



Half year activity update 2023/24

Development Bank of Wales



Half year activity update 2023/24

We're a development bank that puts Wales's potential at the heart of our decision-making. Our purpose is bringing ambitions to life and fuelling possibilities for people, businesses and communities in Wales. Our annual operational plan is focussed on delivery of our three strategic objectives outlined in our [Corporate Plan 2022/27](#) :

- deliver debt and equity funding with a social impact
- promote and advance a green future in Wales
- delivery excellence, customer-first, financial sustainability

This document provides an update on our activity at the 2023/24 half year point.

Overview

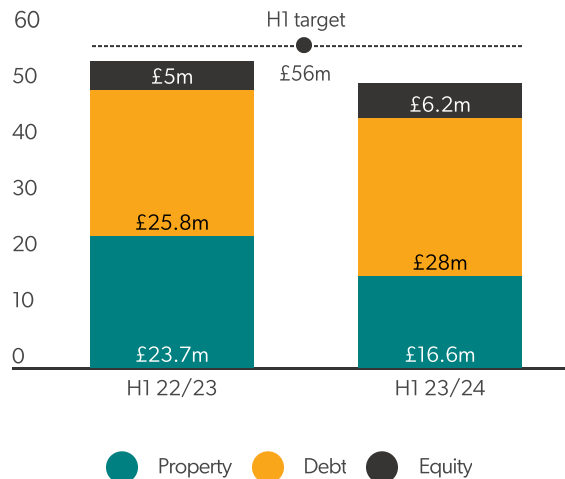
The impact of economic uncertainty on Welsh businesses remains clear. Through our regional network of account managers, we are hearing directly from customers about the challenging conditions. Growth plans for many are stalling as base rate remains at a 15-year high, and those looking for finance are finding less availability from mainstream lenders as risk appetite tightens.

At the same time, businesses are also faced with fast growing consumer, employee, and investor demand for robust green credentials. Presenting a challenge and a commercial opportunity, this is a live and evolving subject for all entrepreneurs. We are committed to a just transition recognising a range of customer needs and will continue to offer effective finance packages to support action in this area.

Our role remains consistent. Stability in the accessibility of finance, supporting entrepreneurship and backing innovation are fundamental to fuelling economic growth. Furthermore, we will continue to identify opportunities for Wales at local, regional, and sectoral levels through to national energy investment projects that harness the natural environment.

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Headline targets



Direct investment

What is this?

Investment from our business and property funds. This is our main delivery target each year and is the sum of the year's delivery profile across each of our funds.

Commentary

Investment at the half year point is broadly in line with the same period in 2022/23 and the annual target. Typically, the second half of the year sees higher investment levels which are a natural consequence of the financial year and the longer investment process associated with larger transactions.

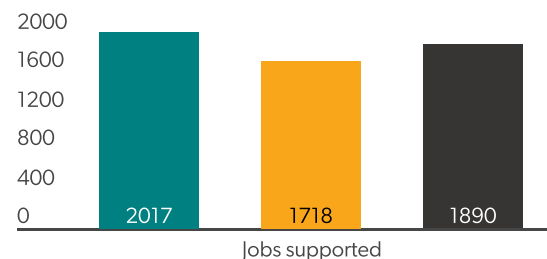
Jobs supported

What is this?

The total number of jobs created and safeguarded as a result of our investment activity.

Commentary

The jobs supported targets are set relative to the funding mix in a particular year i.e. investment from some funds result in greater job impacts.



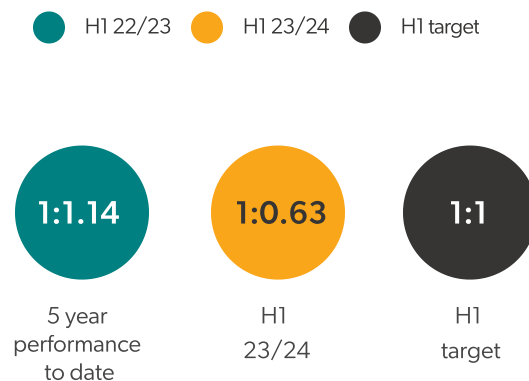
Co-investment

What is this?

