

Annual Operational Plan
2019/20

Our commitment

Our Mission

Unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market.

Our Vision

A unique resource for Wales, creating long term value and enhancing a dynamic, competitive Welsh economy.

Our Strategic Objectives

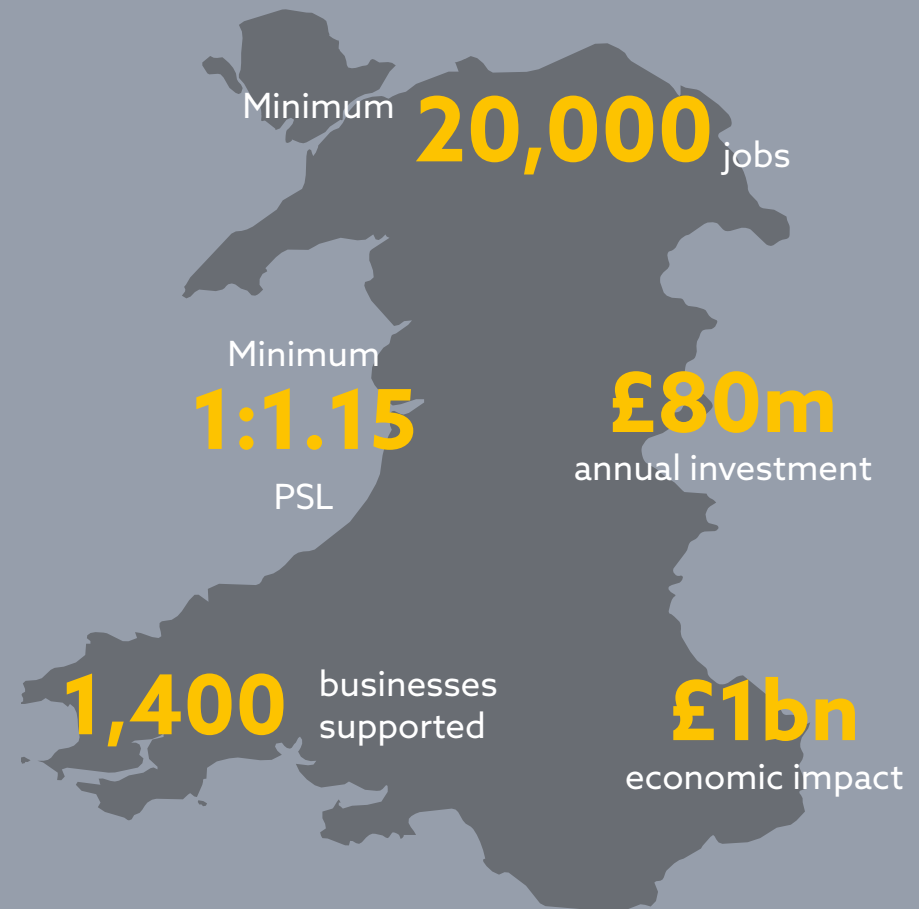
- To become the Welsh Government cornerstone organisation for delivery of public sector support to micro to medium businesses in Wales and increasing the supply of finance.
- To promote economic development through an adaptable delivery model that is responsive to market needs whilst providing continued value for money for public funds.
- Deliver key Welsh Government policy objectives by achieving performance targets and providing investment management and support services across the whole of Welsh Government.

