



JEAN-YVES HOCHER

Agenda

The investment banking boss at Crédit Agricole talks to Danielle Myles about the division's growth plans, its bank partnerships and green credentials.

INTEGRATION AND COLLABORATION are often proclaimed as the key to universal banking success. A group-wide strategy and the ability to share expertise and provide multiple services to a single client create opportunities for its businesses that are not possible on a standalone basis.

For a corporate and investment bank (CIB) to make the most of this model, its leader must be intimately familiar with the ins and outs of the group. Few are better qualified for this than Crédit Agricole CIB's chief, Jean-Yves Hocher.

MANYTALENTS

Mr Hocher has spent the past 28 years working his way up, and eventually leading, a number of divisions within France's largest (and the world's 13th largest) lender. This includes stints as deputy CEO responsible for regional bank development, payment services and insurance; head of the specialised finance division; and CEO of the Fédération Nationale du Crédit Agricole – a kind of parliament for the group's 39 regional banks to meet, debate and share ideas. Today, on top of leading the CIB, he oversees Crédit Agricole's securities and investor services business and private banking.

Under his leadership, the CIB has transformed from a debt house with a heavy weighting of complex products into a leader in project finance, European private placements and French convertible bonds. In 2016, it jumped from 14th to fourth place in local mergers and acquisitions (M&A), a business line that – alongside equity capital markets – was a key driver of the 12% revenue increase the CIB posted over the 12 months.

When asked how Crédit Agricole CIB – which earns two-thirds of its revenues from Europe – has managed to boost income despite sluggish growth, Mr Hocher's response is one of a true industry veteran. "While the economic environment has been challenging, to a certain extent it always is," he says. "Most segments of Crédit Agricole CIB's network have had interesting things to do with clients... especially in Europe, where growth may not have been very strong, but it has been sound."

DISTRIBUTE TO ORIGINATE

A pillar of Crédit Agricole CIB's post-crisis deleveraging was its 2011 adoption of what it calls the distribute-to-originate model, which ramped up its syndication activity to reduce its loan portfolio. Between 2013 and 2016, its secondary loan sales increased 4.6 times while its structured finance distribu-

tion rate grew 3.5 times. Capital charges have made it difficult to allocate more risk-weighted assets (RWA) to financing, but this US-style finance model is allowing the division to do more with less.

"The challenge for these businesses is to go on originating as much as possible, and distribute year after year a larger proportion in the markets," says Mr Hocher, who adds that while the portion of loans that it retains are getting smaller, it will always have 'skin in the game' to remain close to its customers. "Investors are very interested in these assets as they are loans to large, safe corporates with very low default risk, and the margins are generally pretty good," he says.

Indeed, Crédit Agricole CIB's positioning within Crédit Agricole's 'large customers' segment is telling; its client base is dominated by the biggest corporates in France and its neighbours Spain, Italy and Germany. Its ability to win repeat business from these majors is enhanced by its industry expertise. Crédit Agricole CIB is organised into some 20 sectors spanning everything from real estate and energy to telecommunications and healthcare, within which analysis and data is shared around the world.

"It means our bankers are also industry specialists, so we can make a case to clients not only based on our balance sheet but also our understanding of their business," says Mr Hocher. "In our mind, it's crucial to know a client's sector very well to have the best possible dialogue with them."

EXPANDING BUSINESSES

Following the success of Crédit Agricole CIB's established distribute-to-originate framework, Mr Hocher is focused on growth and diversification. "There are opportunities for all business lines, but in markets there is a real possibility for us to gain market share based on our existing client base," he says. "While 10 years ago there was a big focus on structured products, we now have a complete product offering, and we can benefit from other large European banks scaling back in this area."

Growing this division, which is now underpinned by a healthy mix of products including foreign exchange, rates hedging and securitisation (one of Crédit Agricole CIB's historical strengths), is a big focus for the CIB under the group-wide Strategic Ambition 2020 plan.

