

CORPORATE GOVERNANCE STATEMENT

The corporate governance arrangements for the British Business Bank Group were developed in advance of the launch of the British Business Bank as an arms-length entity on 1 November 2014.

Our constitution consists of our Articles of Association and a Shareholder Relationship Framework Document which requires that the British Business Bank plc operates, so far as is practicable, a corporate governance framework that accords with best practice and complies with the provisions of the UK Corporate Governance Code 2012 (other than Section E Relations with Shareholders) or specifies and explains any non-compliance in its Annual Report. The 2012 Corporate Governance Code is freely available from the Financial Reporting Council.

The Corporate Governance Code acts as a guide to a range of key issues to ensure effective Board practice. The Code is split between a number of chapters and the principles of leadership, effectiveness and accountability are values that the Board considers to be critical to the success of our business.

THE BOARD OF DIRECTORS OF THE COMPANY

As set out in the Shareholder Relationship Framework Document, the Board requires no fewer than eight Directors including six Non-executive Directors. Independent Non-executive Directors are to constitute the majority of the Board. Our Board and Committees have the appropriate balance of skills, experience and independence to enable them to discharge their duties and responsibilities effectively.

The Chairman is responsible for leading the Board and its discussions and for encouraging open debate and challenge. The Board is collectively responsible for the long-term success and, in consultation with our sole Shareholder, the strategy of the Company.

Our Non-executive Directors scrutinise the performance of management in meeting agreed goals and objectives. As part of their Remuneration Committee membership, they are responsible for setting appropriate levels of remuneration for Executive Directors and staff in consultation with our Shareholder. This is further explained in the Directors' Remuneration Report at page 41.

Matters reserved for the Board include the strategic direction of the business, significant investments, Group policies, terms of reference of all committees, risk management and internal/external controls and appointments to the Board and Committees.

The Chief Executive leads the Executive in the day to day running of the business and the implementation of strategy and chairs meetings of the Senior Management Team. The Chief Executive has delegated authority from the BIS Accounting Officer (the Permanent Secretary). This means the CEO is accountable directly to Government and to Parliament for the way in which the British Business Bank manages public money.

APPOINTMENT AND REMOVAL OF DIRECTORS

In 2013, Ron Emerson was appointed as Chairman of the Company in a process chaired by a commissioner from the Office of the Commissioner for Public Appointments. Christina McComb was appointed as Senior Independent Director and Keith Morgan was appointed as the Chief Executive Officer and an Executive Director later in 2013. During 2013, Patrick Magee and Ceri Smith were also appointed as the Shareholder representative Directors.

During 2014 the Nominations Committee of the Bank met and approved the appointments of our other independent Directors using the services of Odgers Berndtson.

Jonathan Britton and Maria Turner were appointed in April 2014 as independent Non-executive Directors in preparation for the establishment of the Audit and Risk Committees which took place during the year. In June 2014 the remaining independent Non-executive Directors, Colin Glass, Teresa Graham and Caroline Green were appointed to the Board.

Patrick Magee resigned as a Shareholder representative Director in October 2014 and joined the Board in March 2015 as an Executive Director having previously been appointed as Chief Operating Officer in November 2014. In January 2015 Christopher Fox was appointed to the Board of Directors using the services of Ridgeway Partners.

In May 2015 Maria Turner gave notification of her intention to resign from the Board and Teresa Graham was appointed by the Board as interim Chair of the Risk Committee.

DIRECTOR ELECTION

All Directors were required to submit themselves for re-election at the Annual General Meeting of the Company in 2014 and each Director was re-elected.

The names and biographical details of our Directors can be found on page 32.

During the year a corporate secretariat function has been created to assist with the operation of the Board and Committees and the provision of timely and appropriate information. All information to assist in the Board's oversight is available from the Company Secretary and Directors will be provided with updates on corporate governance developments, legislative and regulatory changes, and relevant industry information. In 2015 the Board will trial the use of electronic delivery and format for Board papers and information, to increase efficiency, confidentiality and sustainability.

The British Business Bank is committed to ensure that the Board and its Committees operate effectively and are continually improving. During the year the Chairman conducted an internal Board evaluation to monitor their effective operation.

