



April 29, 2016

Lic. Juan Carlos Cortés García
Director General
Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero
Agrarismo 227 Col. Escandón
C.P. 11800, Delegación Miguel Hidalgo
Ciudad de México
México

Re: Loan No. 8555-MX
Expanding Rural Finance Project
Automatic Conversion into Local Currency - Currency Conversion Letter

Dear Sir:

We refer to the Loan Agreement between International Bank for Reconstruction and Development (the “Bank”) and *Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero* (the “Borrower”) dated April 29, 2016, with respect to the above-captioned Project. Terms not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement (including in the Conversion Guidelines).

Please refer to Section 2.09 of the Loan Agreement pursuant to which the Borrower has requested the Bank to execute a Currency Conversion from Dollars (“USD”) into Mexican Pesos (“MXN”) upon any withdrawal from the Loan Account (the “Automatic Currency Conversion”). The Automatic Currency Conversion shall be effected in accordance with the provisions of the Conversion Guidelines, except as may be otherwise provided herein. In the event of any inconsistency between the Conversion Guidelines and the terms of this letter and the Annex I attached hereto (the “Currency Conversion Letter”), the terms of this Currency Conversion Letter shall prevail.

The Borrower and the Bank hereby agree as follows:

Automatic Currency Conversion

1. Each amount withdrawn from the Loan Account shall be converted by the Bank immediately upon withdrawal through a Currency Conversion from USD to MXN for the longest maturity available in the market for such amount (a “Disbursement”). Each such Currency Conversion shall be executed on the following terms:

- (a) Currency Conversion: from USD into MXN.
- (b) Interest Rate: from a Variable Rate comprising 6-month LIBOR plus a spread comprising: (i) the Variable Spread; and (ii) Transaction Fees, specified in Section 1(e) below, into a Variable Rate equal to *la Tasa de*

Interés Interbancaria de Equilibrio for a 28-day period (“TIE28”) plus a Spread to be determined and applied in accordance with the terms set forth in an Annex I hereto. The Bank may amend Annex I from time to time, with notice to the Borrower.

- (c) Conversion Period: from the Conversion Date for the longest maturity available in the market for the Disbursement.
- (d) Amount: each withdrawal from the Loan Account, provided that each request by the Borrower for withdrawal from the Loan Account shall be not less than the equivalent of USD3,000,000.00 (except for the last request for withdrawal, if the remaining balance in the Loan Account is less than the equivalent of USD3,000,000.00).
- (e) Transaction Fees: for purposes of Conversions under this Automatic Currency Conversion shall mean the transaction fees that the Bank will charge the Borrower pursuant to the terms hereof as part of the applicable Interest Rate (see Section 1(b) above) and consist of three (3) basis points.
- (f) Execution Period: for purposes of Conversions under the Automatic Currency Conversion, the Execution Period means a period of 15 Business Days, commencing from the date of acceptance by the Bank of any request by the Borrower for a withdrawal from the Loan Account of any amount as specified in paragraph 1(d) above. See the Conversion Guidelines for further details.
- (g) Initial Interest Period: notwithstanding any provision to the contrary in the Loan Agreement, if the withdrawal of a Disbursement occurs on or after the 14th calendar day of the month immediately preceding a Payment Date, the Bank may, in consultation with the Borrower, determine that the initial Interest Period in respect of such Disbursement shall be from and including the date of the withdrawal up to and excluding the second Payment Date following the date of such withdrawal.
- (h) Billing: In accordance with Section 10.01 of the General Conditions, notices relating to the payment of interest and principal in respect of an Automatic Currency Conversion may be given to the Borrower through an electronic messaging system and will be deemed to be effective on the date that electronic message is received by the Borrower.

Termination for Illegality or Impossibility

- 2. (a) The Bank may at any time terminate the Automatic Currency Conversion prior to its maturity if the underlying Currency Hedge Transaction(s) undertaken by the Bank in connection with the Automatic Currency Conversion is/are terminated as a result of it having become impractical, impossible or unlawful for the Bank or its Counterparty

to make a payment or to receive a payment on the terms agreed upon in such Currency Hedge Transaction due: (i) to the adoption of, or any change in, any applicable law after the date on which such Currency Conversion has been executed; (ii) to the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date or any change in any such interpretation. Upon any such termination, Section 4.04 (c) of the General Conditions for Loans will apply.

(b) If, as a result of the termination of a Currency Hedge Transaction as provided in sub-paragraph (a) above, an Unwinding Amount is payable by either the Bank or the Borrower: (i) where the Unwinding Amount is payable by the Borrower, the Borrower will pay such amount together with a transaction fee not later than sixty days after the effective date of the termination; (ii) where the Unwinding Amount is payable by the Bank, the Bank will pay such amount by deducting it against the amounts payable by the Borrower to the Bank under the Loan Agreement as such amounts become due.

Refunds

3. If any amount of the Loan that is subject to the Automatic Currency Conversion is refunded under the terms of the Loan Agreement prior to the termination of the Conversion Period in respect of such amount: (i) the Borrower shall pay a transaction fee for the early termination of the Automatic Currency Conversion; and (ii) the Borrower or the Bank, as the case may be, shall pay an Unwinding Amount, if any, for the early termination of the Automatic Currency Conversion, in accordance with the Conversion Guidelines. Transaction fees provided for under this paragraph and any Unwinding Amount payable by the Borrower pursuant to this paragraph shall be paid not later than sixty days after the date on which the Bank requests the refund. The Bank may set off against an Unwinding Amount owed by the Bank any amounts owed by the Borrower under the Loan Agreement.