Our values

Open

Responsible

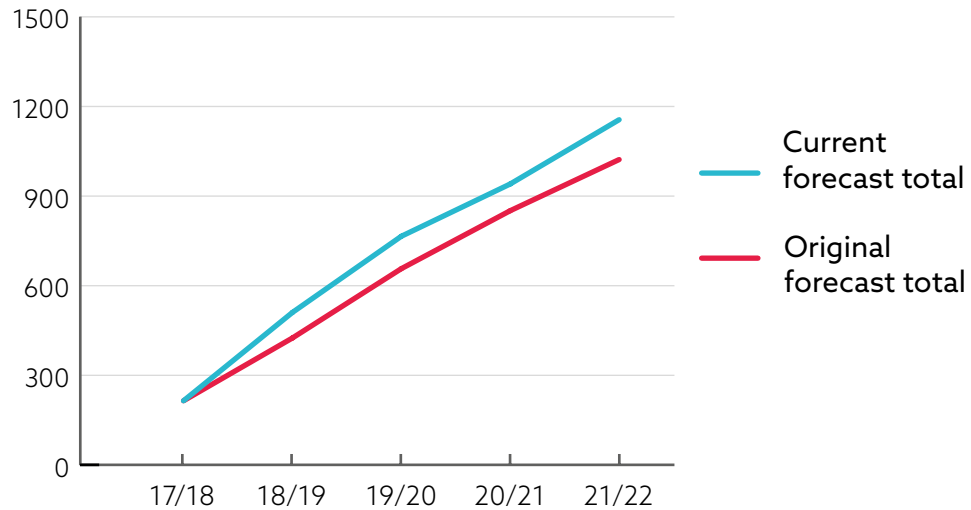
Partnership



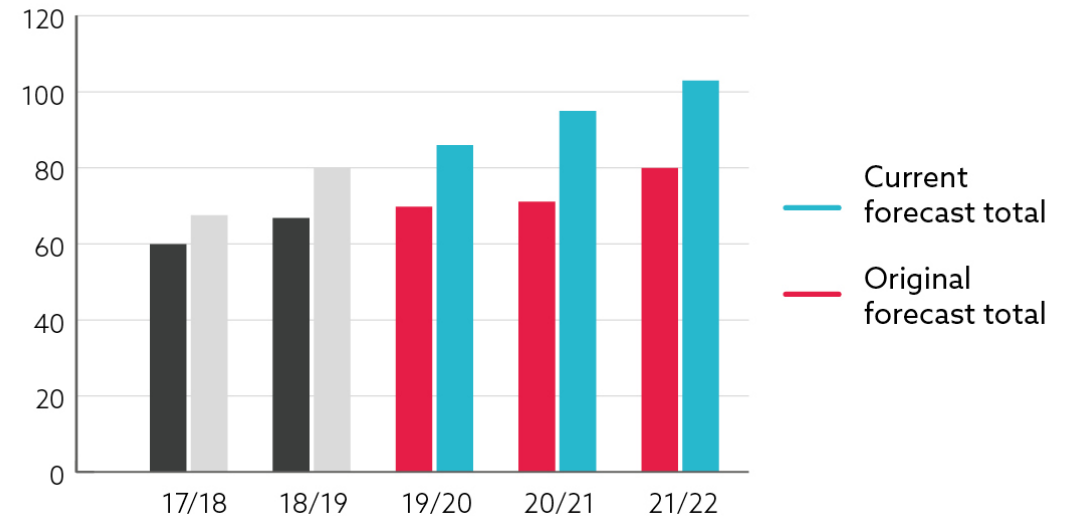
Performance to date

In 2017 DBW committed to the achievement of ambitious delivery targets to create significant impact on the Welsh economy. Progress against direct investment, PSL, jobs created and safeguarded, as well as overall impact is shown below.

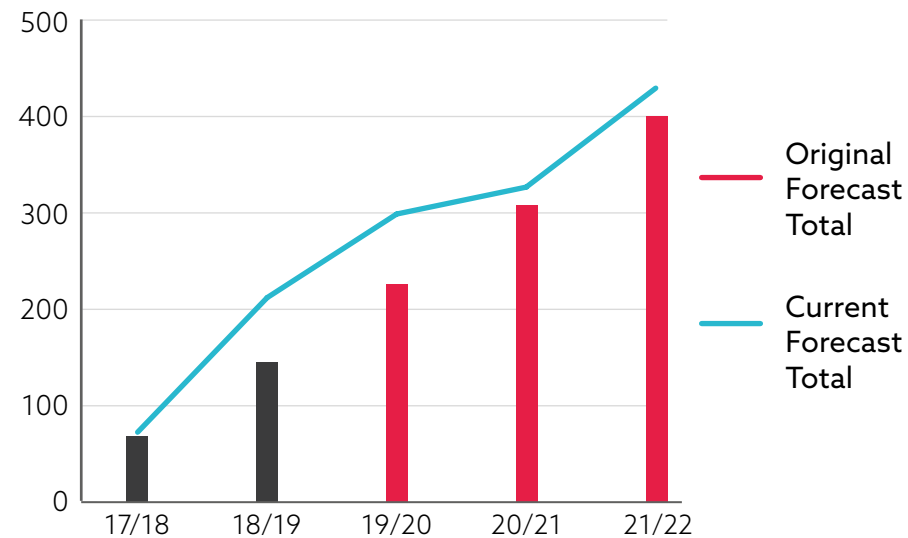
Total Impact- Creating £1bn of impact



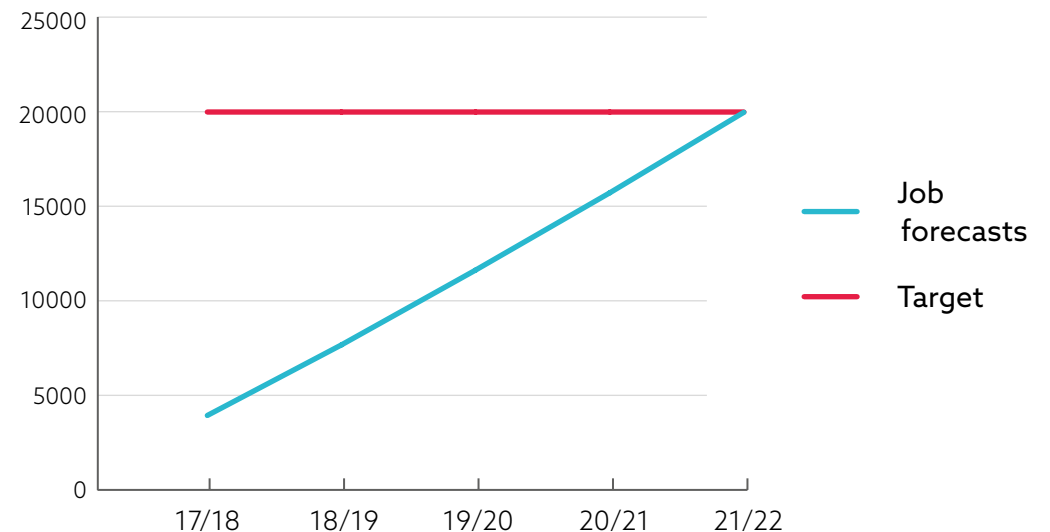
Forecast investment per annum



Private Sector Leverage



Job forecasts



Overview

This business plan builds on another record year for DBW in 2018/19 with £80m of investment into Welsh small to medium enterprises and new funding commitments of £197m secured for future delivery. Since formation of the Development Bank of Wales ("DBW") in October 2017 the Welsh Government has committed over £420m to new funds in Wales. In 2018/19 the Development Bank secured its first co-investment at fund level of £10m from the Clwyd Pension Fund into the Wales Management Succession Fund. These new funds cut across government priorities from support for businesses to start up and grow, community energy projects, supporting tourism investment, as well as the building of affordable homes.

Economic Intelligence Wales is now fully up and running, producing regular quarterly updates on economic indicators and SME finance. Bespoke reports are planned in 2019/20 for management succession, the 'missing middle' and University IP commercialisation.

FW Capital (FWC), the Groups FCA authorised fund management arm has also had a successful year reaching 97% of its delivery targets on its Fund portfolio, further cementing its strong relationship with the British Business Bank. The ongoing value of FWC was clearly demonstrated in 2018/19 with a £1m investment made from accrued profits into the Welsh Rescue and Restructuring Fund to directly support Welsh businesses. Whilst this is all very good news for the Bank, its stakeholders, owner and customers, DBW does not take success for granted. There is still much more to be done and the Bank needs to continue to deliver to the highest standards.

