securities had been affected by that cross-series modification although the effectiveness of any modification, as it relates to the 2013 debt securities, shall be governed exclusively by the terms and conditions of those 2013 debt securities and by the 2013 indenture; *provided, however*, that no such modification as to the debt securities will be effective unless such modification shall have also been adopted by and become binding upon the holders of the 2013 debt securities pursuant to the amendment and modification provisions of such 2013 debt securities set forth in the 2013 indenture.

Paraguay may select, in its discretion, any modification method for a reserve matter modification in accordance with the indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

“Uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification 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).

“2013 indenture reserve matter modification” means any modification to a reserve matter affecting the terms and conditions of one or more series of the 2013 debt securities, pursuant to the 2013 indenture.

Before soliciting any consent or vote of any holder of a Bond for any change to a reserve matter, Paraguay will provide the following information to the trustee for onward distribution to the holders of the Bonds:

- a description of Paraguay’s economic and financial circumstances that are in Paraguay’s opinion, relevant to the request for the proposed modification, a description of Paraguay’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if Paraguay shall at the time have entered into an arrangement for financial assistance with multilateral and/or other 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 multilateral or other creditors, as applicable, a copy of the arrangement or agreement;

- a description of Paraguay's proposed treatment of foreign debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if Paraguay is then seeking any reserve matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the Bonds or any other series of debt securities has approved any amendment, modification or change to, or waiver of, the Bonds, such other series of debt securities or the indenture, or whether the required percentage of holders has delivered a notice of acceleration of the Bonds, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by Paraguay or by a public sector instrumentality of Paraguay, except that (x) debt securities held by Paraguay or any public sector instrumentality of Paraguay which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not Paraguay or a public sector instrumentality of Paraguay, 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 trustee 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 trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means any (i) department, secretary, ministry or agency of the central government of Paraguay and (ii) corporation, trust or other legal entity owned or controlled by the central government of Paraguay or by any of the entities identified in the preceding clauses (i) and (ii). The term "control" means, in turn, 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.

Other Amendments

Paraguay and the trustee may, without the vote or consent of any holder of the Bonds, amend the indenture or the Bonds for the purpose of:

- adding to Paraguay's covenants for the benefit of the holders;
- surrendering any of Paraguay's rights or powers with respect to the Bonds;
- securing the Bonds;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the Bonds or the indenture;
- amending the Bonds or the indenture in any manner that Paraguay and the trustee may determine and that does not materially adversely affect the interests of any holders of the Bonds;
- amending the authorized denominations of the debt securities of that series; or
- correcting a manifest error of a formal, minor or technical nature.

Notices

Paraguay will mail notices to holders of Certificated Securities at their registered addresses, as reflected in the register maintained by the registrar. Paraguay will consider any mailed notice to have been given five business days after it has been sent. Paraguay will give notices to the holders of Global Bonds in accordance with the procedures and practices of DTC and such notices shall be deemed given upon actual receipt thereof by DTC.

Paraguay will also publish notices to the holders in leading newspapers having general circulation in New York City and London. Paraguay anticipates that it will make such publications in *The Wall Street Journal* and the *Financial Times*. In addition, so long as the Bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange and the rules of that Exchange so require, Paraguay will publish notices to the holders in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu). Paraguay anticipates that it will initially make its newspaper publication in the *Luxemburger Wort*. If publication in a leading newspaper in Luxembourg is not practical, Paraguay will publish such notices in one other leading English language daily newspaper with general circulation in Europe. Paraguay will consider any published notice to be given on the date of its first publication.

Governing Law

The Bonds will be, and the indenture is, governed by, and construed in accordance with, the laws of the State of New York, except that all matters governing authorization and execution by Paraguay are governed by the laws of Paraguay.

Submission to Jurisdiction

Paraguay is a foreign sovereign state. Consequently, it may be difficult for holders to obtain judgments from courts in the United States or elsewhere against Paraguay. Furthermore, it may be difficult for investors to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against Paraguay.

In connection with any legal action or proceeding arising out of or relating to the Bonds (subject to the exceptions described below) or the indenture, Paraguay has agreed:

- to submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City in the Borough of Manhattan and any appellate court of either thereof;
- that all claims in respect of such legal action or proceeding may be heard and determined in such New York state or U.S. federal court and to waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding; and
- to appoint as its process agent the Consul General of Paraguay in New York City, having an office on the date hereof at 801 2nd Avenue Suite 600, New York, NY 10017, United States of America.

The process agent will receive on behalf of Paraguay and its property service of copies of any summons and complaint and any other process which may be served in any such legal action or proceeding brought in such New York State or U.S. federal court sitting in New York City in the Borough of Manhattan. Service may be made by mailing or delivering a copy of such process to Paraguay at the address specified above for the process agent.

A final non-appealable judgment in any of the above legal actions or proceedings will be conclusive and may be enforced by a suit upon such judgment in any other courts that may have jurisdiction over Paraguay.

In addition to the foregoing, the holders may serve legal process in any other manner permitted by applicable law. Nothing in the indenture or the Bonds shall limit the right of any holder to bring any action or proceeding against Paraguay or its property in other courts where jurisdiction is independently established.

To the extent that Paraguay has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, Paraguay has agreed to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding its obligations under the Bonds.

Paraguay waives, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the Bonds, the posting of any bond or the furnishing, directly or indirectly, of any other security.

Paraguay reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under U.S. federal securities laws or any state securities laws, and Paraguay's appointment of the process agent will not extend to such actions. Without a waiver of immunity by Paraguay with respect to such actions, it would be impossible to obtain a U.S. judgment in such an action against Paraguay unless a court were to determine that Paraguay is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. However, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in Paraguay a judgment based on such a U.S. judgment.

A judgment obtained against Paraguay in a foreign court can be enforced in the courts of Paraguay if such judgment is ratified by the Paraguayan courts. Based on existing law, Paraguayan courts will ratify such a judgment:

- if a formal request for the payment of the award under the judgment is lodged with the Paraguayan government and not honored (it is not clear how such request must be made, and how and when such request must not have been honored, in order for a party to have the right to seek such ratification); and
- if there exists a treaty with the country where such judgment was issued providing for reciprocal enforcement of foreign judgments (no such treaty exists at the present time between Paraguay and the United States); or if no such treaty exists:
 - such judgment has *res judicata* effects in the jurisdiction where it was rendered;
 - such judgment was issued by a competent court with *in personam* jurisdiction or (if the relevant assets were transferred to Paraguay during or after the complaint was filed) in rem jurisdiction;
 - there is no legal action filed and pending judgment at a Paraguayan court with the same cause of action and among the same parties;
 - any person or entity domiciled in Paraguay against whom such judgment is sought to be enforced must have been duly served with process and represented during the trial or adjudged to have failed to appear in accordance with the laws of the country where the trial was held;
 - the obligation that gave rise to the complaint must be valid under Paraguayan law;
 - such judgment is not contrary to the public policy of Paraguay;
 - such judgment must comply with all necessary requirements to be considered as a valid judgment in the foreign jurisdiction; and
 - such judgment must not conflict with a judgment rendered previously or simultaneously by a Paraguayan court.

Once a foreign judgment is ratified by the Paraguayan courts, payment of such judgment should be included by Congress as a liability under the budget law for the following fiscal year. Under Paraguayan law, creditors may not be able seek attachment prior to judgment and attachment in aid of execution with respect to property of Paraguay located in Paraguay.

Paraguay agrees to cause an appearance to be filed on its behalf and to defend itself in connection with any legal action or proceeding instituted against it. However, a default judgment obtained in the United States against Paraguay, resulting from Paraguay's failure to appear and defend itself in any suit filed against Paraguay, or from Paraguay's deemed absence at the proceedings, may not be enforceable in the Paraguayan courts unless the requirements mentioned above are fulfilled.