It also wants to expand on its strong trade finance base to become a bigger player in commercial banking more broadly. "Our



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Jean-Yves Hocher ●●

goal is to build a cash management and transaction banking business to offer our customers this very important set of services via a worldwide network,” says Mr Hocher. “Historically we have not been a big cash management bank, so we will build the franchise country by country, year after year, until we have a complete range of products.” As an area known for its stickiness and in which success is bolstered by a global footprint, transaction banking would capitalise on Crédit Agricole CIB’s strengths.

Crédit Agricole CIB’s expansionary plans extend to its clients. The historically corporate-focused bank is building its financial institutions group (FIG) capabilities. “Our financial institutions franchise is significant but not big enough in our mind, and it is a sector where we want to grow,” says Mr Hocher. “There are two main reasons for this: first, they are large consumers of what our CIB is able to produce; and second, they are not borrowing money so they don’t create RWAs.”

SENIOR MOMENTS

Crédit Agricole CIB has set up a senior bankers network that spans the full spectrum of financial institution clients to improve its FIG coverage and is headed by Tim Sykes, who recently joined the bank. Its refocus has produced some promising early results. In 2016, Crédit Agricole CIB’s FIG revenues grew 13%, it was mandated on UniCredit’s €13bn rights issue in February and it was sole bookrunner on Crédit Agricole’s market-opening €1.5bn senior non-preferred bond in December 2016.

This pioneering regulatory capital issuance for its parent is just one of myriad examples of Crédit Agricole CIB’s work within the bank’s network. Not all of this is motivated by, or directly generates, revenues

for the CIB – its collaboration with the retail network being a case in point. “We have about 30 Crédit Agricole CIB bankers helping the regional banks cover their customers as best possible,” says Mr Hocher. “We are really focused on the large and mid-size regional bank customers, as it’s a significant part of what Crédit Agricole does.”

Early last year, Crédit Agricole CIB partnered with the other two divisions in the large customers segment – the securities and investor services business and Indosuez Wealth Management – to launch the so-called Private Equity Service. By pooling their expertise, they offer a one-stop shop with Indosuez advising the fund managers, Crédit Agricole CIB providing equity bridge facilities while the securities and investor services business acts as custodian.

THE GREEN BANK

Meanwhile, Crédit Agricole CIB has been a driving force in the banking industry’s embrace of sustainability, as a founding member of the green bond principles and the Paris-headquartered Finance for Tomorrow, which promotes the shift towards a low-carbon and inclusive global economy. It is also among the top two underwriters of green bonds globally, and served as joint bookrunner, duration manager and structuring bank on France’s landmark €7bn green bond in January.

Its policies governing sensitive sectors are part of senior bankers’ day-to-day life. “Crédit Agricole and Crédit Agricole CIB are fully convinced that banks have a role to play in ensuring the sustainability of economic activity,” says Mr Hocher. Environmental impact is taken into account when Crédit Agricole CIB assesses potential mandates. “This means that from time to time we have to tell clients that we won’t fund a project or asset,” says Mr Hocher.

This is symbolic of the culture at Crédit Agricole. Ethics, conscionability and unity are deeply imbedded within the group’s mentality, alongside the importance of effective management. As the group consists of so many individual businesses, Mr Hocher believes that good management at every level is key to its success.

This is something he has learnt, and witnessed, throughout his journey at the bank. “All these managers are fully responsible for their own firms, but are also following the group’s global strategy,” he says. “Autonomy and discipline are the secret of Crédit Agricole. It’s a large and complex organisation, but these attributes mean it operates like a banking democracy.” 

Career history

Jean-Yves Hocher

- 2015** Supervising the major clients business line at Crédit Agricole, including CIB, Private Banking and Securities and Investor Service
- 2010** CEO, Crédit Agricole CIB
- 2010** Deputy CEO in charge of specialised businesses, Crédit Agricole
- 2006** Head of insurance, Crédit Agricole, CEO of Predica
- 2001** CEO, Charente-Maritime Deux-Sèvres
- 1997** CEO, Fédération Nationale du Crédit Agricole