The economy is in a period of prolonged uncertainty over BREXIT and tensions over US trade with China could have repercussions in the UK markets. As demonstrated post 2008, it is for such periods of uncertainty that the DBW was created to offer Welsh businesses consistent and reliable access to finance to support their ambitions to survive and grow. The ability for DBW to successfully operate in this higher risk band between demand and the market is achieved through its mature investment risk model. This critical function of the business model enables DBW to balance higher degrees of risk, and therefore potential higher defaults, with affordable finance.

Thanks to the funding commitments made by the Welsh Government, and the expertise and dedication of DBWs people, the Group has now achieved, in year 2, its year 5 investment target as set out in the Development Bank's business case. Alongside the £80m invested in 2018/19, DBW also assisted in the creation and safeguarding of 3748 jobs, with the further addition of £126m private sector leverage giving a total market impact of over £200m in the last 12 months, pan- Wales.



Huw Owens, A1 Eyewear, Wrexham

The DBW offering has continued to grow in Wales with the creation of a number of new Funds in 2018/19. The £50m Wales Tourism Fund and the £55m Wales Commercial Premises Fund provide specific examples of the close collaboration with Welsh Government teams, whereby commercial finance is provided by the Development Bank alongside grant funding managed by the Welsh Government to create packages of support that directly meet the needs of businesses. In addition there is a commitment to a new £40m Wales Self Build Fund which will be launched in 2019/20 alongside a continued increase in focus on micro finance.

Other notable achievements included, continued success in delivering the Wales Help to Buy scheme with over £73m deployed, as well as securing an additional £23m of EU funding for the Wales Business Fund. In addition, Angels Invest Wales has successfully implemented the Angel Co-Investment Fund with 4 active lead investors in place and just under £500k invested to date.

DBW will continue to work closely with both Business Wales and Welsh Government departments aligning its operations to support the objectives of the Wellbeing of Future Generations (Wales) Act and the Prosperity for All: economic action plan. This will include supporting the new regional strategy of the Economy department, as well as working alongside other initiatives of the Welsh Government, such as their £50m EU Transition Fund, to provide tailored support to Welsh businesses as the UK prepares to leave the EU.

Once again this year the bank will work towards ambitious targets with an increased investment objective of £86m in 2019/20, almost doubling the organisation's delivery since 2014.

Digital transformation will be a core focus during the year to ensure we have systems and processes that are efficient and offer the highest levels of customer service including full alignment with the Welsh Language (Wales) Measure 2011. With the EU part-funded Wales Business Fund due to complete investing in 2022, DBW will also continue to work with the Welsh Government to secure the best deal for Wales from the UK Shared Prosperity Fund to replace current ERDF contributions.

The Development Bank provides Wales with a strong national asset which is well placed to deal with the economic challenges ahead. Aligned to its 5 year Corporate Strategy, this annual plan identifies the key objectives for the Group over the next 12 months.



Aimee Bateman and Lucy Heskins, Careercake, Cardiff

Welsh Market 2019

DBW has been structured and scaled to directly respond to the needs of the market in Wales. Utilising its research arm Economic Intelligence Wales DBW actively monitors market activity to ensure its strategy is focused on developing support where it is most needed, bolstering economic development.

Employment

62% of employment in Wales is in micro, small and medium sized businesses with overall unemployment rates remaining low.

Business Demographics

259,000 active enterprises in Wales of which 99% are micro, small or medium sized. Strong growth in Medium sized enterprises in the North and Micro enterprises in the South East.

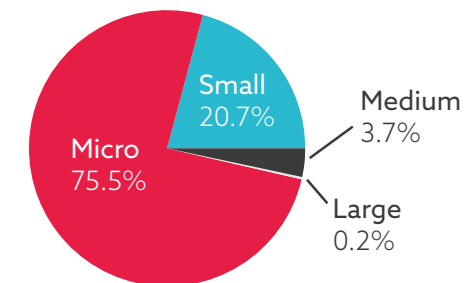
Investment in Growth

40% of Welsh SMEs plan to stay the same size and 31% plan to grow by less than 20% over the next year. 21% plan to grow by more than 20% and inflation is close to 2% despite confidence indices continuing to decline.

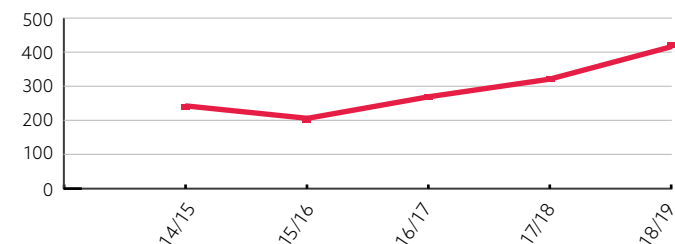
DBW Total Jobs Created and Safeguarded



DBW investment split by number of investments 2018/19



DBW Number of Investments



DBW business objectives- 2019/20

Customers

Delivering for our customer's needs...

- Pan Wales **investment of £86m** ensuring consistency and flexibility in funding during Brexit transition
- Undertake **ongoing market analysis** through EIW to inform trends and needs of businesses in Wales
- Combine pan-Wales multi-channel marketing with a programme of business events and workshops to maintain and **increase awareness** of support provided by DBW

Internal Business

Through operational excellence...

- Roll out the Programme for **digital transformation** to improve customer functionality and agility of service
- Dedicate resource to **business process improvement**, streamlining and enhancing systems across the organisation supporting organisational growth
- Ensure **robust governance** and group wide understanding of all regulatory obligations and prepare for future requirements in line with projected employee growth

Financial

Providing value for money and transparency...