Co investment targets are set against the delivery of our business funds (they exclude property development investment activity). The purpose of this target is to ensure at least the same amount of our investment is matched by co investment from other investors to increase the flow of private capital in Wales.

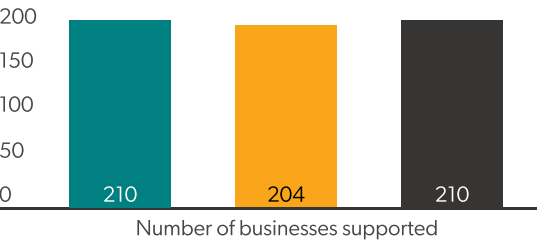
Commentary

Co-investment fluctuates, is dependent on the mix of deals completed in any given period and is linked to the external economic environment. The overall five-year position is ahead of target.



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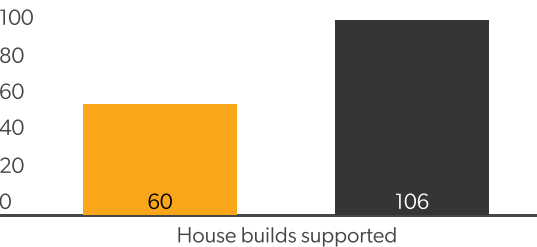
Number of business supported

What is this?

This measure is the number of unique businesses supported within a financial year.

Commentary

The number of businesses supported continues to track well against target. The figure reported for the number of investments made is typically around 15% higher as a result of follow-on investment.



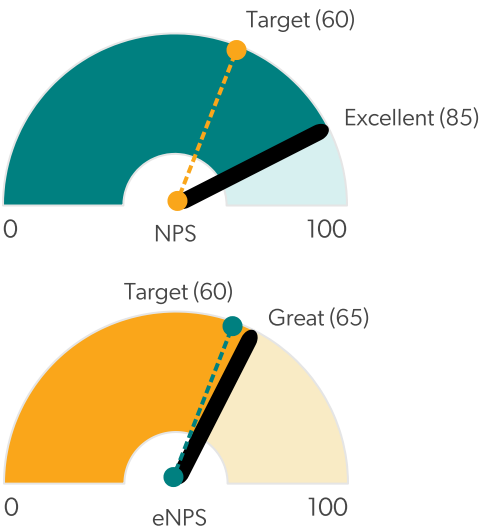
Home builds supported

What is this?

This captures the number of new homes developed through our property fund lending.

Commentary

Ongoing economic conditions have had a direct impact on the number of homes being built per site with the viable total notably reducing as a result of inflationary cost increases.



Net Promoter Score and Employee Net Promoter Score

What is this?

Net Promoter Score is the measure we use to track customer experience based on their likelihood of recommending a product or service. The Employee Net Promoter score undertakes a similar role, measuring employee satisfaction and engagement.

Commentary

The Development Bank continues to maintain strong NPS and eNPS scores.