All Directors and the Company Secretary participated in the annual review to ensure a rigorous and full evaluation of the operation of the Board and its Committees. This process was composed of questionnaires that asked for the Directors' views on a number of matters including Board effectiveness and process, Committees interaction and roles, effectiveness of the Chairman and governance function and Board Composition.

The outcome of the exercise showed no areas of concern and the feedback received will be reviewed by the Board and Chairman as part of our commitment to maintain ongoing improvement given our first few months of operational independence. Any changes and improvements will be implemented during 2015-2016.

CONFLICTS OF INTEREST AND OUTSIDE APPOINTMENTS

The Directors are under a duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. As part of our Conflicts of Interest Policy, the Bank has a formal procedure for disclosure, review and authorisation of Directors' conflicts of interest and requires complete and accurate written disclosure of any actual or potential conflicts of interest for all Directors and staff.

The Board is of the belief that outside interests can be beneficial for both the Executive and Company and has authorised the outside interest of the Chief Executive Officer in his role as a Non-executive Director at UK Asset Resolution.

OUR COMMITTEES

Prior to the operational commencement of the business on 1 November 2014, we successfully established our Board and its Committees with their own terms of reference. The terms of reference for each of our Committees can be found on our website and are reviewed annually.

Audit Committee

The Audit Committee was established in 2014 under the Chairmanship of Jonathan Britton and also comprises further independent Non-executive Directors, Teresa Graham and Caroline Green. Maria Turner was also a member until her resignation in May 2015.

The Chief Executive, Chief Finance Officer, Chief Risk Officer and Head of Internal Audit attend Committee meetings along with the external auditors who are invited to attend and report at all meetings. The Committee also meets privately with both internal and external audit.

The Committee has met five times during the year in July 2014, August 2014, September 2014, December 2014 and March 2015 and attendance can be found on page 40.

Role

The Audit Committee is governed by the principles of the Corporate Governance Code. We have reflected these principles in the Audit Committee's terms of reference which can be found on our website. The Committee's role is to review, monitor and make recommendations to the Board relating to the going-concern nature of the Bank, the integrity of financial reporting, the financial statements and any issues and judgements they contain, the

adequacy and effectiveness of the internal and external controls and overseeing the relationship with the Bank's external auditor. The Committee also has oversight of the Internal Audit and Audit Planning process of the Bank

The Committee Audit Committee has discharged its responsibility in relation to the oversight of the Bank's financial reporting process and the process for preparation of the consolidated accounts in the following ways:

- reviewed the accounting policies adopted to ensure the Bank as a whole complies with the applicable Accounting Standards and presents consolidated accounts that are true and fair
- reviewed methods used to account for significant or unusual transactions where different approaches are possible
- assessed and approved the process for preparing the consolidated accounts
- assessed the extent to which the Bank has complied with the financial reporting requirements of the Department for Business, Innovation and Skills.

As required by our Shareholder, the Bank is audited by the Comptroller and Auditor General. The National Audit Office carries out the external audit for and on behalf of the Comptroller and Auditor General. The external auditors have not conducted any non-audit services during the financial year and the Committee considers that the external auditor is both objective and independent.

The significant issues considered by the Committee during the year,

with input from the External Auditor, included the valuation of assets to be transferred to the British Business Bank, Financial Modelling and Performance, the review of significant accounting decisions and the content of the Annual Report and Accounts of the Company. The Committee also considered the Internal Audit Planning and the interaction with the External Auditor of the Bank.

The Committee will undertake an evaluation to assess the effectiveness of both the internal and external audit processes and approaches as part of its agenda during 2015 to ensure they are both adequate and appropriate for the organisation. In assessing the effectiveness of the External Auditor, the Audit Committee will have regard to the scope of the audit work planned and executed, standards of communication and reporting, quality of insights on the internal control environment and independence.

Remuneration Committee

The Remuneration Committee was established in 2014 under the Chairmanship of the Senior Independent Director, Christina McComb, and also comprises the Chairman, Ron Emerson, Teresa Graham and Ceri Smith.

The Committee met 6 times during the year, 3 in preparation for the operational commencement of the business, and 3 subsequently.

