Types of finance Deutsche Bank and other banks can be involved in

the financing of producers of cluster munitions by

providing corporate loans,

by assisting companies with share and bond issuances ,

and by (managing) investments in shares and bonds of these companies.

Below, these financing categories are discussed in more detail:

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Corporate loans

: The easiest way to obtain debt is to borrow money. In most cases,

money is borrowed from commercial banks. Loans can be either short-

term or long – term in nature. Short - term loans (including trade credits, current accounts, leasing agreements,

et cetera) have a maturity of less than a year. They are mostly used as working capital for day – to - day operations. Short - term debts are often provided by a single commercial bank,

which does not ask for substantial guarantees from the company. A long-term loan has a maturity of at least one year, but generally of three to ten years. Long-term corporate loans are in particular useful to finance expansion plans, which only generate rewards after some period of time. The proceeds of corporate loans can be used for all activities of the company. Often long-term loans are extended by a

loan syndicate, which is a group of banks brought together by one or more arranging banks. The loan

syndicate will only undersign the loan agreement if the company can provide certain

guarantees that interest and repayments on the loan will be fulfilled.

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Share issuances

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Issuing shares on the stock exchange gives a company the opportunity

to increase its equity by attracting a large number of new shareholders or increase the

equity from its existing shareholders. These shareholders can be private investors as well

as institutional investors. When it’s the first time a company offers its shares on the stock exchange, this is called an Initial Public Offering (IPO). When a company’s shares are already traded on the stock

exchange, this is called a secondary offering of additional shares.

To arrange an IPO or a secondary offering, a company needs the assistance of one or

more (investment) banks, which will promote the shares and find shareholders. The role of

investment banks in this process therefore is very important.

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Bond issuances

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Issuing bonds can best be described as cutting a large loan into small

pieces, and selling each piece separately. Bonds are issued on a large scale by

governments, but also by corporations. Like shares, bonds are traded on the stock

exchange. Bonds are sold on the capital market, to private investors as well as

institutional investors. Banks rarely buy any bonds. But to issue bonds, a company needs

the assistance of one or more (investment) banks which underwrite a certain amount of

the bonds. Underwriting is in effect buying with the intention of selling to investors. Still, in

case the investment bank fails to sell all bonds it has underwritten, it will end up owning

the bonds.

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(Managing) investments in shares:

Financial institutions can, through the funds they are

managing, buy shares of a certain company. This provides the company with new equity,

and gives the financial institution a direct influence on the company’s strategy. The

magnitude of this influence depends on the size of the shareholding.

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(Managing) investments in bonds:

Like shares, financial institutions and private

investors can buy bonds of a certain company. The main difference between owning

shares and bonds is that owner of a bond is not a co-owner of the issuing company;

the owner is a creditor of the company. The buyer of each bond is entitled to repayment after

a certain number of years, and to a certain interest during each of these years.

These sources of financing were analysed using annual reports, stock exchange filings and

other publications of the companies involved, archives of international financial journals,

international press archives, as well as specialized financial databases (Thomson ONE

Banker, Bloomberg).