- Target **new product development of £50m supporting WG departments** in line with the ambitions of the EAP and aligning with Economic Contract objectives
- Close management of costing and legacy models to ensure robust **strategic financial planning** for DBW over the next 10 year period
- Ensure **full transparency and accessibility of information** through the Annual accounts and Committee appearances

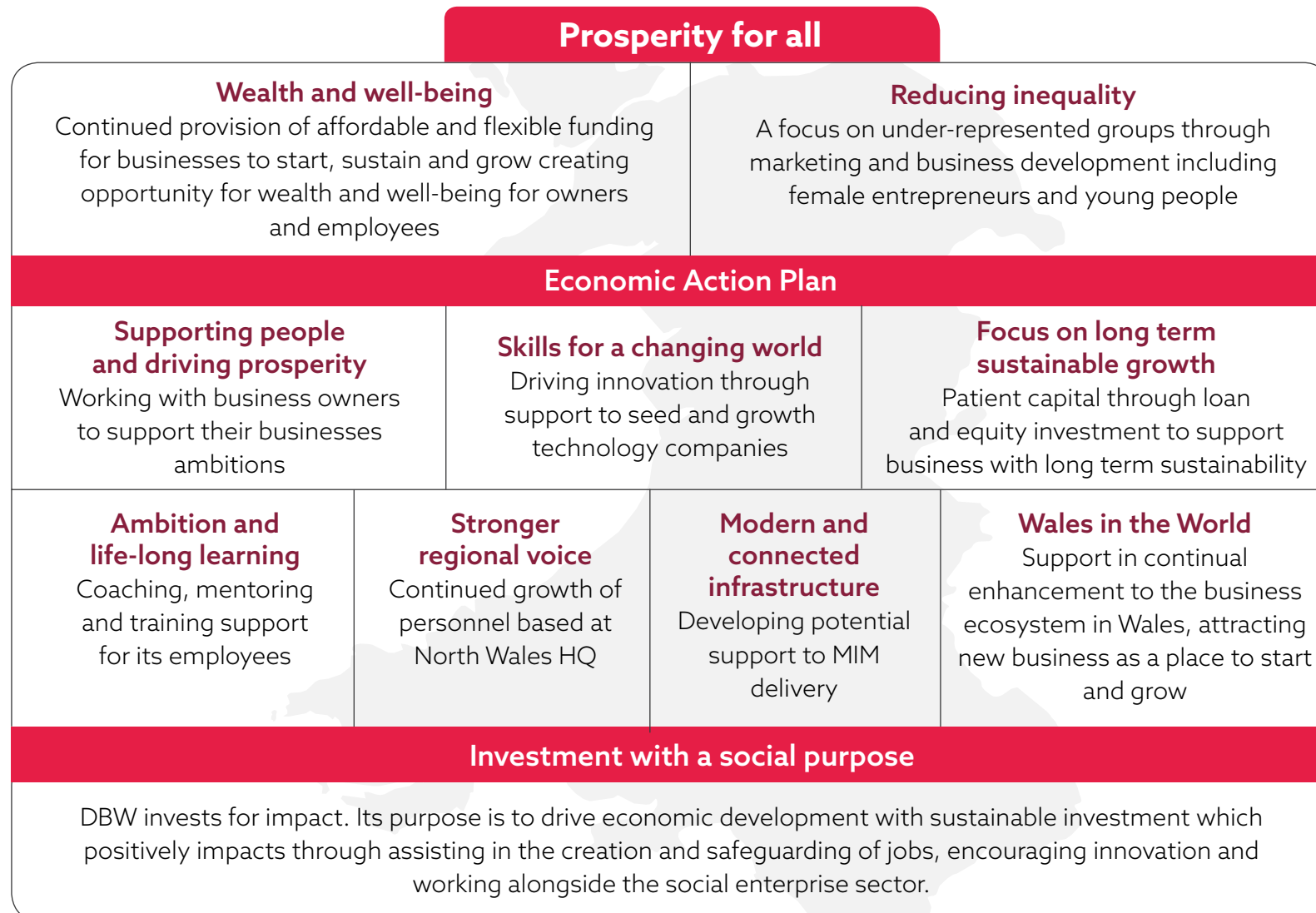
Organisational Growth

Creating organisational impact.

- **Develop and support our people**, as well as attracting new talent through a strong Employer Brand
- Further develop stakeholder engagement ensuring **collaborations and partnerships**, particularly with the private sector, are optimised
- Implement **impact focused metrics** within wider KPIs to capture broader effect of DBW activity

Welsh Government Policy Alignment

DBW was created to help deliver Welsh Government policy objectives. In December 2017 Welsh Government launched its Prosperity for all action plan which utilises the overarching aims of the Well Being of Future Generations Act to focus on interventions required to equip people businesses and places with the tools they need to shape their own futures, and in turn the Prosperity of Wales as a whole. In 2019/20 DBW will support the key areas of this plan in a number of ways including those detailed below.



Our Products

DBW now manages 15 live Funds that provide investment focused at small to medium businesses across the business lifecycle from early stage seed funding to succession and turnaround funding. In addition DBW operates the £454m Wales Help to Buy scheme which supports individuals to buy new homes across Wales. DBW has worked closely with the Welsh Government to create a suite of products that directly meets the market needs. Over the last two years the Government has made commitments of over £420m to ensure DBW has the foundations it needs to make significant impact on economic development across Wales. DBW has an ambitious investment target in 2019/20 of £86m and will continue to monitor activity to enhance and develop new areas that support Welsh businesses.

