



Half year activity update

H2 2023/24

Development Bank of Wales



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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 in the second half of 2023/24.

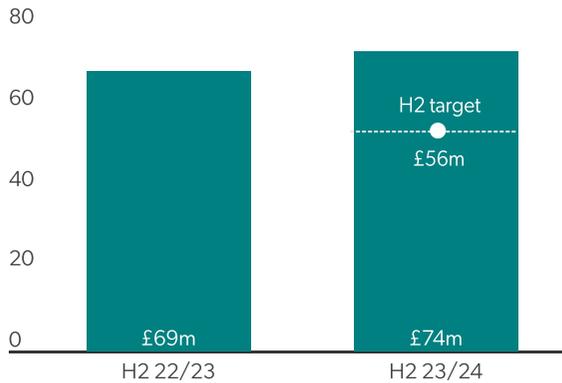
Overview

The recent jointly commissioned report by the British Business Bank and Economic Intelligence Wales noted that 58% of businesses expected continued stable performance in the year ahead with only 22% anticipating growth. 1 in 5 SMEs in Wales experienced barriers to accessing finance and confidence levels in obtaining finance were higher among larger businesses. It is therefore imperative that, particularly with Wales having the lowest share of businesses looking for additional finance for growth of all the developed nations, small businesses are aware of the availability and benefits of funding for realising their full potential.

Our ability to service a full range of market needs in Wales has been clearly demonstrated in the second half of 2023/24 with individual investments of £10m+ through to over £4.2m invested in micro finance up to £50k. Our network of regional investment experts continue to work with viable Welsh businesses who are finding restricted availability of growth finance from mainstream lenders. The output of which has seen a record £125.2m directly invested by the Development Bank in 2023/24.

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Headline targets



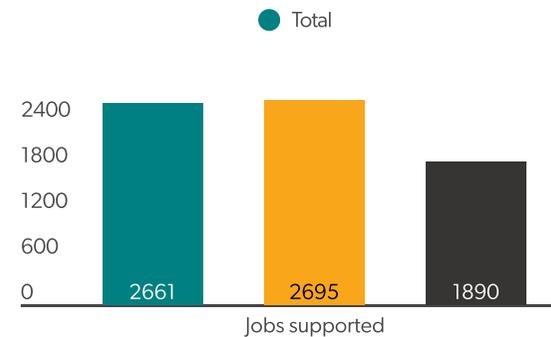
Direct investment

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

2023/24 investment activity resulted in £125m being delivered across our debt, equity and property investment which was 112% of target. H2 was comparatively larger than the same period in 2022/23 due to delivery of the remaining Wales Business Fund and a number of larger than average deals.



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 as investment from some funds result in greater job impacts. Investment decisions are not made on the basis of job numbers alone but rather on the merits of the full opportunity, including productivity. Job outputs were consistent with H2 delivery in 2022/23 and achieved 118% of the full year target.

● Total

● H2 22/23 ● H2 23/24 ● H2 target



5 year performance to date



Rolling target

Co-investment

What is this?

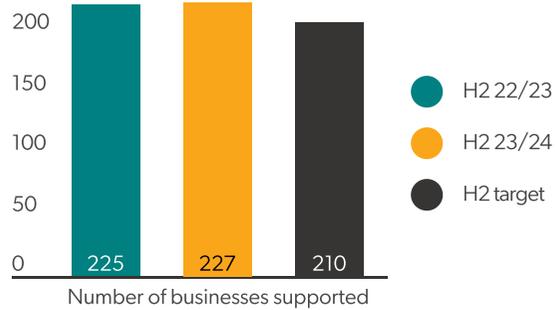
Co investment targets are set against the delivery of our business funds (they exclude property development investment activity). The purpose of this target is to ensure at least the same amount of our investment is matched by co investment from other investors to increase the flow of private capital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

Commentary

Co-investment continues to be volatile in the market gap space where Development Bank operates. Continued retrenchment, increased risk profiles and preference for larger deal sizes by high street lenders have all impacted co investment achievement in 2023/24. This is measured on a rolling basis over the five-year period.

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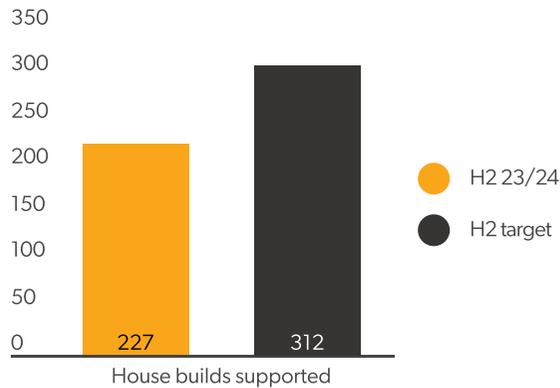
Number of business supported

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, achieving 102% of target in 2023/24. The figure reported for the number of investments made is typically around 15% higher as a result of follow-on investment.



