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### Crédit Agricole's investment bank comes back to corpfin

The spectre of further regulatory upheaval in the shape of Basel IV is driving the strategic thinking of the long-serving boss of Crédit Agricole's corporate and investment bank, writes

**David Rothnie.**

**J**ean-Yves Hocher is a banker for all seasons. His tenure running Crédit Agricole's corporate and investment bank (CA-CIB) began in 2012 with a restructuring that scaled back its presence and risk appetite.

There followed a period of relative stability built around its core debt franchise. Now, in what Hocher calls the "third phase" of his regime, he is planning an expansion of the firm's corporate finance activities and a concerted effort to gain market share across all products.

A defining characteristic of Hocher's regime has been making a virtue out of necessity and this latest iteration is no different.

Hocher's strategic thinking is already being driven by the introduction of what bankers refer to as Basel IV, a regulatory overlay that will restrict the calculation of risk-weighted assets and potentially force banks to limit use of their own models in calculating risk in favour of a standardised approach imposed by global regulators.

Hocher fears Basel IV will undermine CA-CIB's leading asset and structured finance businesses. "My overriding sense is that it will be negative for the overall European financing business," he says. "Even though there is a high level of awareness among European regulators and institutions about the central role that asset financing plays in the economy,

I am not convinced the pressure will subside."

Hocher admits that it is too early to anticipate exactly how Basel IV will come out — the new US administration, alongside European regulators that are having misgivings, suggests it may not come out at all. But Hocher has already taken pre-emptive action to diversify CA-CIB's offering towards areas that consume less capital, such as M&A, ECM and cash management.

In order to refocus the bank, Hocher has introduced an initiative to improve its coverage effort and grab a slice of the strategic dialogue. The responsibility for coverage lies with the firm's so-called senior bankers, a cadre of professionals detailed to improving cross-selling and boosting coverage.

Rather than chasing new clients, CA-CIB's *raison d'être* is to serve the clients of the broader Crédit Agricole group, so improving cross-selling is the most logical approach to take. Hocher takes hands-on responsibility for the coverage initiative and believes he has a part to play, just as any of his senior bankers do, in delivering the firm to its biggest clients.

#### FIG and flight

Last year, the bank launched two coverage initiatives. One was to boost coverage of financial institutions, a small but profitable area of its business where it wants to make senior hires it believes will move the needle.

The second initiative is to capitalise on CA-CIB's leading franchise in asset finance. "As a bank we are the leader in aircraft financing and do that on an asset financing basis," he says. "What we are looking to do now is to cover the companies themselves. The same



**Hocher's third phase for CA-CIB**

is true in oil and gas, where we have funded projects for large groups and now we see great opportunities to work more closely with the companies themselves."

The bank serves 20 sectors and it is the role of the coverage bankers in each of those to originate deals across all of CA-CIB's product lines.

The turn to corporate finance is already bearing fruit. M&A, ECM and equity financing sit within a unit called global investment banking (GIB), which is run by Hélène Combe-Guillemet.

GIB achieved record revenues of €300m in 2016, turning in its fourth consecutive year of growth since 2012, when it bore the brunt of cuts designed to refocus CA-CIB on its debt business. GIB is based in three centres — Paris, Hong Kong and New York — and this cross-border approach helped it to gain an active role on the inbound wave of M&A approaches to Asian companies by Chinese acquirers.

Mandates included acting as sole adviser to Indonesian oil and gas group Pertamina on its acquisition of a 25% stake in France's Maurel et Prom, while the bank also advised Chinese consortium Firion Investments on its plan to acquire Spanish builder and services provider ACS's waste treatment firm Urbaser for around €1.3bn.

#### No hiring spree

Hocher says the bank will

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## Rivals' pull-back gives CA-CIB a chance

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not be embarking on a hiring spree to boost the GIB, but there is no doubt that he regards expansion of investment banking as a core initiative in the coming years.

"We have everything we need in terms of people and resources," he says. "It's just a case of improving our relationship with our customers, which we are actively doing."