	£20m Wales Tech Seed Fund Equity funding for tech start-ups	
£11m Wales Rescue and Restructuring Fund Turnaround funding for SMEs	£180.9m Wales Business Fund Generalist equity and debt funding	£30m Wales Property Development Residential property funding
£8m Wales Angel Co-Investment Fund Co-investment with Angel syndicates	£50m Wales Tourism Investment Fund Funding for strategic Tourism projects	£55m Wales Commercial Property Fund Funding development of commercial space
£11m Local Energy Fund Supporting community energy and decarbonisation projects	DBW Funds	£130m Wales Flexible Investment Fund Generalist equity and debt funding
£16.2m Wales Micro Loan Fund Supporting sub £50k investment needs	£9.5m TVI Interim Fund Equity investment for technology businesses	£454m Help to Buy Wales Scheme Supporting home ownership across Wales
£25m Wales Capital Growth Fund Financing short term working capital	£40m Wales Stalled Sites Fund Unlocking property development opportunities	£18m Wales Micro Business Loan Fund Supporting micro businesses up to £50k
	£25m Wales Management Succession Fund Funding buy-out opportunities	

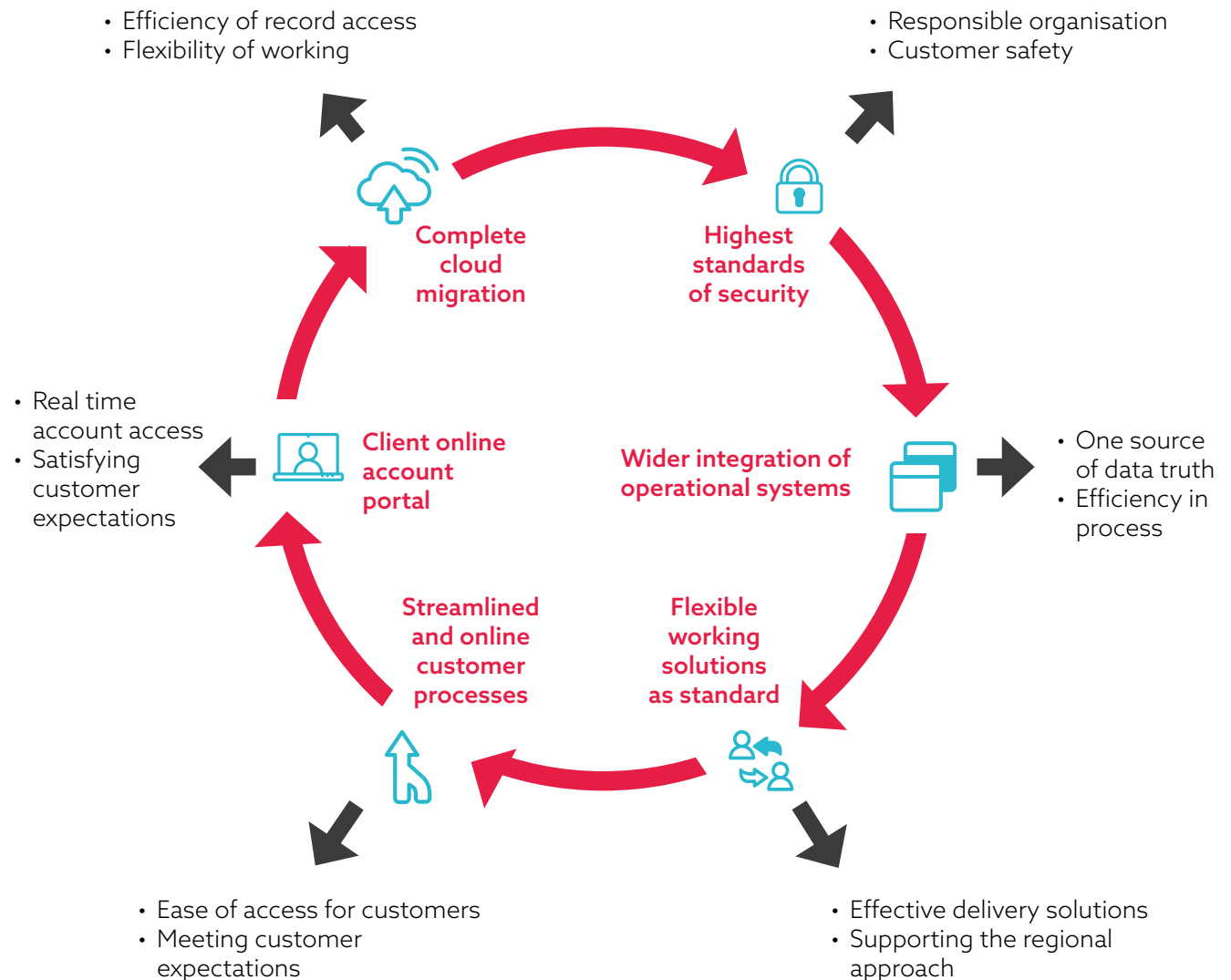
Digitalisation

In 2019/20 DBW will commence implementation of its long term digitalisation strategy. This strategy will seek to provide best in class operational efficiency with a human touch.

A collaborative programme has been established reaching across all DBW departments and which has identified a defined set of objectives for achieving a step change in the information technology landscape of the organisation.

Central to this is enhancing the customer offer through an online account portal. This will provide our customers with real-time, ease of access to their investment information. DBW will work with third party experts to create a platform that meets the evolving expectations of customers in an increasingly fast paced business environment.

To achieve this, enhancement and efficiencies will need to be driven through all aspects of business process and data management.

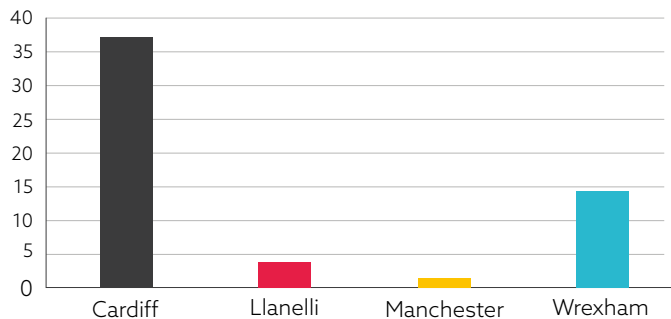


People

We strive to be an employer of choice. Our vision and mission are focused on delivering the Welsh Government objectives to help build an economy based on strong foundations, to supercharge our industries of the future and to empower all of our regions to become more productive. Our purpose is to help to make Wales a better place to work and live and do business.

During 2019 our workforce will increase for the first time to over 200 employees. Currently over 22% of our employees have been with us for less than one year. It is important that, as the organisation continues to grow to deliver the products and services in support of a wide range of Government priorities, we need to ensure the professional yet familial atmosphere that has contributed to our success is not lost.