Currency Indemnity

The obligation of Paraguay to any holder under the Bonds will be discharged only to the extent that the holder may purchase U.S. dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. dollars in the amount originally to be paid, Paraguay agrees, as a separate obligation and notwithstanding any such judgment, to pay the difference. The holder, however, agrees that, if the amount of the U.S. dollars purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to Paraguay. The holder, however, will not be obligated to make this reimbursement if Paraguay is in default of its obligations under the Bonds.

Concerning the Trustee

The indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and to the trustee's rights, protections, exculpations, defenses and relief from responsibility for actions that it takes or fails to take. The trustee is entitled to enter into business transactions with Paraguay or any of its affiliates without accounting for any profit resulting from such transactions.

Defined Terms

The following are certain definitions used in the Bonds:

"External Debt" means obligations of, or guaranteed (whether by contract, statute or otherwise) by, Paraguay for borrowed money or evidenced by bonds, debentures, notes or similar instruments denominated or payable, or which, at the option of the holder thereof, may be payable, in a currency other than the currency of Paraguay or by reference to a currency other than the currency of Paraguay, regardless of whether that obligation is incurred or entered into within or outside Paraguay.

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind.

"Permitted Liens" means:

- any Lien on property to secure Public External Debt arising in the ordinary course to finance export, import or other trade transactions, which Public External Debt matures (after giving effect to all renewals and refinancing thereof) not more than one year after the date on which such Public External Debt was originally incurred;
- any Lien on property to secure Public External Debt existing on such property at the time of its acquisition or incurred solely for the purpose of financing any acquisition by Paraguay of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; and
- any Lien securing Public External Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that:
 - the holders of such Public External Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Debt; and

- the property over which such Lien is granted consists solely of such assets and revenues.

“Public External Debt” means any External Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any securities exchange, automated trading system or over-the-counter or other securities market, including securities eligible for resale pursuant to Rule 144A under the Securities Act.

BOOK-ENTRY, DELIVERY AND FORM

Bonds sold to qualified institutional buyers in reliance on Rule 144A (the “Rule 144A Bonds”) under the Securities Act will be represented by one or more global bonds in registered form without interest coupons attached (collectively, the “144A Global Bonds”). The 144A Global Bonds representing the Bonds will be deposited with a custodian for DTC, and registered in the name of Cede & Co., as nominee of DTC.

Bonds sold in reliance on Regulation S (the “Reg S Bonds”) under the Securities Act will be represented by one or more global bonds in registered form without interest coupons attached (collectively, the “Reg S Global Bonds” and, together with the Rule 144A Global Bonds, the “Global Bonds”). The Reg S Global Bonds representing the Bonds will be registered in the name of Cede & Co., as nominee of DTC and deposited with a custodian for DTC, for credit to Euroclear and Clearstream.

Ownership of interests in the 144A Global Bonds (“Restricted Book-Entry Interests”) and in the Reg S Global Bonds (the “Reg S Book-Entry Interests” and, together with the Restricted Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, or persons that hold interests through their participants. Prior to the 40th day after the later of the commencement of this offering and the date the Bonds were originally issued (the “Distribution Compliance Period”), interests in the Reg S Global Bonds may only be held by non-U.S. persons. DTC, Euroclear and Clearstream will hold interests in the Global Bonds on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Bonds will not be entitled to receive Certificated Securities.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the bonds are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Bonds for any purpose.

So long as the Bonds are held in global form, DTC (or its nominee) will be considered the sole holders of Global Bonds for all purposes under the indenture. In addition, participants in DTC, Euroclear and/or Clearstream must rely on the procedures of DTC, Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the indenture.

None of Paraguay, the trustee, the paying agent, the transfer agent or the registrar will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Bonds

In the event any Global Bond (or any portion thereof) is redeemed, DTC (or its nominee) will redeem an equal amount of the Book-Entry Interests in such Global Bond from the amount received by it in respect of the redemption of such Global Bonds. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, in connection with the redemption of such Global Bond (or any portion thereof). Paraguay understands that, under existing practices of DTC, if fewer than all of the bonds are to be redeemed at any time, DTC will credit its participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of G. 1,000,000 principal amount or less may be redeemed in part.

Payments on Global Bonds

Under the terms of the indenture, Paraguay, the trustee, the paying agent, the transfer agent and the registrar will treat the registered holders of the Global Bonds (e.g., DTC (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of Paraguay, the trustee, the paying agent, the transfer agent, the registrar, the initial purchasers or any of Paraguay’s and their respective agents has or will have any responsibility or liability for:

- any aspect of the records of DTC or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of DTC or any participant or indirect participant relating to, or payments made on account of a Book-Entry Interest; or
- DTC or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Bonds

Except as may otherwise be agreed between DTC and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Bonds will be paid to holders of interests in such Bonds (the “DTC Holders”) through DTC in U.S. dollars. Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of Paraguay, the trustee, the paying agent, the transfer agent, the registrar, the initial purchasers or any of Paraguay’s and their respective agents will be liable to any holder of a Global Bond or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

DTC advised us that it will take any action permitted to be taken by a holder of Bonds only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Bonds are credited and only in respect of such portion of the aggregate principal amount of bonds as to which such participant or participants has or have given such direction.

DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Bonds. However, if there is an event of default under the bonds, DTC reserves the right to exchange the Global Bonds for definitive registered bonds in certificated form (the “Certificated Securities”), and to distribute Certificated Securities to its participants.

Transfers

Transfers of beneficial interests in the Global Bonds will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which rules, and procedures may change from time to time.

The Global Bonds will bear a legend to the effect set forth in “Transfer Restrictions.” Book-Entry Interests in the Global Bonds will be subject to the restrictions on transfers as discussed in “Transfer Restrictions.”

During the Distribution Compliance Period, any sale or transfer of ownership of a Reg S Book-Entry Interest to a U.S. person shall not be permitted unless such resale or transfer is made pursuant to Rule 144A. Subject to the foregoing, a Reg S Book-Entry Interest may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest in a Global Bond only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Transfer Restrictions,” and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the 144A Global Bond, as set forth in “Transfer Restrictions.”

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Reg S Book-Entry Interest in a Global Bond upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream. For more information see “Transfer Restrictions.”

Any Book-Entry Interest in one of the Global Bonds that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Bond of the same series will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Bond and become a Book-Entry Interest in such other Global Bond, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Bond for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the first-mentioned Global Bond and a corresponding increase in the principal amount of the other Global Bond, as applicable.

Certificated Securities

Under the terms of the indenture, owners of the Book-Entry Interests will receive Certificated Securities:

- if DTC notifies us that it is unwilling or unable to continue as depository for the Global Note, or DTC ceases to be a clearing agency registered under the Exchange Act and, in either case, a qualified successor depository is not appointed by us within 120 days;
- if Paraguay determines not to have any Bonds of such series represented by a Global Note;
- if DTC so requests following an event of default under the indenture; or
- if the owners of a Book-Entry Interest request such exchange in writing delivered through DTC following an event of default under the indenture.

In the case of the issuance of Certificated Securities, the holder of a Certificated Security may transfer such note by surrendering it at the offices of the trustee. In the event of a partial transfer or a partial redemption of a holding of Certificated Securities represented by one Certificated Security, a Certificated Security shall be issued to the transferee in respect of the part transferred, and a new Certificated Security in respect of the balance of the holding not transferred or redeemed shall be issued to the transferor or the holder, as applicable; *provided* that no Certificated Security in a denomination less than G.1,000,000 shall be issued. Paraguay will bear the cost of preparing, printing, packaging and delivering the Certificated Securities.

Paraguay, the trustee, the registrar or the transfer agent shall not be required to register the transfer or exchange of Certificated Securities for a period of 15 calendar days preceding (a) the record date for any payment of interest on the bonds, (b) any date fixed for redemption of the bonds or (c) the date fixed for selection of the Bonds to be redeemed in part. In the event of the transfer of any Certificated Security, the transfer agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the indenture. Paraguay may require a holder to pay any taxes and fees required by law or permitted by the indenture and the Bonds.

Paraguay will pay interest on the Bonds to persons who are registered holders at the close of business on the record date immediately preceding the interest payment date for such interest. Holders of Certificated Securities must present (or, if the final payment, surrender) the Bonds to a Paying Agent to collect principal payments.

