

# Central Bank for Agriculture, Germany

\$25,000,000

## Deutsche Rentenbank-Kreditanstalt Landwirtschaftliche Zentralbank

### First Lien 7% Gold Farm Loan Sinking Fund Bonds

Dated September 15, 1925

Due September 15, 1950

#### Sinking Fund Sufficient to Pay or Redeem Entire Issue by Maturity

Interest payable March 15 and September 15. Coupon Bonds in denominations of \$1,000 and \$500 registerable as to principal only. Principal, interest and sinking fund payable in New York City, in United States gold coin of the present standard of weight and fineness, without deduction for any past, present or future taxes or duties levied by or within the German Reich at

THE NATIONAL CITY BANK OF NEW YORK, Trustee.

Such principal and interest shall also be collectible at the option of the holders, either at the City office of The National City Bank of New York, in London, England, in pounds sterling, or at Amsterdamsche Bank, Amsterdam, Holland, in guilders, in each case at the then current buying rate of such bank for sight exchange on New York City, New York.

REICHSBANK, Berlin, German Supervisory Trustee.

Beginning March 15, 1926, a cumulative Sinking Fund will operate semi-annually to purchase Bonds at not exceeding par and interest, or, if Bonds are not obtainable at or below that price, by redemption of Bonds by lot semi-annually at 100. This fund is sufficient to retire the entire issue by maturity. The issue is also redeemable in whole or in part, in instalments of not less than \$2,000,000 each, upon thirty days' notice, on September 15, 1935, or on any interest date thereafter, at 100 and interest.

*The following is summarized from the accompanying letter of Messrs. Kissler and Lipp, Managing Directors of the Deutsche Rentenbank-Kreditanstalt:*

The organization committee appointed under the Dawes Plan to recommend detailed provisions in regard to the new bank of issue, suggested that an agricultural credit institution should be formed to which the Rentenbank should transfer its credit balances and which should supply agriculture with the credits urgently needed to replace deficiencies in working capital resulting from the inflation period. The "Central Bank for Agriculture" (Deutsche Rentenbank-Kreditanstalt) has been organized pursuant to this suggestion to act as the central bank for the existing agricultural credit organizations, some of which have been in operation more than one hundred years, and through such existing organizations to use its own resources and loans obtained at home or abroad in making loans or granting credits for the promotion of agricultural production in all its branches.

The paid-up capital of the Central Bank for Agriculture amounts to \$40,476,190, which may gradually be increased until the capital and surplus reaches the total authorized amount of \$119,047,619. Such increase is to be effected by the application of earnings, and through payments to the credit of capital account made by the Rentenbank by transfer of its assets during the period of liquidation, and also from sums received by the latter from the proceeds of the land-charge annuities referred to below.

Bond issues are authorized up to six times the paid-up capital but may be increased to eight times with the consent of the Reichsrat, the upper house of the German Parliament.

The Bonds of this issue are secured by an equivalent amount of mortgages (or cash in lieu thereof), fulfilling the requirements of the German Mortgage Bank Law of 1899, constituting first liens on German agricultural, forestal and horticultural lands at not exceeding 40% of the official valuation of such lands, subject only to the original Rentenbank land-charge annuity amounting to one-quarter of one percent ( $\frac{1}{4}\%$ ) per annum of the official land valuation, and to any prior existing mortgages for the immediate discharge of which appropriate provision will be made, and to possible minor charges not of a capital nature for which due allowance will be made in advances made on such mortgages.

The Central Bank for Agriculture covenants and the German Government stipulates in its approval of the issue given in conformity with the charter law that the Central Bank for Agriculture will not issue any other bonds or contract any indebtedness in any manner sharing in the specific security provided for the Bonds of this issue.

The Reichsbank will act as Supervisory Trustee in Germany and will exercise general supervision over bonded agents appointed by it in conjunction with the German Government to examine and pass upon the mortgages securing the Bonds and to have the custody of the deposited mortgage documents.

The business operations and policies of the Central Bank for Agriculture are under the supervision of the German Government. The Governing Board includes eleven members appointed by the German Reichsrat and two appointed by the Government.