Location of New Starters

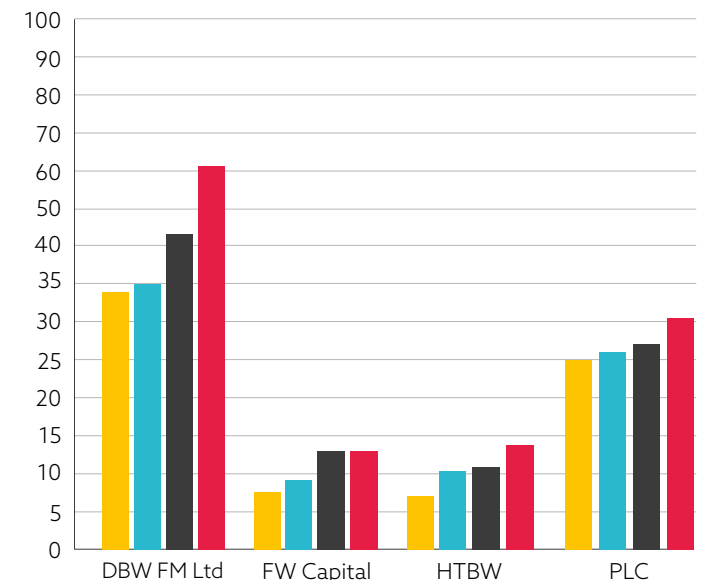


Whilst we have the privilege of delivering our mission to create a better Wales, we recognise we need to compete with the wider market to attract and retain talent. We will do so by offering employees an attractive reward package which includes competitive salaries; individual development opportunities, and flexible working.



A new people strategy will be published in 2019 which will set out our offering as an employer of choice. It will recognise that our people are central to everything we do and are the organisations most prized asset. In addition we will continue to develop our training support throughout 2019 and deliver a programme of initiatives aimed at improving wellbeing.

Growth in DBW Employees



Creating Impact

DBW creates ongoing impact through both its direct investment activity as well as its wider operational strategy. As an organisation for the whole of Wales DBW must maximise its impact, supporting people, businesses and the environment in which we live and work. In 2019/20 DBW will do this through a number of project areas.

Impact investing

- Introduction of impact metrics leading to first Impact Report in April 2020
- Capturing wider effects of DBW investment aligning with the Sustainable Development Goals
- Focus areas include innovation, decarbonisation and productivity

Key performance indicators

- Capturing of key economic drivers including jobs created and safeguarded, PSL and number of businesses supported
- Annual increases in targets

Responsible business

- A core commitment for DBW
- Publish a dedicated Responsible Business Strategy
- Prompt Payment Code
- Environmental Policy
- Rolling Equality and Diversity action plan

Charity work

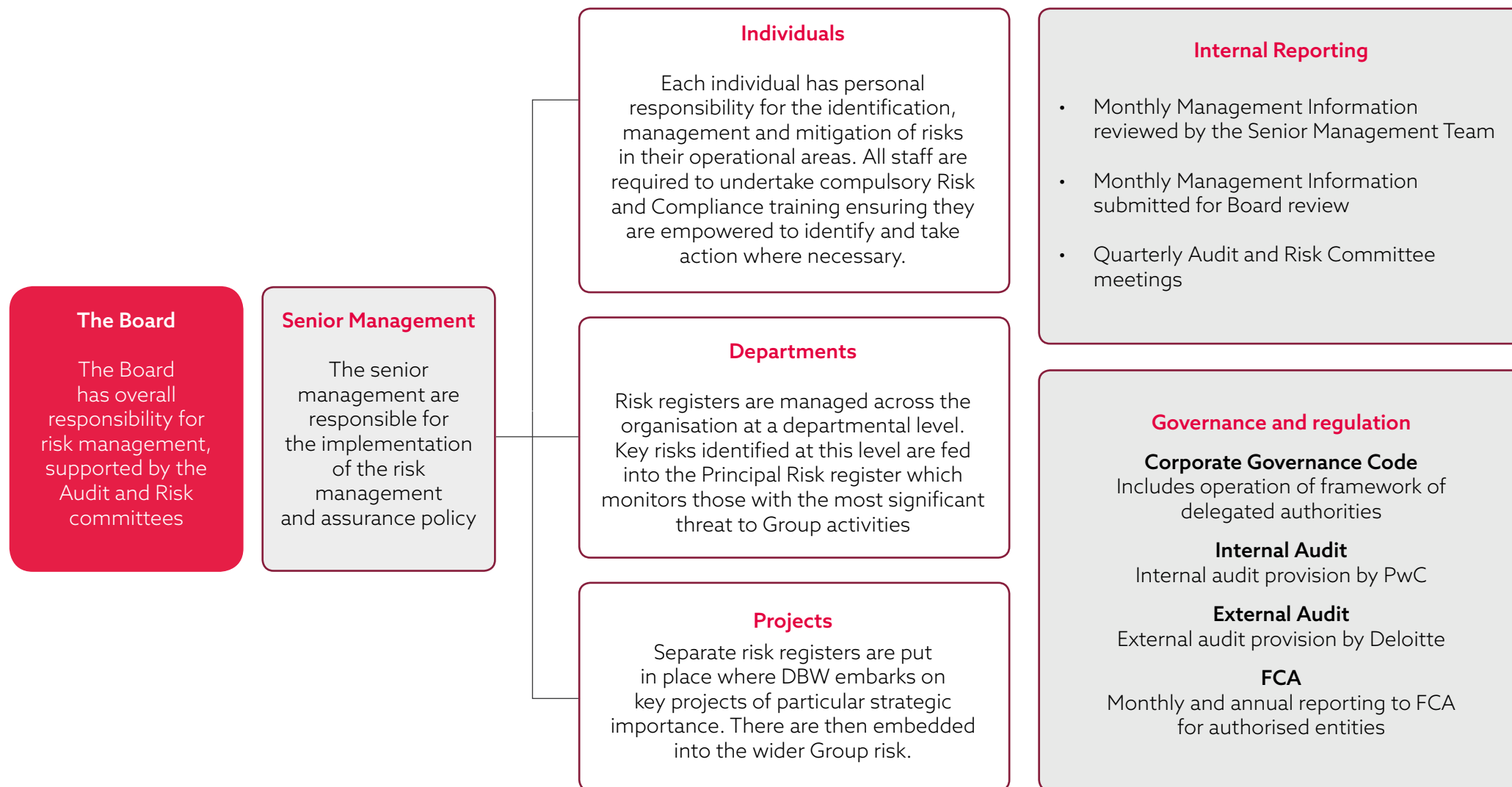
- Sponsorship of an annual charity
- Community volunteering