If Certificated Securities are issued and a holder thereof claims that such Certificated Securities have been lost, destroyed or wrongfully taken or if such Certificated Securities are mutilated and are surrendered to the trustee or at the office of the trustee, Paraguay shall issue, and the trustee shall authenticate a replacement Certificated Security if the trustee's and Paraguay's requirements are met. The trustee or Paraguay may require a holder requesting replacement of a Certificated Security to furnish indemnity and security sufficient in the judgment of

both the trustee and Paraguay to protect Paraguay, the trustee, and any paying agent or transfer agent appointed pursuant to the indenture from any loss which any of them may suffer if a Certificated Security is replaced. Paraguay may charge for Paraguay's expenses in replacing a Certificated Security. In case any such mutilated, destroyed, lost or stolen Certificated Security has become or is about to become due and payable, or is about to be redeemed or purchased by Paraguay pursuant to the provisions of the indenture, Paraguay in its discretion may, instead of issuing a new Certificated Security, pay, redeem or purchase such Certificated Security, as the case may be. Certificated Securities may be transferred and exchanged for Book-Entry Interests in a Global Bond only in accordance with the indenture and, if required, only after the transferor first delivers to the trustee a written certification (in the form provided in the indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Bonds and Paraguay may require a holder to pay any taxes and fees required by law or permitted by the indenture and the Bonds. For more information see "Transfer Restrictions."

Information Concerning DTC, Euroclear and Clearstream

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. Paraguay takes no responsibility for these operations and procedures and investors should contact the systems or their participants directly to discuss these matters. Paraguay understands as follows with respect to DTC, Euroclear and Clearstream:

The Depository Trust Company

DTC is:

- a limited purpose trust company organized under the New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York 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 transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. To the extent that certain persons require delivery in definitive form, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Global Bonds only through DTC participants.

Euroclear and Clearstream

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Global Clearance and Settlement Under the Book-Entry System

The Bonds are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Bonds will, therefore, be required by DTC to be settled in immediately available funds. Paraguay expects that secondary trading in any Certificated Securities will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Bonds, cross-market transfers of Book-Entry Interests in the Bonds between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Bonds in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the common depository.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Bond from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Bond by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as at the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Bonds among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Paraguay, the trustee, the paying agent, the transfer agent, the registrar or the initial purchasers will have any responsibility for the performance by DTC, Euroclear or Clearstream, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

Paraguayan Tax Considerations

The discussion in this Offering Memorandum was written to support the promotion or marketing of this Offering Memorandum. Each investor should seek advice based on their particular circumstances from an independent tax advisor, to determine the tax consequences relevant to his particular situation.

The following is a general summary of certain Paraguayan tax considerations that may be relevant in connection with the Bonds. This summary is based on Paraguayan tax laws in effect on the date hereof, including Law No. 6,638/20, Law No. 6,380/19 and Law No. 125/91, as applicable. Paraguayan tax laws are subject to change, or to be interpreted in a new or different manner than that set forth herein, which could affect the continued validity of this general summary.

This summary does not address all of the Paraguayan tax consequences that may be relevant to the holders of the Bonds and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Bonds. This summary does not constitute tax advice, nor does it purport to furnish information in the level of detail or with attention to an investor's specific tax circumstances that would be provided by an investor's own tax advisor. Prospective investors of the Bonds are urged to consult their own tax advisors as to the precise Paraguayan and other tax consequences that may be applicable to specific holders of the Bonds. This summary does not describe any tax consequences in relation to (i) any taxing jurisdiction other than Paraguay or (ii) Holders that are Paraguayan Residents.

Under Paraguayan law, as in effect as of the date of this Offering Memorandum, if you are a Non-Resident Holder of bonds, interest and principal payments on the bonds will not be subject to Paraguayan income or withholding tax. For the purposes of this summary, a "Non-Resident Holder" means a holder of bonds who is an individual that is a non-resident of Paraguay, or a legal entity that is neither organized in, nor maintains a permanent office in, Paraguay, as defined below:

For purposes of Paraguayan taxation, a resident is:

- a foreign individual (i) if such individual is present in Paraguay for more than 120 days in a calendar year; (ii) alternatively, if such individual carries out civil or commercial activities in Paraguay; or (iii) if such individual has a proxy or legal representative in Paraguay, which normally execute contracts on its behalf in Paraguay (other than the sale and purchase of goods);
- a company (i) if it is a legal entity incorporated in Paraguay; or (ii) if it is a foreign entity registered in Paraguay before the Public Registries (*Direccion General de los Registros Publicos*);
- a foreign company if (i) its permanent establishment is located in Paraguay, or (ii) it has no permanent establishment in Paraguay but it has a proxy or legal representative in Paraguay, which normally execute contracts on its behalf in Paraguay (other than the sale and purchase of goods); and
- permanent establishments are (i) branches or agencies; (ii) factories, industrial or assembly plants, and agricultural establishments; (iii) mines, quarries, or other natural resources extraction places; or (iv) carrying out construction works that exceed 12 months.

Under Paraguayan law, as in effect as of the date of this Offering Memorandum, if you are a Non-Resident Holder of bonds, interest and principal payments on the bonds will not be subject to Non-resident Income tax (*Impuesto a la Renta de No Residentes*) or other Paraguayan taxes.

Article 79 of Paraguayan Law No. 6380/19 of the Modernization and Simplification of the National Tax System Law and Article 4 of Paraguayan Law No. 6638/20 of the Liability Management Law provide that capital gains, increases, interests and any income derived from the possession or transfer of public debt securities issued by

Paraguay are exempt from Paraguayan taxes. Investors are not obligated to provide certification of non-residency status under Paraguayan law.

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a U.S. holder (as defined below) of a Bond. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable Treasury regulations, laws, rulings and decisions now in effect, all of which are subject to change, possibly with retroactive effect. This summary deals only with beneficial owners of Bonds that will hold Bonds as capital assets and acquired bonds upon original issuance at their issue price. This summary does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Bonds as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, entities taxed as partnerships or the partners therein, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons that have a “functional currency” other than the U.S. dollar. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to a potential investor whose Existing Bonds are repurchased in the Tender Offer, and such persons should consult their own tax advisors regarding the U.S. federal income tax consequences to them of the redemption of their Existing Bonds pursuant to the Tender Offer and the acquisition of the Bonds pursuant to this offering.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws, any alternative minimum tax or the Medicare tax on net investment income or under special timing rules prescribed under section 451(b) of the Code. Investors should consult their own tax advisors in determining the tax consequences to them of holding Bonds under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a “U.S. holder” is a beneficial owner of a Bond that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Bond.

U.S. Holders

Applicable U.S. Treasury Regulations provide rules for determining the “spot rate” used to convert foreign currency into U.S. dollars with respect to the purchase of foreign currency denominated debt instruments and payments received on, or with respect to the disposition of, foreign currency denominated debt instruments. The spot rate under these U.S. Treasury Regulations may differ from the actual rates used to convert Guaraníes into U.S. dollars with respect to the purchase of the Bonds and payments on the Bonds. While not free from doubt, we believe that it would be reasonable to treat such actual rates as the relevant exchange rates (i.e., the “spot rates”) with respect to amounts paid or received by a U.S. holder with respect to the Bonds, and the remainder of this discussion assumes such treatment. A U.S. holder should consult its own tax advisor as to the consequences of a different interpretation of the spot rate.

Payments of Interest. Subject to the foreign currency rules discussed below, gross payments of interest (including any Paraguayan tax withheld and Additional Amounts paid in respect thereof) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder’s method of tax accounting). Such interest income will generally be treated as income from sources outside the United States for purposes of determining a U.S. holder’s U.S. foreign tax credit limitations.