The purpose of this issue is to provide funds calculated to increase the productivity of German agriculture. This should exert a favorable influence on German national economy and on the potential balance of payments available to creditor nations.

**Application will be made to list these Bonds on the New York Stock Exchange**

*We offer these Bonds if, as and when issued and received by us, subject to the approval of our counsel, Messrs. Shearman & Sterling, New York City, and Dr. Ernst Wolff, Berlin. Delivery in temporary form is expected on or about September 28, 1925.*

**Price 93 and interest, yielding 7.63%**



F 65-9-25

## The National City Company

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# Central Bank for Agriculture, Germany

Berlin, Germany, September 12, 1925.

The National City Company,  
National City Bank Building,  
New York, N. Y.

Gentlemen:

In connection with your purchase of \$25,000,000, Deutsche Rentenbank-Kreditanstalt First Lien 7% Gold Farm Loan Sinking Fund Bonds, we take pleasure in giving you the following information:

## ORGANIZATION AND PURPOSE

The Deutsche Rentenbank-Kreditanstalt, which hereinafter, for the purpose of brevity, is referred to as "Central Bank for Agriculture," has an authorized capital and surplus of 500,000,000 Reichsmarks (\$119,047,619) and a paid-up capital of 170,000,000 Reichsmarks (\$40,476,190). It is situated in Berlin, having been organized under the auspices of the German Government in accordance with a law passed on July 18, 1925.

This Central Bank for Agriculture is the central institution for German agricultural credit organizations. Its purpose is to use its own resources and the proceeds of loans obtained at home or abroad in granting through existing agricultural credit organizations, some of which have been in existence for more than 100 years, loans or credits for the promotion of agricultural production in all its branches.

The Governing Board is composed of twenty-seven members, of whom eleven are appointed by the German Reichsrat, two by the German Government, and eleven by certain leading agricultural organizations specified in the charter law. These members, together with the President, who acts as chairman of the Board, may elect, by a two-thirds majority, two additional members who must be credit experts.

## GOVERNMENT SUPERVISION

According to the provisions of its charter and by-laws, the Central Bank for Agriculture is under the supervision of the German Government and of the Reichsrat, the upper house of the German Parliament, the members of which represent the several German States. The Government must approve all changes in the by-laws, the disposition of assets in liquidation, and the distribution of profits, except when the latter are used to increase the paid-up capital and reserves to a total not exceeding the authorized amount of 500,000,000 Reichsmarks (\$119,047,619). The Government must furthermore approve all bond issues and through its Commissioners supervise the conduct of the business of the Central Bank for Agriculture to assure that it is carried on in accordance with legal and other obligations. The Reichsrat must be kept informed of the operations and policies of the Central Bank for Agriculture.

## SECURITY

These Bonds have the following security:

(1) They are the direct credit obligations of the Central Bank for Agriculture, secured by its entire resources. Its paid-up capital amounting to \$40,476,190 (which may be increased to a total authorized capital and surplus of \$119,047,619) affords an equity of exceptional strength.

(2) There will at all times be on deposit as security therefor mortgage documents evidencing mortgages of an unamortized principal equivalent in gold marks to the aggregate principal amount of the outstanding Bonds or, in lieu of such mortgage documents, cash of an equivalent amount. Except for any prior existing mortgages, for the immediate discharge of which appropriate provisions will be made in the Trust Indenture, these mortgages will constitute absolute first liens on the property covered subject only to the original Rentenbank land-charge annuity for a period in no case extending beyond October 11, 1934, amounting to one-quarter of one per cent. ( $\frac{1}{4}\%$ ) per annum of the official land valuation, which annuity is pledged for the redemption of Rentenmark notes remaining outstanding, and to possible minor charges not of a capital nature for which due allowance will be made in advances made on such mortgages. These mortgages will not exceed 40% of the official valuation of German agricultural, forestal, or horticultural lands, must fulfil the requirements of the German Mortgage Bank Law of 1899, will mature not later than the maturity of the Bonds and will bear interest at the rate of at

least 7% per annum. Payment on account of the principal thereof will be collectible by the Trustees. The deposit of the mortgage documents under the Trust Indenture provides security equivalent to a pledge under German law. The remedies with respect thereto in case of default are, however, enforceable through an Official Receiver and not by the Trustee directly.