Miscellaneous

4. The provisions of this Currency Conversion Letter apply only to Conversions executed pursuant to Section 2.09 of the Loan Agreement. Any subsequent Conversions of amounts converted pursuant to Section 2.09 of the Loan Agreement shall be executed in accordance with the provisions in Section 2.08 thereof and the terms of the General Conditions and the Conversion Guidelines will apply to such Conversions.

5. (a) The Borrower may terminate the provisions of Section 2.09 of the Loan Agreement by at least 15 Business Days prior written notice to the Bank (Attention: Loan Client Services). Unless the Bank otherwise agrees, the Borrower may not submit a withdrawal application during the notice period. The terms of this Currency Conversion Letter shall continue to apply to any Automatic Currency Conversions effected prior to such termination date.

(b) If, at any time, the Bank is unable to execute any Currency Conversion pursuant to the terms of this Currency Conversion Letter, the provisions of Section 2.09 of the Loan Agreement shall cease to be applicable to the Loan; provided that the terms of

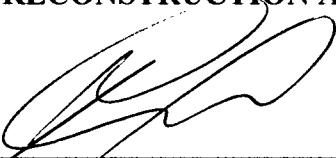


this Currency Conversion letter will continue to apply to any portion of the amount requested in a withdrawal in respect of which the Bank is reasonably able to execute a Currency Conversion immediately prior to the terms of Section 2.09 ceasing to apply to the Loan.

(c) The Borrower and the Bank may agree in writing to reinstate the provisions of Section 2.09 of the Loan Agreement following a termination or cessation under paragraphs 5(a) or (b) above respectively on such terms as may be agreed between the Borrower and the Bank.


Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By 
Gerardo Corrochano
Director
Colombia and Mexico
Latin America and the Caribbean Region

AGREED:

**FINANCIERA NACIONAL DE DESARROLLO AGROPECUARIO, RURAL,
FORESTAL Y PESQUERO**

By: 
Authorized Representative

Name: Antonio Eliceo Mora Téllez

Title: Director Ejecutivo de Finanzas

Attachments: **Annex I**



Annex I

In Respect of the Determination and Application of the Interest Rate for Amounts Subject to the Automatic Currency Conversion for Loan No. 8555-MX (Expanding Rural Finance Project)

This Annex is intended to clarify the methodology for the determination and application of the TIIE28 rate to Loan No. 8555-MX. Save as may otherwise be provided below, the Bank's usual rules and procedures with respect to the calculation of interest and billing shall apply to the Loan. Terms in capital letters not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement. This Annex I may be modified by the Bank from time to time upon notice to the Borrower.

The applicable interest rate is equal to the TIIE28 determined one Mexico City Business Day prior to the first (1st) calendar day of each month in the Interest Period plus a Spread, compounded monthly at TIIE28 plus a Spread and payable semi-annually as more particularly described below. The annualized interest rate applicable (on an Actual/360 basis) for each Interest Payment Date will be determined as follows:

$$\left\{ \left(\prod_{m=1}^n \left(1 + \left[(TIIE28_m + Spread) * \frac{Actual_m}{360} \right] \right) \right) - 1 \right\} * \left(\frac{360}{\sum_{m=1}^n Actual_m} \right)$$

Where:

The initial TIIE28 Rate applicable to each Disbursement shall be the TIIE28 Rate applicable for the monthly period, starting on the first (1st) calendar day of each month, in which such Disbursement occurs.

"TIIE28_m" means 'MXN-TIIE-Banxico' as more particularly defined in the 2006 Definitions published by the International Swaps and Derivatives Association (ISDA) (2006 ISDA Definitions) for a 28-day period and applicable for the month 'm', as defined below. In the event that the MXN-TIIE-Banxico is not published or otherwise determined in accordance with the 2006 ISDA Definitions, the TIIE28 will be determined in accordance with the provisions set out in the confirmation for the Currency Hedge Transaction undertaken by the Bank in connection with the Automatic Currency Conversion for the relevant portion of the Loan.

"Spread" means a spread comprised of two components, namely: (i) a 'fixed component'; and (ii) a 'variable component', as defined below.

The 'fixed component' will be the spread over TIE28_m, payable by the Bank under the Currency Hedge Transaction related to the Automatic Currency Conversion of: (i) the USD Libor 6 Month plus; (ii) a portion of the Variable Spread that remains fixed throughout the Conversion Period plus; (iii) the Transaction Fees specified in Section 1(e) of this Currency Conversion Letter.

The 'variable component' will be the MXN equivalent of the unhedged portion of the Variable Spread calculated every six months to reflect the changes in the Bank's funding cost and in the exchange rate between MXN and USD, in each case as reasonably determined by the Bank.

"Mexico City Business Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mexico City.

"Actual_m" means the actual number of days elapsed in the month 'm' on which interest accrues on the Loan.

"m" means the index that represents the month count from the first month through the last month in the relevant Interest Period.

"n" means the number of months in the relevant Interest Period.

Billing Procedures

Interest shall be payable semi-annually on each Interest Payment Date, as set forth in the Loan Agreement. A bill will be generated on the 14th calendar day of the month preceding the relevant Payment Date in accordance with the Bank's usual procedures.