It is expected, and this discussion assumes, that the Bonds will not be issued with more than *de minimis* original issue discount (“OID”) for U.S. federal income tax purposes. In general, however, if the Bonds are issued with more than *de minimis* OID, a U.S. holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before the receipt of cash attributable to such income, regardless of the U.S. holder’s regular method of accounting for U.S. federal income tax purposes. OID generally will be accrued in Guaraníes and translated into U.S. dollars in the same manner as interest income accrued by a United States person that uses the accrual method of accounting for tax purposes (as described below).

Because the Bonds are not denominated in U.S. dollars, a U.S. holder that uses the accrual method of accounting for U.S. tax purposes will accrue interest income on the Bond in Guaraníes and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder's taxable year), or, at the accrual basis U.S. holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if this date is within five business days of the last day of the accrual period. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "IRS"). A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to such Bonds if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Bond.

Sale, Exchange and Retirement of Bonds.

If the issue price of the Bonds is less than their stated principal amount by an amount that is less than a statutory de minimis amount, the discount will be treated as "de minimis OID." If the Bonds are issued with de minimis OID, a U.S. holder generally must include the de minimis OID in income at the time principal payments on the Bonds are made. The includible amount with respect to each principal payment on a Bond will generally be equal to the product of (i) the total amount of the de minimis OID on the Bond and (ii) a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Bond. Any amount of de minimis OID includible in income will generally be treated as an amount received in retirement of the Bond, and thus will generally be treated as capital gain (as described below).

Upon the sale, exchange or retirement of a Bond, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. holder's tax basis in such Bond. A U.S. holder's tax basis in a bond will generally equal the cost of the Bond to such holder. If a U.S. holder sells or otherwise disposes of a bond for Guaraníes or any other non-U.S. currency, the amount realized will be the U.S. dollar value of the proceeds received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. If the Bonds are traded on an established securities market, a cash basis U.S. holder, and if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis U.S. holders in respect of the purchase and sale of Bonds traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. U.S. holders should consult their own tax advisors about the availability of this treatment (and in the case of accrual basis U.S. holders, the advisability of making this election).

Subject to the foreign currency rules discussed below, gain or loss recognized by a U.S. holder generally will be U.S. source capital gain and generally will be long-term capital gain or loss if the U.S. holder has held the Bond for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a Bond generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the U.S. holder held the Bond. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Bonds. In addition, upon the sale, exchange or retirement of a Bond, a U.S. holder that uses the accrual method may realize foreign currency gain or loss attributable to amounts received in respect of accrued and unpaid interest. The amount of foreign currency gain or loss realized with respect to principal and accrued interest will, however, be limited to the amount of overall gain or loss realized on the disposition. For a U.S. holder that uses the accrual method and does not make the election described above, the foreign currency gain or loss may include amounts attributable to changes in exchange rates between the trade date and the settlement date.

Reportable Transactions. A U.S. holder that participates in a “reportable transaction” will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss relating to a Bond as a reportable transaction if the loss exceeds \$50,000 in a single taxable year if the U.S. holder is an individual or trust, or higher amounts for other U.S. holders. In the event the acquisition, ownership or disposition of a Bond constitutes participation in a “reportable transaction” for purposes of these rules, a U.S. holder will be required to disclose its investment to the IRS, currently on Form 8886. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Bonds.

Specified Foreign Financial Assets. Individual U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Bonds issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Bonds, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Bonds made to, and the proceeds of dispositions of Bonds effected by, certain U.S. holders. In addition, certain U.S. holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Holders who are not United States persons (as defined in the Code) may be required to comply with applicable certification procedures to establish that they are exempt from such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC are acting as joint book-running managers of the offering, and as representatives of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated as of the date of this Offering Memorandum, each initial purchaser named below has severally and not jointly agreed to purchase, and Paraguay has agreed to sell to that initial purchaser, the principal amount of the Bonds set forth opposite the initial purchaser's name.

<u>Initial Purchasers</u>	<u>Principal Amount of Bonds</u>
Citigroup Global Markets Inc.....	G. 2,168,987,000,000
Goldman Sachs & Co. LLC.....	G. 2,168,987,000,000
J.P. Morgan Securities LLC.....	G. 2,168,986,000,000
Total	G. 6,506,960,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the Bonds are subject to approval of legal matters by counsel and to other conditions, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers must purchase all the bonds if they purchase any of the bonds. The offering of the Bonds by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers may offer and sell the Bonds through certain of their affiliates.

Paraguay has been advised that the initial purchasers propose to resell the Bonds at the offering price set forth on the cover page of this Offering Memorandum to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A or outside the United States in reliance on Regulation S. For more information see "Transfer Restrictions." The price at which the Bonds are offered may be changed at any time without notice.

The Bonds have not been and will not be registered under the Securities Act or any state securities laws 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. For more information see "Transfer Restrictions." Each purchaser of the Bonds will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

Application will be made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of the Luxembourg Stock Exchange. However, Paraguay cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the Bonds. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Bonds at any time without notice. In addition, market-making activity may be subject to the limits imposed by applicable securities laws. Accordingly, Paraguay cannot assure you as to the liquidity of, or the trading market for, the Bonds.

In connection with the offering, the initial purchasers may purchase and sell Bonds in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of Bonds than they are required to purchase in the offering.
- Covering transactions involve purchases of Bonds in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Bonds so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Bonds. They may also cause the price of the Bonds to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

Paraguay expects that delivery of the Bonds will be made to investors on or about March 4, 2026, which will be the sixth business day following the date of this Offering Memorandum (such settlement being referred to as “T+6”). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds prior to the delivery of the Bonds hereunder may be required, by virtue of the fact that the Bonds initially settle in T+6, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to trade the Bonds prior to their date of delivery hereunder should consult their advisors.

The initial purchasers and their affiliates have performed commercial banking, investment banking and advisory services for Paraguay from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers and their affiliates may, from time to time, engage in transactions with and perform services for Paraguay in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of Paraguay (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with Paraguay. If any of the initial purchasers or their affiliates has a lending relationship with Paraguay, certain of those initial purchasers or their affiliates may hedge their credit exposure to Paraguay consistent with their customary risk management policies. Typically, such initial purchasers and their 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 Paraguay’s securities, including potentially the Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Bonds offered hereby. The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities or instruments. The initial purchasers are acting as dealer managers for the Tender Offer. In addition, the initial purchasers may tender Existing Bonds they hold in the Tender Offer and receive proceeds from this offering in payment thereof.

Investors who purchase the Bonds from the initial purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this Offering Memorandum.

Paraguay has agreed to indemnify the initial purchasers and their controlling persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make as a result of any of those liabilities.

Paraguay has agreed that it will not, for 60 days from the date of this Offering Memorandum, without first obtaining the prior written consent of Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC offer, sell, contract to sell or otherwise dispose of any debt securities of Paraguay or warrants to purchase debt securities of Paraguay substantially similar to the Bonds.

Notice to Prospective Investors in the European Economic Area

The Bonds have not been and will not be registered under the laws of any member state of the EEA. The offering of the Bonds is being made, and the Bonds are being offered and issued, only to persons other than retail investors in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (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. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

The Bonds 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 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 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, 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. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum has not been approved by an authorized person for the purposes of section 21 of the FSMA. Accordingly, this Offering Memorandum is for distribution only to, and is directed solely at, persons who are: (i) outside the UK; (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”); (iii) persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Bonds may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Notice to Prospective Investors in France

Neither this Offering Memorandum nor any other offering material relating to the Bonds described in this Offering Memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The Bonds have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Offering Memorandum nor any other offering material relating to the Bonds has been or will be:

- (a) released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- (b) used in connection with any offer for subscription or sale of the Bonds to the public in France. Such offers, sales and distributions will be made in France only:
 - (i) to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
 - (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties; or
 - (iii) in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The Bonds may be resold directly or indirectly only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Notice to Prospective Investors in the Kingdom of Spain

The Bonds may not be offered, sold or distributed, nor may any subsequent resale of Bonds be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 julio del Mercado de Valores*) and related legislation or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Bonds.

Neither the Bonds nor the Offering Memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Offering Memorandum is not intended for any public offer of the Bonds in Spain.

