

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
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Via email to: SeneddEconomy@senedd.wales

29th October, 2024

Dear Paul,

Many thanks for taking the time to meet our new Chair, Sally Bridgeland and I recently.

We look forward to presenting to the ETRA committee on the 2023-2024 performance of the Development Bank in due course. In the meantime, and to continue to provide progress on the recommendations contained in the ETRA Committee report on the Development Bank and following our letter of 4th September, I have set out updates on the remaining items where our response was sought.

Recommendation 3 – The Development Bank has historically commissioned Cardiff Business School, as part of the Economic Intelligence Wales research collaboration, to provide an impact assessment of the Bank's debt and equity investments and to provide estimates of the jobs-based Gross Value-Added ("GVA") supported by the Bank's activity. This analysis has been undertaken by Cardiff Business School and published annually by Economic Intelligence Wales. The most recent assessment, for the 2022-23 year, is included within the [Economic Intelligence Wales annual report September 2023](#) (see pages 35-36).

For the 2023-24 financial year, a different approach has been taken with the aim of capturing the economic impact not only of the Development Bank's debt and equity investments, but also of our property investments. This assessment of the Bank's jobs-based GVA was prepared by our strategy team and was reviewed by Cardiff Business School. The analysis has been included in the [Development Bank of Wales' 2023-24 Annual Report and Financial Statements](#) see page 62).

To better highlight the hugely positive impact made in attracting third party investment capital into Wales, we are undertaking a review of our data capturing methodology for private sector leverage and co-investment activity. Our approach to identifying private sector impact is robust but has historically centred around our core business investment activity. In recent years the remit of the Development Bank has expanded to include increased property investment impact and delivery of financial instruments such as MIMS. These are both good examples of where gross development value, in the case of property, and large-scale project finance, in the case of MIMs are key areas where our private investment impact is not currently reported.

Development Bank of Wales Plc

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Development Bank of Wales Plc 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 www.developmentbank.wales

In addition, we are taking learnings from peer organisations such as the British Business Bank who extend their private sector leverage capturing to a specific period pre-investment, as well as for the lifetime that the investment is held (plus 2 additional years). Our current approach is to capture private sector leverage at the point of investment only (or within 2 years if it is an equity transaction). There is clear scope, therefore, for the Bank to further evolve its capturing of private sector impact to get a firmer understanding of its impact on the Welsh economy in a way that is aligned to other organisations. We hope to conclude this work by the end of this calendar year.

Recommendation 8 – We have provided details of the due diligence process that we conduct, and we are confident both that this is in accordance with regulatory requirements and generally meets or exceeds the processes carried out by other lenders. However, we are also conscious of our responsibility as an impact investor in Wales, so we have developed a bespoke internet search process to be included in all investment decisions. We will provide more details to the committee in due course.

We note that in the Welsh Government response, they proposed to commission a Public Assessment Review on the Bank and would include our due diligence processes in that review.

Recommendation 11 – As mentioned in the hearing, we conduct a net promoter score (“NPS”) assessment with all customers and have a substantial and statistically relevant response each year. Our NPS score for 2023-24 was 91 (up from 85 in the previous year – as quoted in the hearing). This is a very high score and compares favourably with the private sector. By way of comparison, Principality Building Society scores [83.9](#), Metro Bank [82](#), and Lloyds Bank [62](#).

We have also added a further function into our complaints process to allow customers to email our General Counsel directly. Our General Counsel is a senior solicitor and has absolute freedom to determine how best to handle any complaint or observations the office receives including, inter alia, providing the information to Welsh Government, to the Chair or to independent lawyers.

I should re-iterate that the quantum of complaints is small – 11 out of over 1,760 applications in (date) - but that each is taken extremely seriously and handled in person.

Yours sincerely,



Giles Thorley
Chief Executive

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