Benchmarking activity

- Working with Chwarae Teg FairPlay Employer benchmark service
- Member of Business in the Community Cymru

Governance and risk

DBW has robust governance and risk management systems which ensures clear monitoring of mitigating controls. Poor management of risks, and failure to identify emergent risks in a timely fashion, could adversely impact the Groups performance, reputation and longevity. Therefore DBW adopts a layered risk management profile as demonstrated below.



Budget

Continued new fund development has resulted in both increased cost and income in 2019/20. This includes the establishment and rollout of the new Wales Micro Loan Fund, the Wales Commercial Property fund and the Wales Tourism Investment Fund. Significant new recruitment costs and infrastructure development has been built in to meet operational needs and to continue to build DBWs capacity and resource for future growth.

Help to Buy Wales is now moving into the interest collection phase. There is a lag between fund management fee cessation and ramp up of the interest collection, resulting in the loss shown which is recouped in future years as interest collection receipts grow.

A moderate surplus of 8% is expected in 2019/20. Accrual of reserves is critical for DBW to sustain during forecast fee fluctuations in future years, infrastructure requirements to meet both regulatory and customer needs as well as ongoing expansion costs including recruitment.

The group of entities included within the forecast income and costs include DBW Plc, AIW Ltd, EIW Ltd, DBW FM Ltd and FW Capital. It does not include the accounts of the ring-fenced holding fund companies.

Forecast Income	
Total Forecast Income	24,616,114
Forecast Costs	
Total Staffing and Operational Costs	
DBW Plc	(9,081,887)
Wales Fund Management	(7,884,091)
FW Capital	(3,195,695)
HTBW	(2,419,044)
Total staffing costs	(22,580,717)
Surpluses	
DBW Plc	(1,965,117)
Wales Fund Management	4,869,769
FW Capital	124,749
HTBW	(994,004)
Total operational net balance	2,035,397

Annex 1: Key Performance Indicators

The key performance targets across the DBW product suite is shown below

Funds	Invest (no.)	Business (no.)	Jobs Total	Jobs Created	Jobs Safeguard	Invest (£m)	PSL (£m)
Wales Micro Business Loan	22	20	121	71	50	0.5	0.3
Wales Micro Loan	167	150	729	429	300	3	1.8
Wales Property II	24	19	182	91	91	18.25	9
Wales Capital Growth	10	9	82	14	68	6.75	5
Wales Business	91	73	1,232	533	699	32	56
Wales Management Succession	4	4	154	40	114	4	2
Wales Flexible Investment	69	42	880	472	408	8.3	7
Wales Stalled Sites	7	6	60	39	21	5.28	1
Wales Angel Co-Fund	10	9	67	25	42	1.25	1.25
Wales Technology Seed II	13	13	153	133	20	2	1.2
Wales Commercial property	2	1	4	2	2	0.47	0.3
Wales Tourism	5	5	122	61	61	2	2
Wales Rescue and Restructuring	7	6	183	-	183	2.2	-
Additional	-	18	-	-		-	-
TOTAL	431	357	3,969	1,910	2,059	86	87

Annex 2: FW Capital

Strategic Overview

FW Capital (FWC) is the DBW Groups FCA authorised Fund Management arm. It currently operates from 6 offices across the North of England with 23 staff, including 2 dedicated Fund Managers who manage operations in the North West and North East of England. FWC forms a core part of the DBW Group strategy creating direct benefit to Wales through:

- **Financial** - Generating revenue that can be repatriated to Wales to benefit Welsh businesses. In 2018/19 FW Capital surpluses of £1m were used to enhance the Wales Rescue and Restructuring Fund.
- **Expertise** - Widening the scope of the Groups investment activity and therefore increasing the knowledge base across the organisation through market intelligence and FCA best practice- for which FWC is now used for the management of the Succession Fund in Wales.
- **Fundraising** - Successfully securing and delivering contracts on behalf of third parties, including the British Business Bank, positively enhancing the profile of DBW Group in the market for future fundraising.

2019/20 priorities

FW Capital has concentrated the previous two years in successfully embedding the delivery of the Northern Powerhouse Investment Fund, in partnership with the British Business Bank. In addition it has continued to operate its additional funds including the North East Property Fund. In 19/20 FW Capital will increase its focus on identifying and developing further funding opportunities for a complementary Fund to NPIF across the North England region.

2019/20 target outputs

Targeted investment delivery of £29.4m across four live funds.

Funds	Target
NPIF- Tees Valley, Cumbria	£12m
North East Property Fund	£4m
Tees Valley Catalyst Fund	£3m
NPIF- North West	£10.4m

Annex 3: Economic Intelligence Wales

Strategic Overview

Economic Intelligence Wales was set up with the purpose of collating and analysing data to create independent, robust and reliable insight to help better understand and improve the Welsh economy. To achieve this, five strategic objectives were established:

- Track the supply of, and demand for, finance across Wales
- Improve understanding of SMEs and their role within the Welsh economy
- Create innovative ways of measuring, interpreting and tracking SME data
- Identify and address Welsh SME finance data gaps
- Improve understanding of the Development Bank of Wales' wider economic impact

2019/20 priorities

In its second year of operations, EIW will increase its emphasis in delivering creative and innovative ways of measuring, interpreting and tracking SME data, as well as identifying Welsh SME finance gaps. To achieve this it will engage with a broader range of stakeholders and research partners to use new data techniques to produce more accessible research outputs.