Its ability to win market share in corporate finance will depend on the group's broader institutional relationships, and it believes its universal approach and the heft of the Crédit Agricole group will help it gain a competitive advantage.

Hocher also thinks CA-CIB's turn to corporate finance comes at a time when market share is up for grabs, given ongoing restructurings at some of its bigger rivals.

"The winners in the new era in Europe will be those firms that can offer a complete solution to clients across the product suite," he says. "Some very large banks in Europe are no longer what they were, so there is a great opportunity to win market share."

In order to succeed in boosting its investment banking standing, CA-CIB's fortunes will be inextricably linked with those of its parent. Nearly every large and medium European bank views the growth of its primary ECM and M&A businesses as a capital-lite panacea for its problems — meaning, despite the turmoil at some banks, competition will still be fierce.

Hocher's reliable stewardship of CA-CIB over the last six years means the unit has cemented its place in the wider group.

"The performance of CA-CIB in recent years has gained trust with clients and the broader group," he says. "Crédit Agricole is happy to have a universal banking model and sees CA-CIB as an important part of it."

### Banking the group

The wider group, too, is a good source of business, and CA-CIB is fully aware of its role as house investment bank. Globally, the unit's biggest clients are the regional banks and insurance companies within Crédit Agricole as well as Amundi, its asset management arm.

Crédit Agricole group has expanded its asset management business with the acquisition of Pioneer, the asset management business of UniCredit, to make Europe's largest fund manager.

"We are lucky to have such a big client as Amundi because we have to ensure we deliver the best service," says Hocher. CA-CIB is one of Amundi's five banks, and it also serves as custody bank to CACEIS, the clearing and execution unit of the group.

Those who know Combe-Guillemet say she is of a similar mind and has impressed on her troops the importance of CA-CIB as a collaborative force, embedded within the Crédit Agricole group. Combe-Guillemet has no interest in empire building, telling her team that if the corporate and investment bank earns €1 while the group earns €5 on a deal, then that can be regarded as a job well done because it proves the GIB is supporting the financing and DCM activities of CA-CIB and the broader group.

### Star performer

While GIB was a star performer within CA-CIB last year, it remains a

small part of its overall firm. CA-CIB sits within Crédit Agricole's large customers segment, which as well as GIB includes global markets, structured finance, commercial banking and asset servicing, all of which produced a combined €5.2bn in revenues in 2016, up 5.5% on the previous year.

Global markets did particularly well in the repo business, helped by the firm's strong capital ratios, which allow it to support the increasingly regulation-squeezed business. Like its rivals, CA-CIB enjoyed something of a topsy-turvy year, suffering heavily from volatility in the first quarter, usually the strongest for all banks, before recovering during the third quarter. The signs for 2017 are good so far and point to a return to normal service.

But with revenues of around €300m, the record-setting GIB still has a long way to go before it becomes a core element and, despite travails at more established rivals, bigger shops may rebound more quickly in a rising market. Then there is the added political uncertainty in Credit Agricole's home market's ability to cope with French presidential elections later this year.

But Hocher and his deputy Régis Monfront are tackling the GIB initiative with missionary zeal. Like many of his rivals at European banks, Hocher has spent considerable energy first rescuing and restructuring the corporate and investment bank, then patiently regaining trust among shareholders, and proving that CIB has value to the broader group.

Barclays, Deutsche and BNP Paribas have all seen a changing of the guard to reflect a change in strategic emphasis, but where Hocher differs is that he has remained in place for the whole cycle.

Having restored CA-CIB's place in the group, he must now prove it can grow again in precisely the areas where it retrenched five years ago. ■

### Announced M&A in 2016, French target

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2	Goldman Sachs	26,837.62	14	14.42
3	BNP Paribas	23,462.95	42	12.61
4	Lazard	20,869.57	42	11.21
5	Société Générale	18,215.43	25	9.79
6	Crédit Agricole	15,811.40	28	8.50
7	Citi	15,451.63	5	8.30
8	Natixis	15,218.56	43	8.18
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