



# JACQUES RIPOLL

## Agenda

The chief executive of Crédit Agricole CIB speaks to *Marie Kemplay* about having the right strategy, organisational approaches and product focus to deliver long-term success.

**DESPITE THIS YEAR'S CHALLENGING CIRCUMSTANCES**, Crédit Agricole has been able to deliver a relatively solid financial performance — not something that can be said across the board for European banks.

While this is, of course, gratifying for Jacques Ripoll, chief executive of Crédit Agricole Corporate and Investment Bank (CIB), he believes the way that the bank has conducted itself with its clients during this period is far more significant.

“What is more important is the way that the organisation has behaved in front of its clients,” he says. “And clients have really needed us, [especially] from a liquidity standpoint, in terms of technical support to put in place very specific transactions. With us, they had teams that were 100% motivated.” Mr Ripoll believes that supporting clients in their moment of need will strengthen relationships, which will stand the bank in good stead in the medium and long term.

Mr Ripoll observes that being “client-centric” is something of a buzzword at the moment, used by many companies, including banks, to describe their approach to business no matter the reality. For him, it is quite simple: “We don't build products and then try to find the clients. We start with the client and make sure we understand their needs, and then we build the product range.”

Also crucial is having the right organisational approaches in place to enable the needs of clients to be put first. For instance, in recent years CIB has adapted its internal structures to ensure its bankers are adopting more of a product-neutral approach, i.e. trying to find best solution for the client's needs rather than different product areas within the bank potentially competing to win the same business, as well as having a clear strategy that employees are on board with. He says: “I think that one of the advantages we have is that we have a strategy

which is very clear and coherent. Our staff are reassured about the way we are working, the direction of travel and they are focused on their clients.”

### THE RIGHT STRATEGY

Crédit Agricole CIB's strategy up to 2022 was publicly released in December 2019, with the summary tagline of it being a “bank which has chosen to focus more on financing activities and corporate clients, and which is based on a powerful and well-coordinated international network”. The first half of the tagline speaks to Crédit Agricole's decision to shift its strategic focus away from the often risky and expensive business of global markets trading activity to focus more squarely on the finance raising needs of corporates, including in areas such as shipping, rail and aviation, and project finance, where it has become a market leader.

However, Mr Ripoll points out that it does still have an important presence in global markets, but it is more selective in the areas it is active in. “There is still a huge amount of market activity in which we are powerful, [such as] building sophisticated solutions for insurers or corporates, and that works very well. But it's a very specific area of markets. We're not trying to do everything for everyone.”

The second half addresses that, in addition to its sizeable presence in Europe, Crédit Agricole CIB also maintains a strong presence in Asia, as well as in the Americas. But it is not only the existence of its international network, in and of itself, which is important, it is how staff in different global locations coordinate to serve their clients. Revenue is measured and assessed at a client level, regardless of the geographical location where transactions have taken place, which incentivises teams based in different locations to work well together in the client's interest.

Mr Ripoll says: “From time to time, we get clients who we serve in several locations, who are very surprised because they say, ‘We have a presence in a very remote country, yet we receive first-class service in that country.’ And we say that's because we treat you as a global client.”

### PRIORITISING ACTIVITY

The overall approach that Mr Ripoll advocates is prioritising business activities that are in the long-term interests of both clients and the bank, rather than looking for short-term revenue gains. To embed this kind of thinking into the organisation it



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has implemented an 'economic value added' (EVA) model, which provides a method for assessing the value that every client transaction brings to the organisation. The model not only looks at the revenue that a transaction will bring, but also other inputs, such as its cost of capital, expected cost of risk and ongoing maintenance costs.

Looking at the EVA in isolation does not provide all the answers, but it does give a clear framework for discussions about whether a transaction makes long-term sense or not. For instance, a transaction may have a short-term cost, but bankers may judge that it will lead to more transactions in the future; whereas for another example it may be clear that a deal will have both a short-term cost and provide limited future prospects. "It's very simple, but it changes everything," Mr Ripoll observes. "Now every banker is no longer making decisions based on revenue, but looking at the difference between revenues and cost of capital."

#### SUSTAINABILITY IN THE DNA

Another, more fundamental example of the bank's long-term approach to finance is its commitment to sustainable finance. Crédit Agricole has been one of the major driving forces in the development of sustainable finance markets, even before the first green bonds were issued, more than a decade ago. It is an area of personal interest and commitment for Mr Ripoll. "I have five kids and we have endless discussions on these topics," he says. "It's something which is strongly in the DNA of the group and in the personal DNA of all employees."

This area of finance is reaching a defining moment. As the scale of global climate and environmental challenges become increasingly apparent, the sector is moving away from solely financing projects that are pure green, such as renewable energy projects, and moving into the more complex area of supporting industries that are currently heavy emitters of greenhouse gases to become more environmentally friendly in how they operate. This is vitally important work that Crédit Agricole is not squeamish about getting involved in. "We made the decision to exit the financing of thermal coal completely by 2030 in Europe and the Organisation for Economic Co-operation and Development countries, and by 2040 worldwide, but then we considered what can we put in place which doesn't just point fingers at currently badly performing companies, but helps them to



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evolve," he says.

The bank is not afraid to speak candidly to companies about where they are in their transition journey, and what changes need to be made. Mr Ripoll adds: "Every year we will provide an assessment, a grading if you like, but it's not a case of you either pass or you don't — it is a tool for dialogue. We're able to go and see the CEO of a company and say, you know what, we saw that you have improved your energy mix, or your environmental mix. And this is incredibly powerful, clients are happy to have a bank on their side who is also helping them."

#### DRIVING THE TRANSITION

In the coming years, Mr Ripoll sees assisting companies to transition to new ways of working as a major area of focus. "A lot of our clients understand that they need to put in place a whole re-engineering of their organisation. Whether you're speaking to someone in the transportation sector, the energy industry or food retail, they all have major changes which they need to implement," he says. "And clearly the level of financing which will be needed to make that transformation happen will be huge."

Given the scale of the climate challenge, as well as the disruption being wrought by the Covid-19 pandemic, it could be easy to take a pessimistic view. But for Mr Ripoll, it is almost a point of duty to have a more optimistic outlook. He says: "It can be a self-fulfilling prophecy. So, I think in some sense you do have a responsibility in trying to be confident about the economy and prospects for society more generally. That doesn't mean being naive, but it does mean not talking up the negatives. When you look at certain parts of the economy, you do start to see a rebound. It's possible this will be W- rather than a V-shaped recovery, but at least it is the beginnings of a rebound." <sup>TR</sup>

#### Career history *Jacques Ripoll*

- 2018** Chief executive officer, Crédit Agricole CIB, and deputy general manager in charge of the large clients division, Crédit Agricole
- 2015** Head of global banking and markets, Santander Group
- 2013** Head of UK global banking and markets, Banco Santander
- 2009** Head of asset management, private banking and investor services, Société Générale
- 2006** Head of corporate strategy, Société Générale
- 2003** Head of sales and trading — European equity, Société Générale