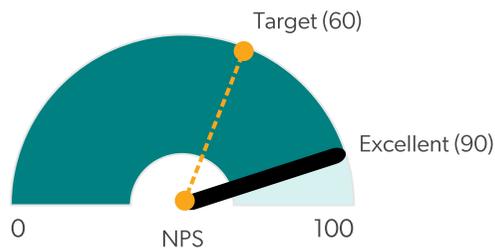
Home builds supported

What is this?

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

Commentary

Ongoing economic conditions continue to have 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.



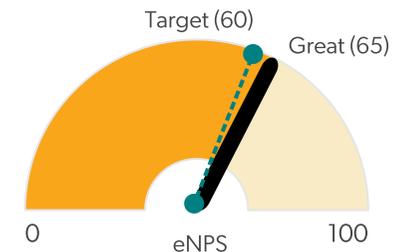
Net Promoter Score and Employee Net Promoter Score

What is this?

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

Commentary

The Development Bank continues to maintain 'Excellent' and 'Great' NPS and eNPS scores.



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Activity highlights

Objective

Core: Deliver debt and equity funding with a social impact

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.

Emergent: Promote and advance a green future

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.

Operational: Delivery excellence, customer-first, financial sustainability

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.

H2 23/24 activity highlights

Investing for impact

The £74m delivered in the second half of 2023/24 was distributed 21% in north Wales, 51% in mid and west Wales and 28% in southeast Wales, aligning to the business spread across the region. Of this investment, 40% of businesses receiving investment reported 50% or more of their directors/shareholders/owners being women and 92% of investment was made outside of Cardiff. The additional £12m of the WBF was also fully invested in H2 securing future funding for reinvestment in Wales

Equality and diversity

Over the course of 23-24 the Development Bank undertook a comprehensive corporate equality impact assessment which sought to review the needs and experiences of those accessing funding and support and the future needs of those accessing our services. The output report has now been transitioned into a detailed action plan for roll out of 2024/25 and 2025/26.

Targeted funding solutions

Our dedicated schemes to encourage decarbonisation continue to impact with the Green Business Loan Scheme now recording over 25,000 tCO₂e from the £5.4m invested to date, and the Green Homes incentive supporting 14 SME developer investments in 2023/24 that are using low carbon building methods in their developments. Further work continues in developing additional schemes including housing retrofit and large-scale renewable energy support.

Corporate sustainability strategy

During H2 the Development Bank of Wales Corporate Sustainability Strategy was completed. This strategy, which is due for launch in the first half of 2024/25, outlines our approach to sustainability ensuring it is at the centre of our corporate objectives including how we work with our portfolio customers, how we support Welsh Government ambitions and how we as an organisation intend to meet the same standards we are advocating for our customers.

Digital transformation

Progress continues in our programme of digital transformation to ensure clear efficiencies in process both for our colleagues and customers. This includes final implementation of a new loan administration system for improved financial reporting capabilities and the final stages of a new customer portal for businesses to directly access their account information- due for launch in 2024/25.

Investment Fund for Wales

In H2, FW Capital, the FCA authorised subsidiary within the Development Bank Group, was awarded the contract to deliver the £30m debt fund for the newly established British Business Bank Investment Fund for Wales. This funding will work alongside our existing funding capacity to ensure public funding is delivered effectively across the range of investment needs for businesses in Wales.

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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 (Apr 24)	Actual	+/- %
Direct investment	£650m	£242m	£249m	103%
Co investment	1:1	1:1	1:0.93	93%
Jobs supported	20,000+	8,000	9,131	115%
Businesses supported	2,200+	880	855	97%
House builds supported	1,900	760	478	63%
Employee NPS	60	60	65	108%
Customer NPS	60	60	90	140%

Green Growth Pledge

The Development Bank continues a strong green focus, supported by the recruitment of a Sustainability Manager. Since 2022 the organisation has become members of the Partnership for Carbon Accounting Financials and UN backed Principles for Responsible Investment which includes environmental impact reporting. It has launched the Green Business Loan Scheme and Green Homes Incentive and maintains a continued internal focus on its sustainability strategy which is due for publication in early 2024/25.

