

Chapter 9.2.1

Identifying company types through collateral

Collateral use

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- ▶ Companies obtain their investment return and repay the loan if they are successful
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- ▶ Companies obtain their **investment return** and **repay the loan** if they are **successful**, if they are **unsuccessful** they lose their **collateral**
- ▶ $\Pi_C^i = \pi_i \left((1 + R) L - (1 + r_L^i) L \right) - (1 - \pi_i) C_i$

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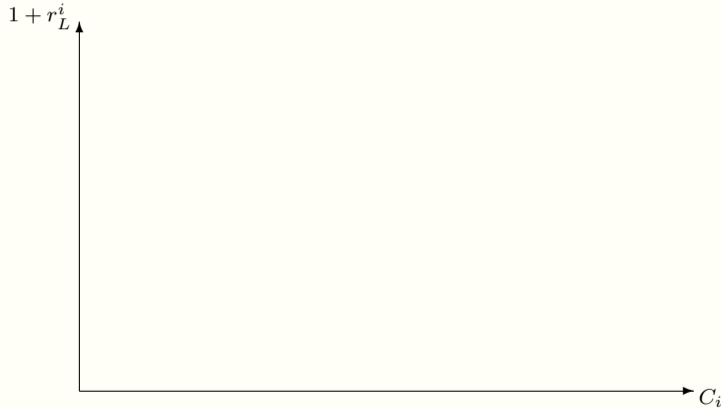
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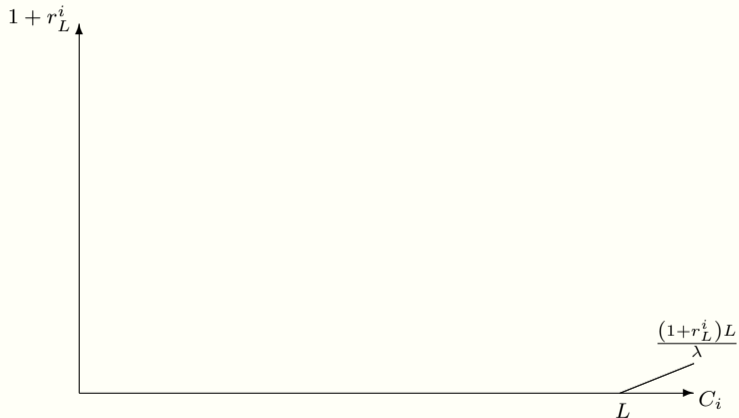
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Separating equilibrium with collateral