Notice to Prospective Investors in Italy

The offering of the Bonds has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa or the “CONSOB”) pursuant to Italian securities legislation. Accordingly, the Bonds may not be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or any other document relating to the Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Italian Securities Act”), as implemented by Article 26, paragraph 1, letter (d) of CONSOB Regulation No. 16190 of October 27, 2007, as amended (“Regulation 16190”), pursuant to Article 34-ter, paragraph 1, letter (b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“Regulation 11971”); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Securities Act and its implementing CONSOB regulations, including Regulation No. 11971.

Any such offer, sale or delivery of the Bonds or distribution of copies of this Offering Memorandum or any other document relating to the Bonds in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Securities Act, Regulation No. 16190 and Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Act”);

(b) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the Bonds is solely responsible for ensuring that any offer or resale of the Bonds by such investor occurs in compliance with the applicable Italian laws and regulations.

Please note that in accordance with Article 100-bis of the Italian Securities Act, either the subsequent resale on the secondary market in Italy of the Bonds (which were part of a public offer made pursuant to an exemption from the obligation to publish a prospectus) or the subsequent systematic resale on the secondary market in Italy to investors that are not qualified investors within 12 months of completion of the offer reserved to qualified investors only, constitutes a distinct and autonomous offer that must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Securities Act and Regulation No. 11971, unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Bonds being declared null and void and in the liability of the intermediary transferring the Bonds for any damages suffered by the investors.

Notice to Prospective Investors in Hong Kong

The Bonds may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“Companies (Winding Up and Miscellaneous Provisions) Ordinance”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“Securities and Futures Ordinance”), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Notice to Prospective Investors in Japan

The Bonds have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. Accordingly, neither the Bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

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 offering of the Bonds may not be circulated or distributed, nor may the Bonds be offered, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in

Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed for under Section 275 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Bonds under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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), the Republic has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds 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 Switzerland

The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the Bonds, constitutes or will constitute a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre (“DIFC”)

This Offering Memorandum relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (“DFSA”). This Offering Memorandum is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set forth herein and has no responsibility for the Offering Memorandum. The securities to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial advisor.

In relation to its use in the DIFC, this Offering Memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Bonds may not be offered or sold directly or indirectly to the public in the DIFC.

Notice to Prospective Investors in Canada

The Bonds 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 Bonds 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 hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

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

Notice to Prospective Investors in Chile

The Bonds may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Law No. 18,045 and regulations from the *Comisión para el Mercado Financiero* or "CMF"). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Bonds. Pursuant to Chilean law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. On June 27, 2012, the CMF issued *Norma de Carácter General* No. 336 (General Rule No. 336, hereinafter "NCG 336"), which is intended to govern the private offering of securities in Chile. NCG 336 provides that the offering of securities that meet the conditions described therein shall not be considered public offerings in Chile and shall be exempted from complying with the general rules applicable to public offerings.

The following information is provided to prospective investors pursuant to NCG 336:

1. Date of commencement of the offer: February 24, 2026. The offer of the notes is subject to CMF rule (*norma de carácter general*) No. 336, dated June 27, 2012, as amended, issued by the CMF.
2. The subject matter of this offer are securities not registered with the securities registry (*registro de valores*) or the foreign securities registry (*registro de valores extranjeros*) kept by the CMF. As a consequence, the notes are not subject to the oversight of the CMF.
3. Since the notes are not registered in Chile, the issuer is not obliged to provide public information about the notes in Chile.
4. The notes shall not be subject to public offering in Chile unless registered with the relevant securities registry kept by the CMF.

Notice to Prospective Investors in Colombia

The Bonds 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 Bonds may not be publicly offered in Colombia or traded on the Colombian Stock Exchange except in circumstances which do not result in a public offering under Colombian law.

This Offering Memorandum is for the sole and exclusive use of the addressee as an offeree in Colombia, and this 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 Bonds 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 Bonds 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 Peru

The Bonds will not be subject to a public offering in Peru. This Offering Memorandum and the Bonds have not been, and will not be, registered with or approved by the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*, or “SMV”) or the Lima Stock Exchange (*Bolsa de Valores de Lima S.A.A.*). Accordingly, the Bonds cannot be offered or sold in Peru, except if (i) the Bonds are previously registered with the SMV or (ii) such offering is considered to be a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively to institutional investors (as defined under Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined under Peruvian law) must rely on their own examination of the terms of the offering of the Bonds to determine their ability to invest in the Bonds. No offer or invitation to subscribe for or sell the Bonds or beneficial interests therein can be made in Peru except in compliance with the securities laws thereof.

Notice to Prospective Investors in Uruguay

In Uruguay, the Bonds are being placed relying on a private placement (“*oferta privada*”) pursuant to section 2 of law 16,749. The Bonds are not and will not be registered with the Central Bank of Uruguay to be publicly offered in Uruguay. The Bonds do not qualify as an investment fund regulated by Uruguayan law 16,774, as amended.

Notice to Prospective Investors in Paraguay

The Bonds have not been and will not be registered with the Paraguayan Superintendency of Securities (*Superintendencia de Valores*) or on the Paraguayan Stock Exchange. Therefore, the Bonds may not be publicly offered in Paraguay.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds offered hereby.

The Bonds have not been registered under the Securities Act or the laws of any jurisdiction and they are being offered and sold only:

- to “Qualified Institutional Buyers,” in accordance with Rule 144A (“Rule 144A”) under the Securities Act; or
- to non-U.S. persons (“foreign purchasers”) in accordance with Regulation S under the Securities Act (“Regulation S”).

As used in this section, the terms “United States” and “U.S. person” have the meaning given to them in Regulation S, and terms that are defined in Rule 144A have the respective meanings given to them in Rule 144A.

By purchasing the Bonds, each purchaser will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (i) You are either (a)(i) a qualified institutional buyer, (ii) aware that the sale of the Bonds to you is being made in reliance on Rule 144A and (iii) acquiring the Bonds for your own account or the account of one or more other qualified institutional buyers or (b)(i) a foreign purchaser and outside the United States and (ii) aware that the sale of the Bonds to you is being made in reliance on Regulation S.
- (ii) You understand and acknowledge that the Bonds have not been registered under the Securities Act and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities law, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in these Transfer Restrictions.
- (iii) You understand and agree that the Bonds are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that any future resale, pledge or transfer by you of the Bonds on which the legend set forth in (viii) below appears may be made only (i) to Paraguay, (ii) for so long as the Bonds are eligible for resale pursuant to Rule 144A, to a person that you reasonably believe is a qualified institutional buyer acquiring the Bonds for its own account or for the account of one or more other qualified institutional buyers in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act, in each case of clauses (i) – (iv) in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.
- (iv) You are purchasing the Bonds for your own account, or for one or more accounts for which you are acting as a fiduciary, in each case for investment, and not with a view to, or for offer or sale in connection with, any resale or distribution in violation of the Securities Act, subject to any requirement of law that the disposition of your property (or the property of such investor account or accounts) be at all times within your control.
- (v) You will, and each subsequent holder is required to, notify any purchaser of Bonds from you or the applicable subsequent holder of the resale restrictions referred to in (2) and (3) above, if then applicable.

