

# CHIEF EXECUTIVE'S STATEMENT

The British Business Bank became an operationally-independent plc in November 2014, established and owned by the UK Government to make finance markets work better for the country's smaller businesses.

We deliver our objectives by working through the market, providing finance and offering guarantees in partnership with over 80 commercial lenders and investors

Smaller businesses are vital to our economy, contributing almost half of private sector turnover and over 60% of private sector employment. Addressing the challenges and obstacles they face in accessing the finance they need to start, grow and thrive is at the core of what we do.

Our objectives are to increase the supply of finance in areas where finance markets do not work effectively, to help create greater choice for businesses in terms of options and providers, and to provide better information in the market, building confidence among smaller businesses in their understanding of the finance options available. All of these will help deliver wider government objectives around investment and growth in the economy.

## OUR BUSINESS MODEL

We deliver our objectives by working through the market, providing finance and offering guarantees in partnership with over 80 commercial lenders and investors.

The commercial partners we work with use our finance - together with their own money - to lend to or invest in smaller UK businesses.

In this way we leverage our impact in the market by drawing in private sector capital to our areas of focus. Our finance provision stretches from early stage equity funding, through growth capital, to senior debt for more established businesses.

In line with State aid and other legal considerations, our operations are organised through three subsidiaries,

depending on the type of activity carried out. This structure was agreed with the European Commission in October 2014, prior to the launch of the plc in November 2014.

Underpinning all our activities is an overall objective to ensure we manage taxpayer resources efficiently and within a robust risk management framework, meeting a financial return target set by our Shareholder.

## CONDITIONS IN THE MARKETPLACE

A continuous programme of research provides us with strong evidence to support the work we do. Our first Small Business Finance Markets report, published in November 2014, placed smaller business finance markets in the context of the wider economic recovery and considered some of the structural market failures affecting supply and demand. It identified three main themes which underpin much of the work we are taking forward:

- more businesses will seek finance for growth
- a more diverse and vibrant supply of finance is needed
- awareness and understanding of the range of finance options is not yet comprehensive enough.

There are signs that change is starting to impact the smaller business funding markets - demonstrated by recent increases in the use of equity finance and strong growth in alternative funding platforms.

We are proud to be a part of that change, playing a key role in the provision of early-stage equity and acting as catalyst for many new forms of finance serving smaller business needs. Recognising smaller businesses' need for increasing volumes of growth finance, we launched our Help to Grow initiative in March which will work with private sector lenders to deliver Growth Loans to fast growing smaller businesses.

We have also made a good start to raising awareness of finance options through our highly-regarded Business Finance Guide, published in summer 2014 in conjunction with the ICAEW and with contributions and endorsement from the financial and business sectors.

### PERFORMANCE IN OUR FIRST YEAR

The British Business Bank ended 2014-15 with all its product lines active, having successfully launched a series of initiatives and built up existing programmes. We currently support £2.3bn of finance to over 40,000 smaller businesses, and we participate in a further £2.9bn of finance to small mid-cap businesses. More than 75% of our finance is distributed through smaller lending and investment providers, increasing diversity in the market.

This has been accomplished whilst making a 1.3% adjusted return on the capital invested by the Government.

### CONCLUSION

The British Business Bank has had a successful first year, establishing itself as an independently operating plc and delivering on its objective to make small business finance markets work better. Increasingly, the market and external commentators are acknowledging the work we are doing, and the change we are bringing about in the markets in which we operate.



**Keith Morgan**  
Chief Executive Officer  
British Business Bank

A handwritten signature in black ink, appearing to read 'Keith Morgan'.