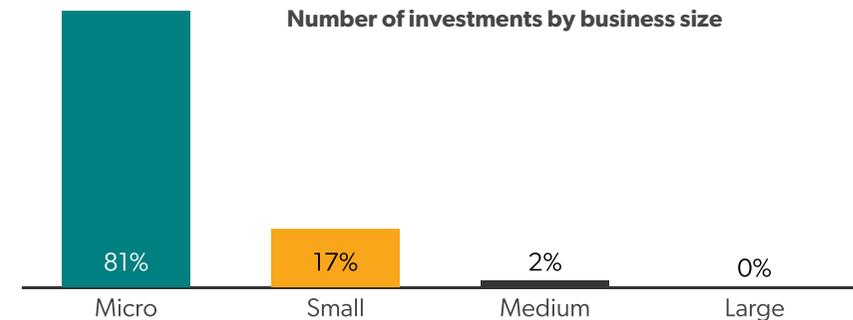
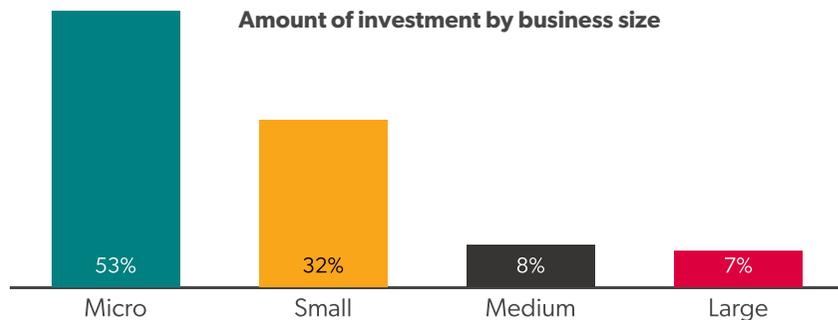


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Snapshot - Micro businesses and micro finance

Micro businesses

Micro businesses continue to be the main beneficiary of Development Bank investment on an annual basis. In 2023/24, £46m (53% of non-property investment) was invested into Welsh businesses with 0-9 employees. In 2023/24, the top three sectors of micro businesses supported were Accommodation and Food Services (18%), Wholesale and Retail trade (17%) and Manufacturing (15%), with Professional, scientific and technical activities (9%) fourth.

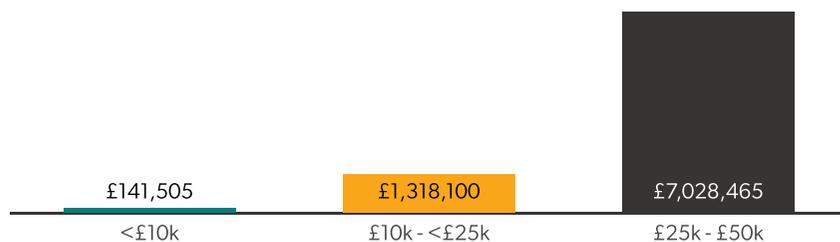


Micro finance

In 2013 the first dedicated Micro Finance Fund was launched by the Development Banks predecessor organisation Finance Wales. This £6m fund was aimed at ensuring Welsh businesses were able to access funding under £50k, a space which was evidenced by a Welsh Government Micro Finance Task and Finish group as being underserved by the market due to the low value and high-cost delivery required.

Following the early success of this Fund, a further £12m was committed in 2015. This included ongoing dedicated funding for Social Enterprises for which expert delivery partners were procured in the Wales Council for Voluntary Action. Furthermore, in 2019, with demand for micro finance growing, a new Fund was established, the £30m Wales Micro Loan Fund, thereby increasing the original dedicated funding of £6m to over £48m over the period of the two funds.

In 2023/24, 62% of the number of investments delivered were micro finance. With funding levels unrestricted, the market demand we see on an annual basis is around £7.5m-£8.5m.



Examples of some of the Welsh businesses that have benefited from micro finance through the Development Bank over the last 12 months can be found on the following page.

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Case studies



Angladdau Enfys Funerals **Bangor, North Wales** **Micro loan**

Funeral directors

Funding allowed company to set up a new grave tendering service, aimed at providing families with a comprehensive solution for the upkeep and beautification of burial plots.



Gwenyn Gruffydd **Dryslwyn, West Wales** **Micro loan**

Honey farm

We helped Gwenyn Gruffydd to expand production with a new purpose-built operations facility that provides additional storage and work space.



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Case studies



John Henry Flowers
Cardiff, South Wales
Micro loan

Florist

Loan helped florist to relocate to larger premises as an increase in demand meant additional space was required.



SecuraKi
Cardiff, South Wales
Micro loan

Smart lock manufacturer

Our investment supported their launch, allowing SecuraKi to get its smart locks out to customers.



Banc



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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 (Banc Datblygu Cymru ccc) has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc (Banc Datblygu Cymru ccc) 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