- (vi) You understand and agree that the Bonds initially offered to qualified institutional buyers in reliance on Rule 144A will be represented by 144A Global Bonds, and with respect to any transfer of any interest in a Rule 144A Bond, (i) if to a transferee that takes delivery in the form of interests in the 144A Global Bond, written certification from the transferor or the transferee will not be required and (ii) if to a transferee that takes delivery in the form of interests in the Reg S Global Bond, a written certification from the transferor to the effect that the transfer complies with Rule 903 or 904 of Regulation S will be required.
- (vii) You understand and agree that the Bonds initially offered to foreign purchasers outside the United States in reliance on Regulation S will be represented by Reg S Global Bonds and with respect to any transfer of any interest in a Reg S Global Bond on or prior to the applicable Distribution Compliance Period, to a transferee who takes delivery in the form of an interest in the 144A Global Bond, the transferor will be required by the terms of the indenture to provide a written certification to the effect that the Bonds are being transferred to a person that the transferor and any person acting on its behalf reasonably believe to be a qualified institutional buyer within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer, and the transferor and any person acting on its behalf has taken reasonable steps to ensure that the transferee is aware that the transferor may be relying on Rule 144A in connection with the transfer.
- (viii) You understand that the 144A Global Bonds will bear a legend to the following effect unless otherwise agreed by us:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (3) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS, PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

You understand that the Reg S Global Bond will bear a legend to the following effect, unless Paraguay determines otherwise in accordance with applicable law:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, PRIOR TO THE EXPIRATION OF FORTY DAYS

FROM THE LATER OF (1) THE DATE ON WHICH THIS BOND WAS FIRST OFFERED AND (2) THE DATE OF ISSUANCE OF THIS BOND, MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT (A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN ACCORDANCE WITH RULE 144A, OR (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Republic of Paraguay is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments of courts in the United States or elsewhere against Paraguay, and enforcement of such judgments may be subject to limitations with respect to attachment of certain classes of assets. Paraguay will irrevocably submit to the jurisdiction of any New York state or federal court sitting in New York City in relation to judicial proceedings arising out of the issuance or sale of the Bonds. In addition, Paraguay will irrevocably waive, to the fullest extent permitted by law, any immunity, including foreign sovereign immunity, from the jurisdiction of such courts in connection with any action based upon the Bonds brought by any holder of Bonds. Paraguay will agree that any process or other legal summons in connection with actions arising or relating to the Bonds may be served upon it by delivery to the Consul General of Paraguay in New York City, having an office on the date hereof on 801 2nd Avenue, Suite 600, New York, New York 10017, United States of America, as its agent, or by any other means permissible under the laws of the State of New York and Paraguay. Nevertheless, Paraguay reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976, as amended (the "Immunities Act"), in actions brought against it under the United States federal securities laws or any state securities laws. Paraguay's appointment of its process agent will not extend to these actions. Without Paraguay's waiver of immunity, you will not be able to obtain a United States judgment against Paraguay unless the court determines that Paraguay is not entitled under the Immunities Act to sovereign immunity in such action. In addition, execution upon property of Paraguay located in the United States to enforce a judgment obtained under the Immunities Act may not be possible except in the limited circumstances specified in the Immunities Act.

A judgment obtained against Paraguay in a foreign court can be enforced in the courts of Paraguay if such judgment is ratified by the Paraguayan courts. Based on existing law, Paraguayan courts will ratify such a judgment if (i) a formal request for the payment of the award under the judgment is lodged with the Paraguayan government and not honored (it is not clear how such request must be made, and how and when such request must not have been honored, in order for a party to have the right to seek such ratification) and (ii) there exists a treaty with the country where such judgment was issued providing for reciprocal enforcement of foreign judgments (no such treaty exists at the present time between Paraguay and the United States); or if no such treaty exists (A) such judgment has res judicata effects in the jurisdiction where it was rendered; (B) such judgment was issued by a competent court with in personam jurisdiction or (if the relevant assets were transferred to Paraguay during or after the complaint was filed) in rem jurisdiction; (C) there is no legal action filed and pending judgment at a Paraguayan court with the same cause of action and among the same parties; (D) any person or entity domiciled in Paraguay against whom such judgment is sought to be enforced must have been duly served with process and represented during the trial or adjudged to have failed to appear in accordance with the laws of the country where the trial was held; (E) the obligation that gave rise to the complaint must be valid under Paraguayan law; (F) such judgment is not contrary to the public policy of Paraguay; (G) such judgment must comply with all necessary requirements to be considered as a valid judgment in the foreign jurisdiction; and (H) such judgment must not conflict with a judgment rendered previously or simultaneously by a Paraguayan court.

Once a foreign judgment is ratified by the Paraguayan courts, payment of such judgment should be included by Congress as a liability under the budget law for the following fiscal year. Under Paraguayan law, creditors may not be able seek attachment prior to judgment and attachment in aid of execution with respect to property of Paraguay located in Paraguay.

OFFICIAL STATEMENTS AND DOCUMENTS

Information included herein that is identified as being derived from information published by the Ministry of Economy and Finance, the Central Bank or other publications of Paraguay's agencies or instrumentalities is included herein on the authority of such publication as an official public document of Paraguay. All other information herein is included as an official public statement made on the authority of Carlos Fernández Valdovinos, Minister of Economy and Finance of Paraguay.

VALIDITY OF THE BONDS

The validity of the Bonds will be passed upon for Paraguay by the Acting Attorney General of Paraguay and Fiorio Cardozo & Alvarado, each serving as Paraguayan counsel to the Republic of Paraguay, and by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to Paraguay, and for the initial purchasers, by Linklaters LLP, United States counsel to the initial purchasers, and by Gross Brown, Paraguayan counsel to the initial purchasers.

AUTHORIZED AGENT

The authorized agent of Paraguay in the United States of America is the Consul General of Paraguay in New York City, whose address is 801 2nd Avenue, Suite 600, New York, New York 10017.

GENERAL INFORMATION

1. The issuance of the Bonds was authorized by the Annual Budget Law No. 7,609/2025, Liability Management Law No. 6,638/2020, the Regulatory Decree No. 1,519/2024, the Regulatory Decree No. 9,301/2023, the Regulatory Decree No. 5,311/2026 and Resolutions No. 21/2026, 22/2026, 23/2026 and 136/2026 issued by the Ministry of Economy and Finance.

All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Paraguay have been given for the issuance of the Bonds; the execution and issue of the indenture and are in full force and effect.

2. Paraguay is not involved in any litigation or arbitration proceedings that are material in the context of the issuance of the Bonds nor, so far as Paraguay is aware, are any such litigation or arbitration proceedings pending or threatened, other than as described in this Offering Memorandum.

3. The Bonds will be accepted for clearance through DTC and its direct and indirect participants including Euroclear and Clearstream. The CUSIP number and ISIN number for the Bonds offered pursuant to 144A and Regulation S are as follows:

<u>Bonds Offered</u>	<u>CUSIP Number</u>	<u>ISIN</u>
Rule 144A.....	699149 CC2	US699149CC21
Regulation S.....	P75744 AU9	USP75744AU91

4. There has been no material adverse change in the financial condition of Paraguay which is material in the context of the issuance of the Bonds since December 31, 2025.

APPENDIX

Paraguay: Gross Public Sector External Debt as of December 31, 2025

Creditor	Currency	Maturity (years)	Maturity Date	Type of Interest Rate	Outstanding Amount as of December 31, 2025 (in millions of US\$)
A I F	US\$	50	1-Aug-2026	Fixed	0.06
B I D	US\$	40	19-May-2028	Fixed	0.95
B I D	US\$	40	16-Sep-2028	Fixed	4.62
B I D	CAD	40	16-Sep-2028	Fixed	0.13
B I D	JPY	40	16-Sep-2028	Fixed	0.01
B I D	PYG	40	10-Mar-2029	Fixed	0.01
B I D	US\$	40.5	6-Apr-2030	Fixed	2.78
B I D	US\$	40	24-May-2030	Fixed	4.41
B I D	US\$	40	23-Sep-2032	Fixed	6.91
B I D	US\$	40	25-Mar-2032	Fixed	9.38
B I D	US\$	40	30-Sep-2033	Fixed	12.59
B I D	US\$	40	29-Dec-2033	Fixed	0.46
I C O	US\$	30	18-May-2028	Fixed	0.02
I C O	US\$	30	18-May-2028	Fixed	0.11
I C O	US\$	30	13-Jul-2028	Fixed	1.06
I C O	US\$	30	13-Jul-2028	Fixed	0.51
I C O	US\$	30	13-Jul-2028	Fixed	0.35
I C O	US\$	30	5-Oct-2031	Fixed	1.85
B I D	US\$	20	7-Sep-2028	Fixed	2.88
B I D	US\$	20	7-Sep-2028	Fixed	1.27
B I D	US\$	25	17-Sep-2026	Variable	0.35
B I D	US\$	25	8-Jan-2028	Fixed	2.81
B I D	US\$	20	26-Jun-2028	Variable	3.18
B I R F	US\$	23	15-May-2026	Variable	0.62
B I R F	US\$	23	15-Oct-2026	Variable	1.64
B I R F	US\$	23	15-Oct-2027	Variable	1.66
B I D	US\$	25	15-Oct-2030	Variable	0.62
F I D A	SDR	38	13-Dec-2044	Fixed	6.81
B I R F	US\$	23	15-Apr-2029	Variable	15.82
B I D	US\$	25	15-Oct-2031	Variable	42.26
B I D	US\$	25	15-Oct-2031	Variable	21.05
B I D	US\$	25	15-Oct-2031	Variable	10.81
B I D	US\$	25	15-Oct-2031	Variable	1.29
B I D	US\$	25	15-Oct-2031	Variable	0.76

