



Chapter 11.1.2  
Exploiting informational advantage

# Accumulating information

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- ▶ Existing bank:  $\hat{\Pi}_B^2 = \text{Prob}(\hat{r}_L^2 \leq r_L^2)$  ( $\hat{r}_L^2$  is the loan rate of the new bank)
- New bank:  $\Pi_B^2 = (1 - \text{Prob}(\hat{r}_L^2 \leq r_L^2))$  ( $r_L^2$  is the loan rate of the existing bank)

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