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Activity highlights



Objective	H1 23/24 activity highlights
<p>Core: Deliver debt and equity funding with a social impact</p> <p>This objective maintains clear focus on our core activity of ensuring an ongoing supply of debt and equity finance to Welsh businesses for economic growth, creating a positive social impact. We focus our delivery approach by tracking impact outcomes including demographics, innovation, job quality and place-based investment.</p>	<p>Investing for impact</p> <p>The £51m delivered in the first half of 2023/24 was distributed 25% in north Wales, 16% in mid and west Wales and 22% in south Wales, aligning to the business spread across the region. Of this investment, 39% of businesses receiving investment reported 50% or more of their directors/shareholders/owners being women, 54% of jobs created were in the median to high paid bracket and 88% of investment was made outside of Cardiff.</p> <p>Customer needs</p> <p>In compliance with FCA timeframes, the new Consumer Duty governance arrangements for open products was fully embedded and operational in July. The duty is designed to ensure that customers are getting tailored support, for fair value in a way that is easily understood. Whilst only directly applicable to regulated activity, we have ensured these principles are considered across all of our delivery.</p>
<p>Emergent: Promote and advance a green future</p> <p>In line with our Green Growth Pledge, we have committed to developing our approach to environmental sustainability over the course of our 5-year plan, supporting WG Net Zero ambitions. We do this through delivery of targeted funding solutions, continued stakeholder engagement and influencing a proportionate transition to a green future for the customers we support.</p>	<p>Principles for Responsible Investment</p> <p>In April we became signatories to the United Nations-supported Principles for Responsible Investment (PRI), which is recognised as the leading global network for investors who are committed to integrating environmental, social and governance (ESG) considerations into their practices and policies. The principles set by PRI align with our commitment to incorporating ESG factors into investment, analysis, and decision-making processes. In September we completed our first return.</p> <p>Net zero products</p> <p>We currently operate two dedicated schemes supporting net zero ambitions. The Green Homes Incentive which launched in 2022 to support low carbon property developments has so far drawn over £6m of investment. The Green Business Loan Scheme which launched in early 2023 to support business energy efficiency projects has drawdown £1.8m in across 10 projects to date.</p>
<p>Operational: Delivery excellence, customer-first, financial sustainability</p> <p>As a responsible delivery body investing public funds, we must ensure value for money. To deliver on our purpose and mission, we need make sure that our operational delivery and products are as effective as possible. We do this through stakeholder engagement to understand the evolving needs of businesses, homeowners, and wider ecosystem.</p>	<p>Customer application process</p> <p>Our fast-track micro loan criteria was extended in 2022/23 to include loans of up to £50k. Over the last six months, 22% of our customers benefited from the streamlined application process which offers a simplified application form and faster decision making for business with a 2-year+ trading history.</p> <p>European funding</p> <p>The Wales Business Fund was increased in size by £12 million to support the delivery of remaining EU funding for the benefit of Wales. This funding has specific geographic targets, prioritising funding in April 2023 for West Wales and the Valleys. By taking on this additional funding we have secured increased legacy funding for reinvestment into more Welsh businesses.</p>

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Five year headline targets



Progress against the 2022-27 headline five-year delivery targets is detailed in the table below.

	Five year target	Target (Sept 23)	Actual	+/- %
Direct investment	£650m	£173m	£175m	101%
Co investment	1:1	1:1	1:1.14	114%
Jobs supported	20,000+	5552	6412	115%
Businesses supported	2,200+	688	639	93%
House builds supported	1,900	536	251	47%
Employee NPS	60	60	65	108%
Customer NPS	60	60	84	140%

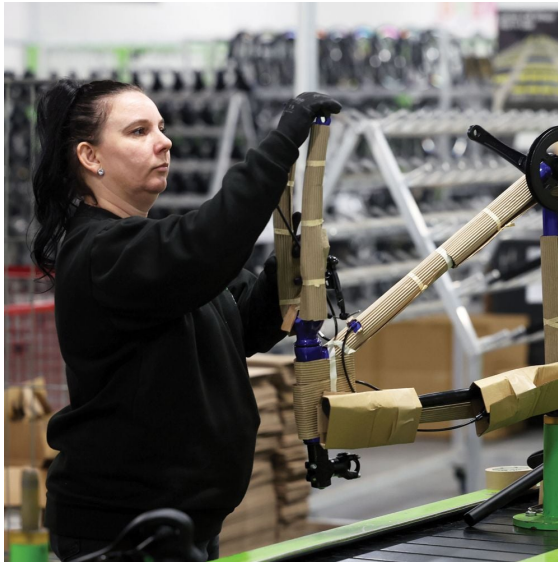
Green Growth Pledge

Strong progress made in regard to green led activity.
Membership of Partnership for Carbon Accounting Financials and UN backed Principles for Responsible Investment which includes environmental impact reporting, launch of the Green Business Loan Scheme and Green Homes Incentive and continued internal focus on sustainability strategy which is in development for publication by the end of the year.



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Case studies



Frog Bikes
Pontypool, South East Wales
Green business loan
Children's bike manufacturer

Producing bikes with recycled aluminium
to reduce carbon footprint



Penderyn / Welsh Whisky
Penderyn, West Wales
Growth capital
Producer of whisky sold worldwide

Investment to help launch their new visitors' centre



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Case studies



Reel Labels **Pontypool, South East Wales** **Patient capital**

Label printing specialists

Follow-on loan to buy new equipment and support long-term growth



MKR Property Developments Ltd **Merthyr Tydfil, South East Wales** **Commercial property loan**

Commercial property developer

Business park of 14 modern factory units on disused brownfield site outside Merthyr





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