BID	US\$	30	15-Mar-2038	Fixed	11.47
BID	US\$	40	15-Mar-2048	Fixed	5.32
BID	US\$	25	15-Mar-2038	Fixed	4.34
BID	US\$	40	15-Mar-2048	Fixed	1.98
BID	US\$	30	15-Mar-2038	Fixed	2.71
BID	US\$	40	15-Mar-2048	Fixed	1.24
BID	US\$	30	15-Feb-2038	Fixed	21.28
BID	US\$	40	15-Feb-2048	Fixed	10.00
BIRF	US\$	23	15-Sep-2030	Variable	11.05
BIRF	US\$	27	15-Oct-2035	Variable	1.71
BIRF	US\$	27	15-Oct-2035	Variable	23.11
BIRF	US\$	27	15-Oct-2035	Variable	4.97
BIRF	US\$	27	15-Mar-2036	Variable	55.29
BID	US\$	20	15-May-2029	Fixed	22.58
BID	US\$	30	15-Apr-2039	Fixed	22.98
BID	US\$	40	15-Apr-2049	Fixed	10.00
KFW	EUR	30	30-Jun-2038	Fixed	3.70
BID	US\$	30	15-Mar-2039	Variable	3.19
BID	US\$	40	27-Mar-2049	Fixed	1.30
BID	US\$	25	15-Apr-2034	Fixed	17.44
BID	US\$	30	15-Apr-2039	Variable	12.71
BID	US\$	40	25-Sep-2049	Fixed	5.24
OPEP	US\$	20	15-Apr-2029	Fixed	5.57
BID	US\$	25	15-Apr-2035	Fixed	6.20
FIDA	SDR	20	15-Nov-2029	Variable	0.72
JICA	JPY	20	20-Apr-2030	Fixed	6.19
BID	US\$	30	15-May-2040	Fixed	17.76
BID	US\$	40	15-May-2050	Fixed	6.56
BID	US\$	25	15-May-2035	Fixed	14.20
BID	US\$	25	15-Nov-2035	Variable	5.25
BIRF	US\$	25	15-Nov-2037	Variable	56.87
BID	US\$	30	15-May-2041	Variable	5.86
CAF	US\$	15	15-Apr-2027	Variable	9.54
BID	US\$	25	15-Nov-2036	Fixed	2.34
BID	US\$	20	15-Oct-2031	Variable	0.64
BID	US\$	23	15-Nov-2036	Variable	17.17
BID	US\$	16	15-May-2028	Variable	16.14
BID	US\$	30	15-May-2041	Variable	11.44
BID	US\$	25	15-Sep-2038	Variable	33.69
BIRF	US\$	25	15-Nov-2036	Variable	73.36
OPEP	US\$	20	15-Oct-2030	Fixed	1.68
BID	US\$	23	15-Apr-2036	Fixed	35.85
BID	US\$	30	15-Apr-2043	Variable	44.18

B I D	US\$	40	25-Jul-2053	Fixed	14.15
FONPLATA	US\$	20	15-May-2032	Variable	43.90
B I D	US\$	20	15-Nov-2031	Variable	7.71
O P E P	US\$	18	15-Feb-2028	Fixed	2.80
B E I	US\$	26	30-Nov-2027	Fixed	62.16
F I D A	SDR	18	15-Nov-2030	Variable	3.85
B I D	US\$	40	9-Sep-2051	Fixed	2.22
B I D	US\$	30	15-Nov-2041	Variable	17.41
B I D	US\$	40	29-Oct-2051	Fixed	4.00
B I D	US\$	40	15-Feb-2052	Fixed	6.39
B I D	US\$	30	15-May-2042	Variable	36.23
B I D	US\$	40	15-May-2052	Fixed	12.90
JP MORGAN(*)	US\$	30	11-Aug-2044	Fixed	1.000.00
B I R F	US\$	30	15-Oct-2043	Variable	87.34
C A F	US\$	12	22-Jul-2026	Variable	3.67
C A F	US\$	15	31-Oct-2029	Variable	83.86
C A F	US\$	15	22-Oct-2029	Variable	18.26
J I C A	JPY	20	20-Apr-2030	Fixed	2.56
B I D	US\$	25	15-Nov-2038	Variable	5.57
J I C A	JPY	20	10-Apr-2034	Fixed	63.39
C A F	US\$	15	18-Jun-2029	Variable	16.15
B I D	US\$	24	15-Sep-2039	Variable	83.97
B I D	US\$	25	15-Nov-2039	Variable	31.07
B I D	US\$	30	15-Dec-2044	Variable	46.99
B I D	US\$	40	15-Dec-2054	Fixed	14.16
B I D	US\$	20	15-Oct-2039	Variable	2.68
B I D	US\$	23	15-Mar-2038	Variable	38.44
B I D	US\$	23	15-Mar-2038	Variable	39.43
B I R F	US\$	28	15-Oct-2043	Variable	92.00
I C O	US\$	26.5	14-Dec-2041	Fixed	19.69
FONPLATA	US\$	15	15-Sep-2031	Variable	84.78
B I D	US\$	25	15-May-2040	Variable	14.73
B I D	US\$	24	15-Nov-2039	Fixed	6.34
B I D	US\$	23	15-May-2038	Variable	1.04
O P E P	US\$	20	15-Apr-2035	Fixed	29.26
J I C A	JPY	20	10-Apr-2034	Fixed	3.55
BOFA	US\$	10	15-Apr-2026	Fixed	132.06
B I D	US\$	25	15-Oct-2040	Fixed	28.52
B I D	US\$	20	15-Mar-2036	Fixed	76.67
CITIBANK N.A. (*)	US\$	10	27-Mar-2027	Fixed	400.00
B I D	US\$	24	15-Oct-2040	Fixed	14.28
B I D	US\$	25	15-Mar-2041	Variable	53.90
B I D	US\$	24	15-Nov-2040	Variable	8.68

B I D	US\$	20	15-Mar-2041	Variable	16.80
B I R F	US\$	35	15-May-2051	Variable	87.28
FONPLATA	US\$	16	15-Sep-2032	Variable	31.49
C A F	US\$	16	18-Jan-2033	Variable	73.12
CITIBANK N.A. ^(*)	US\$	30	8-Mar-2048	Fixed	530.00
C A F	US\$	15	15-Sep-2032	Variable	100.80
O P E P	US\$	15	15-Sep-2036	Fixed	16.57
O P E P	US\$	13.5	15-Mar-2034	Fixed	3.22
B I D	US\$	15	15-Sep-2040	Variable	28.85
F I D A	EUR	18	14-Dec-2036	Variable	6.23
B I D	US\$	30	15-Mar-2038	Variable	10.19
B I D	US\$	40	15-Mar-2038	Fixed	3.60
B I D	US\$	20	15-Sep-2037	Fixed	165.00
F I D A	US\$	18	15-Nov-2036	Variable	3.72
B I D	US\$	18	15-Nov-2040	Fixed	26.46
B I D	US\$	25	15-May-2042	Variable	8.39
B I D	US\$	19	15-Mar-2042	Variable	31.71
B I D	US\$	25	15-May-2040	Variable	60.69
C A F	US\$	16	5-Dec-2033	Variable	79.10
FONPLATA	US\$	16	15-Sep-2033	Variable	33.98
I C O	US\$	20	14-Apr-2043	Fixed	17.70
C A F	US\$	16	15-Jun-2033	Variable	105.90
B E I	US\$	26	18-Dec-2044	Fixed	57.83
B I D	US\$	16	15-Mar-2041	Variable	151.23
C A F	US\$	10	19-Sep-2033	Variable	321.51
CITIBANK N.A., GOLDMAN SACHS & MORGAN STANLEY ^(*)	US\$	31	30-Mar-2050	Fixed	500.00
FONPLATA	US\$	16	15-Mar-2034	Variable	34.69
C A F	US\$	16	29-Nov-2033	Variable	70.38
B I D	US\$	24	15-Sep-2042	Fixed	51.80
C A F	US\$	16	15-Sep-2034	Variable	126.47
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	33.45
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	31.78
B I D	US\$	23.5	15-Sep-2041	Variable	11.65
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	17.37