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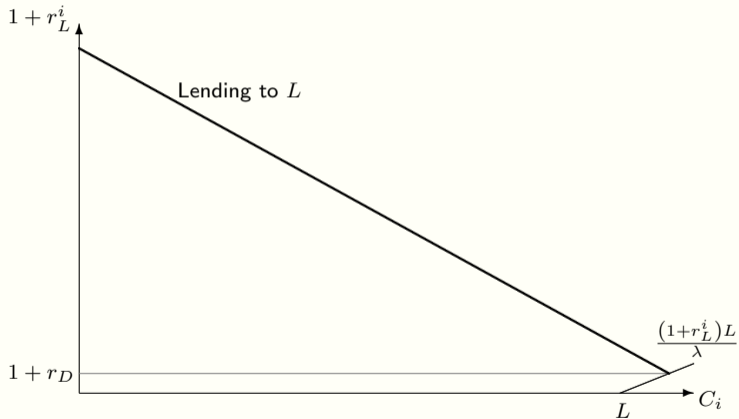
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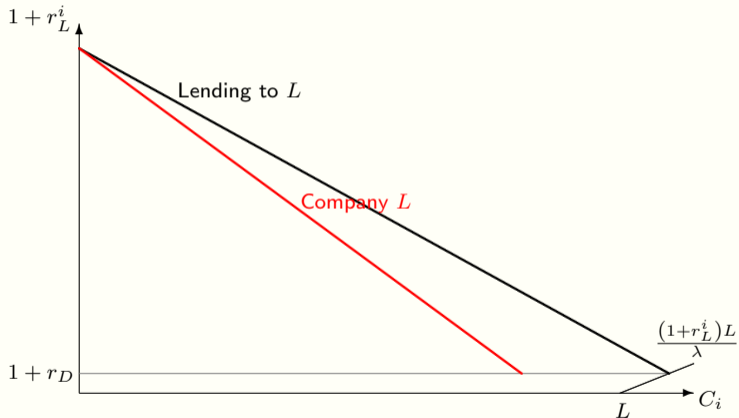
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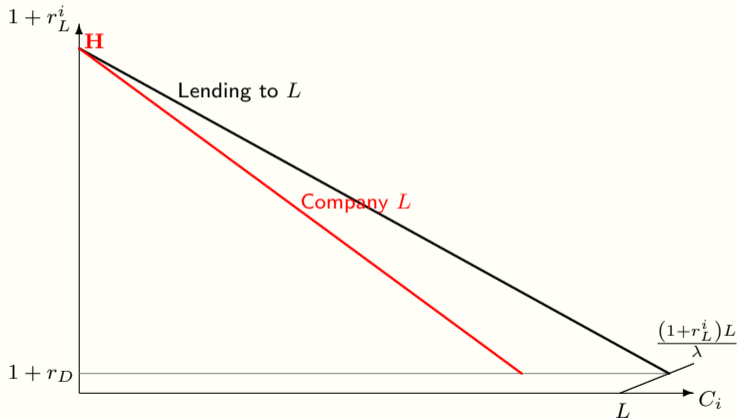
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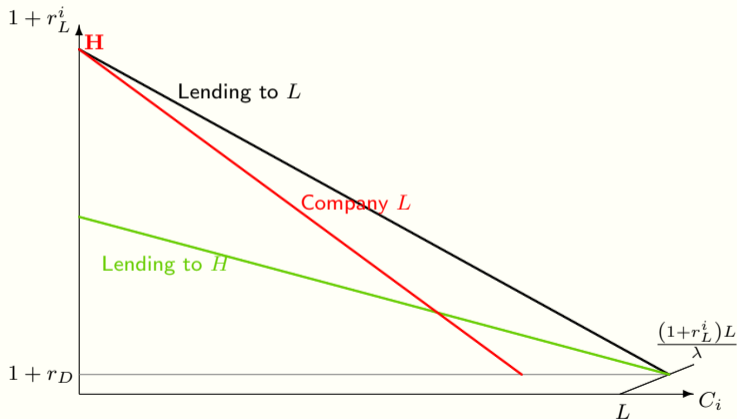
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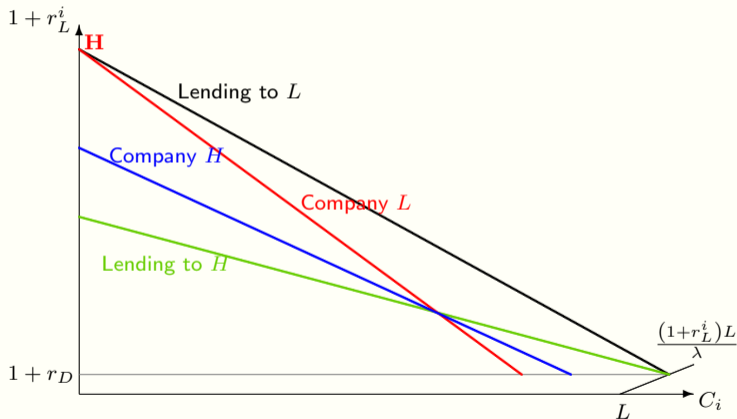
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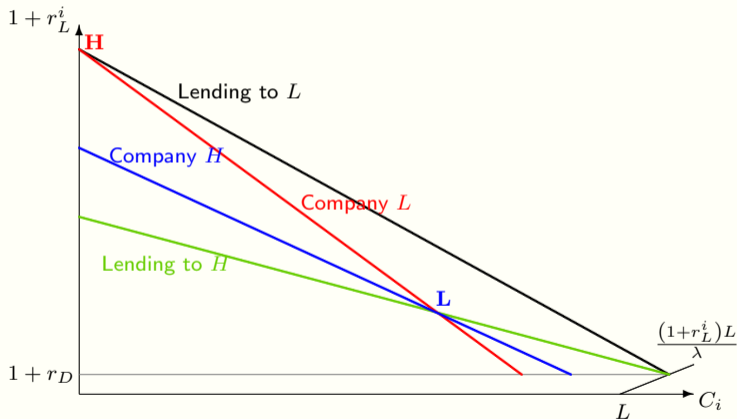