(3) Each of the agricultural credit organizations from which the deposited mortgage documents are acquired by the Central Bank for Agriculture will be individually respectively liable with respect to such mortgages to the full amount of the unamortized principal thereof.

The Central Bank for Agriculture covenants and the German Government stipulates in its approval of this issue, given in conformity with the charter law, that the Central Bank for Agriculture will not issue any other bonds or contract any indebtedness in any manner sharing in the specific security provided for the Bonds of this issue.

The Central Bank for Agriculture under present restrictions may not issue bonds in an amount in excess of six times its capital, which limit may be increased to eight times its capital with the consent of the Reichsrat.

The valuation of farm lands is officially determined in accordance with the revised "Wehrbeitrag" assessment, made in 1924, which is based on the average annual yield that may be produced under average farming conditions and is made exclusive of all improvements. The official valuation of all German agricultural, forestal and horticultural lands subjected to the Rentenbank land-charge annuity is now placed at approximately ten billion dollars (\$10,000,000,000), a conservative valuation, appreciably lower than pre-war valuations. The ratio of official valuation to actual value varies in the different states and provinces, but has always been kept at a conservative level substantially under the actual value.

The German Mortgage Bank Law of 1899, the basic law governing loans made by mortgage banks, allows secured loans to be made against first mortgages on a general basis of 60% of the valuation of the property by such mortgage banks and bankers and provides that mortgage bonds issued by such banks must be covered by not less than an equal amount of first mortgages carrying at least the same rate of interest. Such mortgages must be officially registered in the public realty registers (Grundbücher).

Loans granted from the proceeds of this issue may be made only against first mortgages deposited under the Trust Indenture not exceeding 40% of the official valuation of the property as hereinbefore indicated.

A Special Bond Reserve will be established by the Central Bank for Agriculture and invested in liquid securities determined by the Governing Board upon recommendation of the Managing Directors, into which reserve will be paid one-third of all profits earned until this Reserve is equal to 5% of the value of all bonds issued and outstanding.

The Reichsbank will act as Supervisory Trustee in Germany and will exercise general supervision over bonded agents appointed by it in conjunction with the German Government to examine and pass upon the mortgages securing the Bonds and to have the custody of the deposited mortgage documents.

#### PURPOSE OF ISSUE

The purpose of this issue is to provide funds for the making of farm loans calculated to increase the productivity of German agriculture. The consequent growth in agricultural production in Germany should tend to reduce the import of food stuffs, thereby exerting a favorable influence on German national economy and on the potential balance of payments available to creditor nations.

The proceeds of this issue may also be used to retire existing liens on land which will be mortgaged to secure the Bonds of this issue provided that not more than 20% of the proceeds of this issue can be used to retire such existing liens. Inasmuch as these liens are in a majority of cases in favor of mortgage banks or other mortgage credit institutions, such sums as may be repaid in order that the mortgages securing this issue may have a first lien, will in the main be reloaned for agricultural purposes.

#### BUSINESS AND MANAGEMENT

The Central Bank for Agriculture, in the execution of its role as a central agricultural credit institution, functioning under government supervision, grants interest bearing loans for agricultural purposes to the credit institutions designated in its charter and by-laws, to the States, and to organizations designated by the National or State Governments. These will be mainly long term first mortgage loans as described above, made from the proceeds of bonds issued in its own name, such as the present issue. Under the charter law it may also make short term loans until December 31, 1930, from its own capital, primarily by rediscounting the agricultural paper of regional banks.

The Central Bank for Agriculture may purchase and sell exchange as required in carrying out its business and may invest available cash in short term securities through the agency of the Reichsbank or other approved banking institutions.

It may facilitate the repayment of outstanding agricultural loans which were made in Rentenmarks soon after the stabilization of German currency, thereby aiding in the abrogation of the land-charge annuity, amounting to one-quarter of one per cent. ( $\frac{1}{4}\%$ ) per annum of the official land valuation imposed upon German agricultural, forestal and horticultural lands to secure the Rentenmark currency, as previously described. This abrogation becomes effective on or before October 11, 1934.

