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Crédit Agricole CIB, IFC Finalize \$2 billion ‘Synthetic Risk Transfer’, Boosting Emerging Markets Lending

Paris, March 15, 2018 — IFC, a member of the World Bank Group, and Crédit Agricole CIB today announced an innovative transaction that will allow the Bank to expand its trade finance activities, and lend an additional \$510 million to support health, education and other key services, as well as infrastructure projects, in emerging markets.

The two institutions have closed a Synthetic Risk Transfer (“SRT”) transaction, with IFC making a \$85 million investment in credit risk protection on a \$2 billion portfolio of Crédit Agricole CIB’s emerging market trade finance and corporate loans. In an SRT, investors provide a bank with predetermined credit risk protection for assets on its balance sheet, which in turn frees up regulatory capital that would otherwise have to be allocated by the bank to such assets and can therefore be used to generate new lending. IFC’s first SRT with Crédit Agricole CIB was in 2014.

Olivier Belorgey, Chief Financial Officer at Crédit Agricole CIB, noted: *“We are pleased to work on SRTs with partners, like IFC and other investors, who have agendas robustly attuned to social and economic development. The SRTs we do with them specifically redeploy freed-up capital towards – and have a multiplier effect on – socially relevant lending, a business segment where Crédit Agricole is by DNA deeply involved and where we see considerable growth potential.”*

Stephanie von Friedeburg, IFC’s Chief Operating Officer, added: *“IFC is committed to using innovative and impactful financial products to provide banks with more capital resources to support lending in emerging markets. Our transaction with Crédit Agricole CIB is a great example of this commitment in action.”*

In this SRT, Crédit Agricole CIB is committed to using freed-up capital to make \$510 million of what it terms as ‘Social Loans’ in emerging markets, which are in compliance with the Social Bond Principles 2017. Crédit Agricole CIB will grant pricing reductions to potential borrowers if it does not achieve this \$510 million additional Social Lending target within two years.

This transaction reinforces the partnership between Crédit Agricole CIB and IFC to deepen capital markets distribution channels for credit risk associated with emerging markets as well as social lending. Crédit Agricole CIB’s initial SRT with IFC in 2014 – its debut deal involving this asset class overall – was the first such transaction anywhere focused on emerging markets credit.

Beyond supporting \$6 billion of emerging markets-related trade finance, that initial transaction also played an important role in highlighting to other banks as well as investors the relevance and practicability of emerging markets-related SRTs. IFC expects this just-closed SRT will be no less impactful.

Both SRTs highlight the expertise of Crédit Agricole CIB and IFC in blending best practices from bank capital management with the objectives of socially responsible investing and lending.

About IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY17, we delivered a record \$19.3 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity. For more information, visit www.ifc.org.

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About Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB)

Crédit Agricole CIB is the Corporate and Investment Banking arm of the Crédit Agricole Group, the world's n°13 bank measured by Tier One Capital (The Banker, July 2017). The Bank offers its clients a comprehensive range of products and services in capital markets, investment banking, structured finance and corporate banking, structured around six major divisions:

- Client Coverage & International Network
- International Trade & Transaction Banking
- Global Investment Banking
- Structured Finance
- Global Markets
- Debt Optimisation & Distribution.

The Bank provides support to clients in large international markets through its network with a presence in major countries in Europe, America, Asia Pacific and Middle East and North Africa.

For more information, please visit its website at www.ca-cib.com



Additional Background

The market volume of SRTs, (also known as a “regulatory capital transaction” or “balance sheet synthetic securitization”), undertaken globally has grown from approximately US\$5 billion in 2010 to over US\$100 billion per year at present, as banks for a variety of reasons increasingly complement traditional equity-raising strategies with capital optimization approaches to enable more priority lending. The majority of SRTs currently involve credit exposures in developed countries. But as the track record of emerging markets-related capital optimization transactions undertaken by financial intermediaries such as Crédit Agricole CIB and others grows, SRTs are gaining increased attention from both banks seeking risk protection as well as investors willing to provide it.

Credit Agricole CIB has been a pioneer in SRTs where capital freed up by such transactions is specifically allocated to additional sustainability-related loans, rather than just general-purpose lending. For instance, in 2017 Crédit Agricole CIB undertook its first such SRT with Mariner Investment Group, a transaction which enables it to extend US\$2 billion of new green loans. IFC works as an investor with both international as well as emerging market-domiciled banks on SRTs in the context of its overall financial markets investment activities.

Crédit Agricole CIB and IFC are both key participants in the global market for Social Bonds. Crédit Agricole CIB – a leader in the placement of such financial instruments – arranged IFC’s inaugural Social Bond in 2017. IFC and CACIB also coordinate the Social Bond Working Group under the Green Bond Principles. Finally, IFC is an active investor in Social Bonds from emerging markets issuers.