GOLDMAN SACHS, MORGAN STANLEY & ITAU(*)	US\$	31	30-Mar-2050	Fixed	450.00
B I D	US\$	20	15-Sep-2038	Fixed	277.46
B I D	US\$	23	15-Mar-2042	Variable	15.51
FONPLATA	US\$	16	15-Mar-2035	Variable	53.24
B I D	US\$	24	15-Sep-2042	Variable	71.13
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	23.22
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	20.33
B I D	US\$	19	15-Sep-2039	Fixed	86.89
GOLDMAN SACHS, MORGAN STANLEY & ITAU(*)	US\$	31	28-Apr-2031	Fixed	1.000.00
B I R F	US\$	30	15-Nov-2050	Variable	200.00
B I R F	US\$	30	15-Nov-2050	Variable	19.86
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	19.94
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	17.01
B I D	US\$	24	15-Nov-2044	Fixed	50.00
B I R F	US\$	31.5	14-Oct-2050	Variable	88.57
B I R F	US\$	31.5	15-May-2051	Variable	65.48
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	14.53
B I D	US\$	19.5	15-Nov-2039	Variable	154.48
B I D	US\$	24	15-Nov-2042	Variable	8.71
C A F	US\$	20	20-Nov-2040	Variable	250.00
C A F	US\$	20	24-Dec-2038	Variable	130.55
B I D	US\$	25	15-Oct-2044	Variable	160.05
C A F	US\$	20	17-Dec-2040	Variable	100.00
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	20.18
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	15.89
ITAU, CITI & SANTANDER(*)	US\$	12	20-Jan-2033	Fixed	600.00

ITAU, CITI & SANTANDER(*)	US\$	31	30-Mar-2050	Fixed	225.86
B I D	US\$	24.5	15-Oct-2044	Fixed	50.00
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	13.25
B I D	US\$	22	15-Mar-2042	Variable	15.07
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	15.32
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	18.81
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	14.97
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	16.90
C A F	US\$	20	15-Nov-2041	Variable	150.00
C A F	US\$	20	15-May-2041	Variable	100.00
B I D	US\$	23.4	15-May-2041	Variable	37.20
C A F	US\$	19	15-May-2041	Variable	112.43
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	15.14
CITIBANK N.A. & GOLDMAN SACHS(*)	US\$	11	28-Jun-2033	Fixed	500.60
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	16.84
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	19.14
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	16.81
FONPLATA	US\$	20	15-Nov-2042	Variable	103.30
C A F	US\$	18	15-May-2038	Variable	29.60
B I D	US\$	22	15-Nov-2042	Variable	5.02
B I D	US\$	18	15-Nov-2040	Variable	250.00
CONSORCIO CORREDOR VIAL BIOCEÁNICO	US\$	15	31-May-2034	Fixed	16.08
C A F	US\$	20	15-Jun-2042	Variable	200.00

B I D	US\$	19	3-Jun-2041	Variable	200.00
B I D	US\$	18	15-Nov-2040	Variable	90.00
B I D	US\$	20	15-Dec-2039	Fixed	2.00
B I D	US\$	23	15-May-2028	Variable	122.63
B I R F	US\$	16	15-Jul-2039	Variable	240.00
B I D	US\$	23	15-Nov-2043	Variable	13.98
C A F	US\$	19	15-Jun-2042	Variable	50.00
C A F	US\$	20	15-Jun-2043	Variable	187.20
O P E P	US\$	19	15-Aug-2042	Variable	100.00
CITIBANK N.A. & ITAU S.A. ^(*)	US\$	10	21-Aug-2033	Fixed	500.00
B I D	US\$	23	15-Sep-2043	Variable	4.47
B I D	US\$	24,5	15-Sep-2044	Variable	18.37
B I D	US\$	24	15-Nov-2044	Variable	5.08
B I D	US\$	23,5	15-Nov-2045	Variable	3.30
B I D	PYG	20	15-Mar-2036	Fixed	94.26
B I D	US\$	23,7	15-Apr-2045	Variable	63.67
CITIBANK N.A., ITAU S.A. & GOLDMAN SACHS ^(*)	US\$	12	9-Feb-2036	Fixed	380.10
CITIBANK N.A., ITAU S.A. & GOLDMAN SACHS ^(*)	US\$	12	9-Feb-2036	Fixed	119.85
CITIBANK N.A., ITAU S.A. & GOLDMAN SACHS ^(*)	US\$	12	9-Feb-2036	Fixed	0.05
CITIBANK N.A., ITAU S.A. & GOLDMAN SACHS ^(*)	PYG	7	9-Feb-2031	Fixed	554.04
B I R F	US\$	24	15-May-2047	Variable	12.12
C A F	US\$	18	15-Apr-2039	Variable	8.91
J I C A	JPY	30	20-Aug-2051	Fixed	55.63
B I D	US\$	20	15-Jun-2044	Variable	250.00
FONPLATA	US\$	20	15-Oct-2045	Variable	39.53
C A F	US\$	14	15-Dec-2043	Variable	2.11
J I C A	JPY	30	20-May-2050	Fixed	3.30
FONPLATA	US\$	20.6	15-Mar-2043	Variable	25.53
B I D	US\$	21	15-Dec-2045	Variable	150.00
C A F	US\$	20	15-Dec-2044	Variable	12.80
C A F	US\$	20	15-Dec-2044	Variable	50.00
FONPLATA	US\$	12	15-Sep-2028	Variable	5.25
C A F	US\$	19	15-Oct-2043	Variable	120.00
B I D	US\$	23	15-Aug-2047	Variable	7.30

CITIBANK N.A. & ITAU S.A. ^(*)	US\$	30	4-Mar-2055	Fixed	600.00
CITIBANK N.A. & ITAU S.A. ^(*)	PYG	10	4-Mar-2035	Fixed	721.11
B I R F	US\$	30	15-Dec-2046	Variable	3.39
B N D E S	US\$	12	15-Sep-2036	Fixed	65.61
I C D F	US\$	24	15-Nov-2046	Fixed	21.10
F M I	SDR	20	24-Jul-2045	Variable	200.12
I C O	US\$	24	18-Jan-2049	Fixed	1.87
B I D	US\$	23	15-May-2046	Variable	35.00
B I D	US\$	23.5	15-Nov-2048	Variable	0.56
Total					17,346.14

Source: Ministry of Finance.

(*) Initial Purchaser banks. This relates to bonds that were distributed to the market and the initial purchasers are no longer Paraguay's creditors with respect to the bonds.

ISSUER

República del Paraguay
Ministerio de Economía y Finanzas
Chile 252
Asunción, Paraguay

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AND TRANSFER AGENT**

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New York, New York 10286
United States of America

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United States of America

J.P. Morgan Securities LLC
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REPUBLIC OF PARAGUAY

OFFERING MEMORANDUM

Joint Book-Running Managers

Citigroup

Goldman Sachs & Co. LLC

J.P. Morgan

February 24, 2026