2019/20 target outputs

Targeted outputs from EIW for the financial year 2019/20 are shown below.

Quarterly Reports on Welsh SME finance	3 reports published
Annual Report on Welsh SME finance and DBW's wider economic impact	Year-end report published for 2018/19
Bespoke Reports on key / topical issues which are of relevance to Welsh SMEs	3 Bespoke Reports- one of which will be through a new research collaboration

Annex 4: Angels Invest Wales

Strategic Overview

Following the launch of both the AIW brand and the Wales Angel Co-investment Fund in 2018, the forward strategy for 2019/20 is focused on consolidation and delivery of KPI's, together with enhancement of the investor network, including the identification of additional 'lead investors' for the Fund.

The programme has re-aligned from the previous 'investee' support strategy to an investor focused approach, seeking to;

- Cultivate experienced investors and advise on significant investment issues.
- Develop new entrants to the angel investment sector.
- Encourage the formation of investment syndicates – identify and engage new 'lead' investors for the Fund.
- Increase collaboration with strategic funding / equity partners on selected projects

Wales Angel Co-Investment Fund

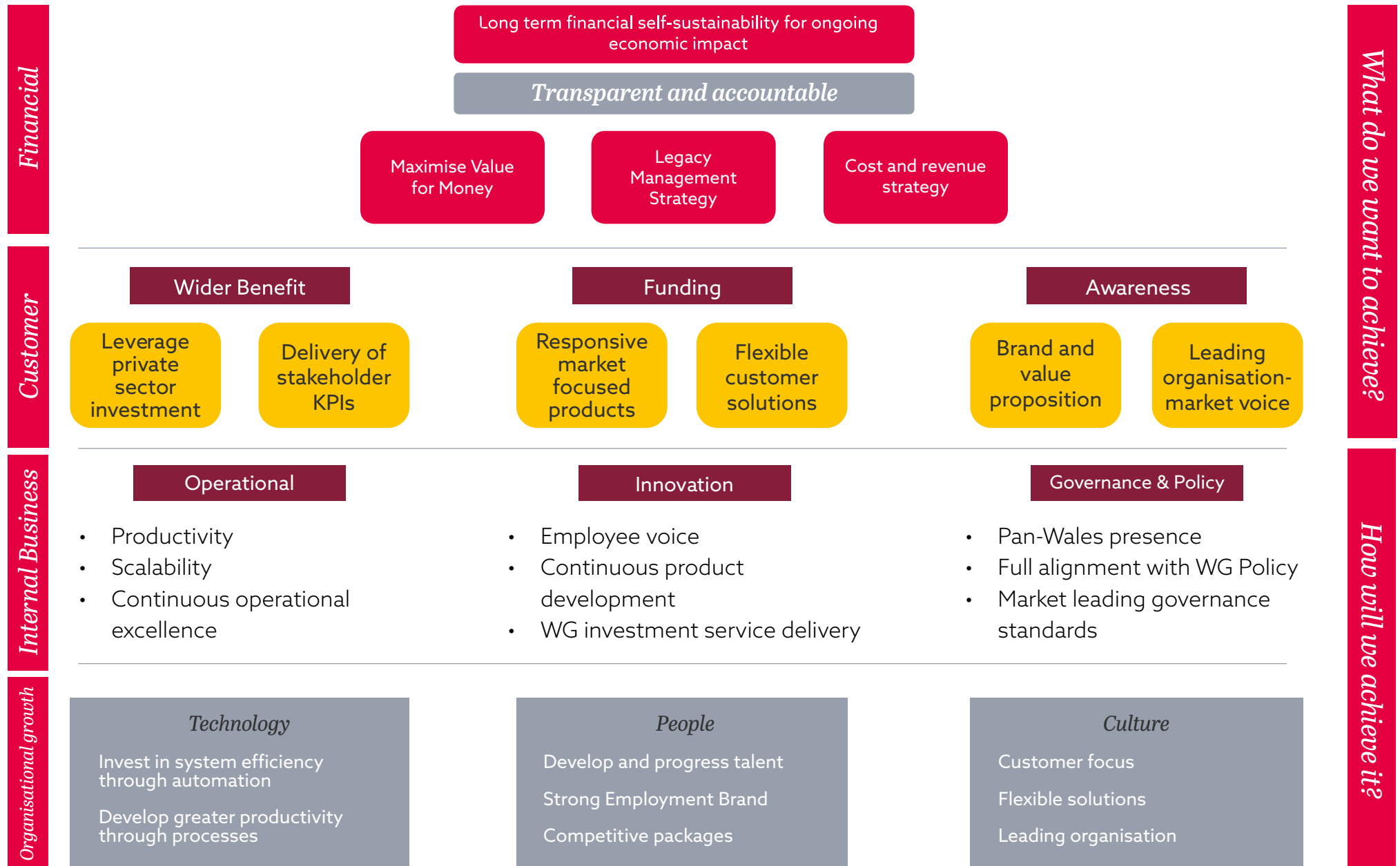
The Angel Co Fund was launched by the Minister for Economy and Transport in 2018 and currently has 4 registered 'lead investors' approved to submit investment opportunities for match funding. The fund supported 3 projects with match funding of £472k in 2018/19. 2019/20 is projected to be on target to invest over £1m of 'match funding' for approved projects during the financial year.

2019/20 key performance indicators

Targeted outputs from AIW for the financial year 2019/20 are shown below.

Performance Indicators	Target
Investment facilitated	£3m
Angel Co-investment	£1.25m
New investors registered	40
ACF lead investors	4

Annex 5: DBW Strategic overview





BANC DATBLYGU CYMRU
DEVELOPMENT BANK OF WALES

developmentbank.wales
0800 587 4140

Development Bank of Wales Plc (Banc Datblygu Cymru ccc) is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at Developmentbank.wales.