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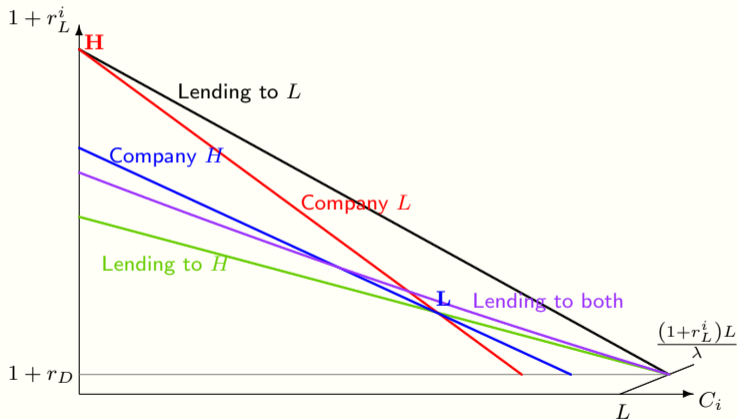
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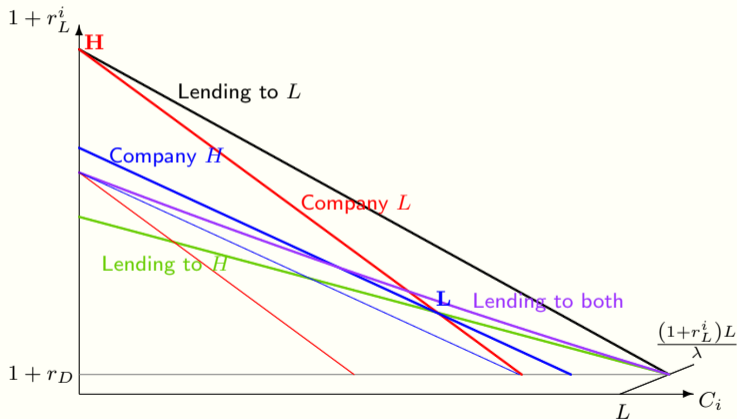
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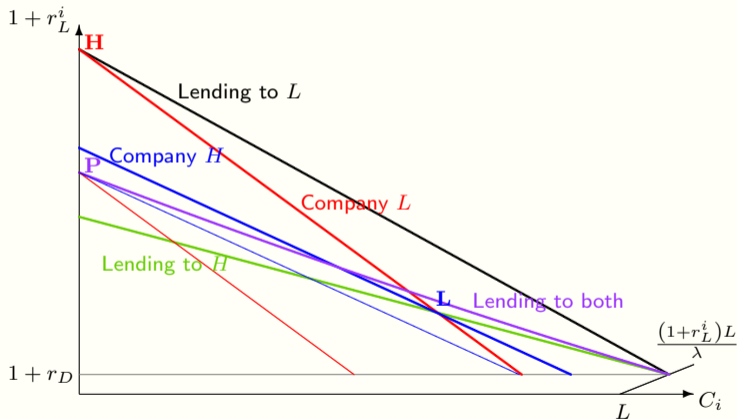
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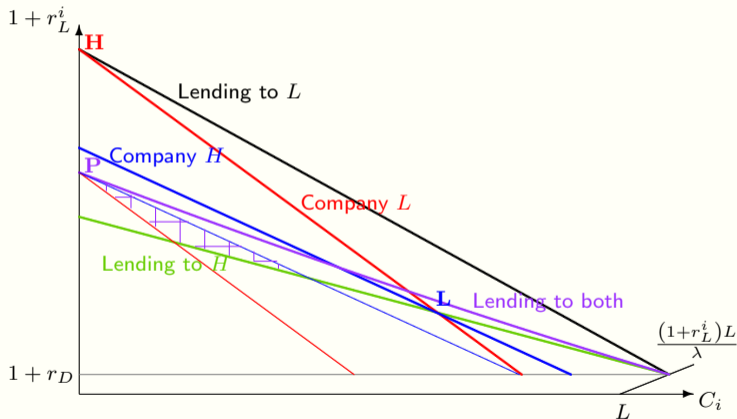
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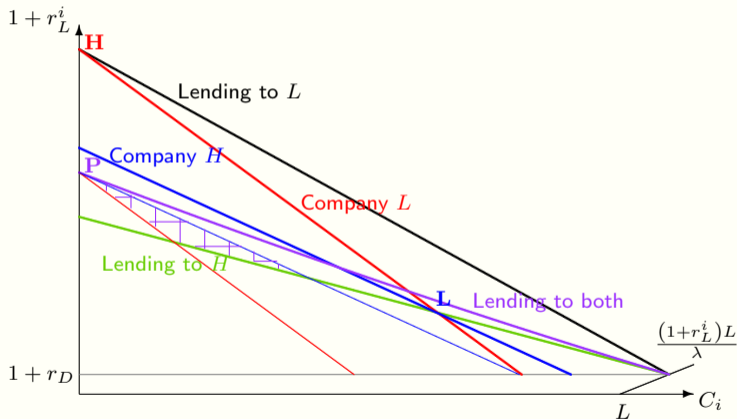
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Andreas Krause: Theoretical Foundations of Banking, 2025

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