Role

The Committee's role is to set the remuneration policy for all Executive Directors, the Chairman and all other senior management, including pension rights and any compensation payments, and to set the terms of the Long and Short-Term Incentive Plans and any bonus schemes the Company may operate.



During the year an internal Board evaluation has been performed to ensure the effective operation of the Board and its Committees

During the year the Committee considered the structure of all compensation payments to Directors and senior management, the setting-up of the Long and Short-Term Incentive Plans of the Company and the performance evaluation of senior management.

Risk Committee

Established in 2014 under the Chairmanship of Maria Turner the Risk Committee also comprises independent Non-executive Directors, Christina McComb, Colin Glass, Ceri Smith and Jonathan Britton.

The Committee has met four times during the year in July 2014, September 2014, October 2014 and March 2015 and attendance can be found on page 40.

Role

The Committee's role is to advise the Board on the Company's risk appetite and

performance against risk appetite and oversee and advise the Board on the risk exposures and future risk strategy. In particular the Committee evaluates the Company's governance, risk and internal controls, the procedures to guard against fraud and bribery and corruption safeguards. During the year the Committee has considered the policies which apply to the British Business Bank Group, risk appetite and risks applicable to the Group, and the compliance framework.

As noted above, in May 2015 Maria Turner gave notification of her intention to resign from the Board and Teresa Graham was appointed by the Board as Interim Chair of the Risk Committee.

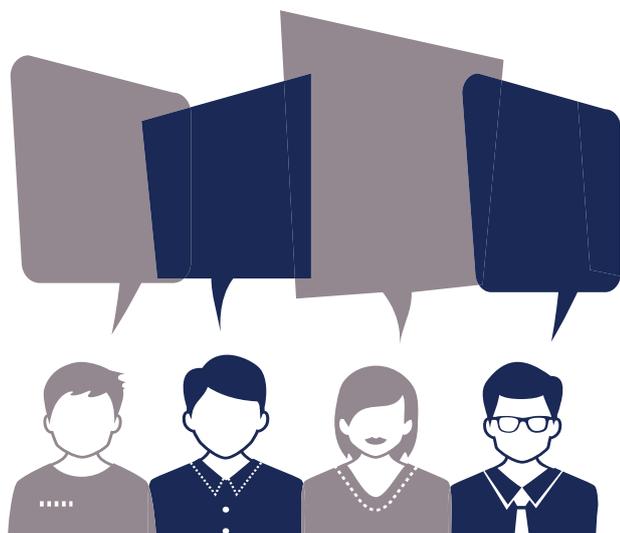
Nomination Committee

Established in 2014 under the Chairmanship of Ron Emerson the Nomination Committee also comprises Non-executive Directors, Christina McComb and Ceri Smith. The Committee met during 2014 where the nominations of potential Directors were considered and recommended to the Board.

The Board is committed to ensuring the diversity of its membership. All appointments to the Board are based on merit and on the experience and skills required, with due regard to the benefits of diversity.

Female membership of our Board and Committees as at 31 March 2015 are given below.

Board: 36%
Risk: 40%
Audit: 75%
Nomination: 33%
Remuneration: 50%



ATTENDANCE AT MEETINGS AND COMMITTEES

The table set out below details the attendance of Directors who attended each Board and Committee:

| | Date of appointment | Board | Audit | Risk | Remuneration | Nomination |
|---------------------------------|---------------------|----------|-------|------|--------------|------------|
| Total Number of Meetings | | 12 | 5 | 4 | 6 | 2 |
| Chair | | | | | | |
| Ron Emerson | 29 October 2013 | 12/12 | - | - | 6/6 | 2/2 |
| Non-executive Directors | | | | | | |
| Jonathan Britton | 28 April 2014 | 8/11 | 5/5 | 4/4 | - | - |
| Colin Glass | 24 June 2014 | 9/10 | - | 4/4 | - | - |
| Teresa Graham | 24 June 2014 | 9/10 | 5/5 | - | 6/6 | - |
| Caroline Green | 24 June 2014 | 8/10 | 4/5 | - | - | - |
| Christina McComb | 29 October 2013 | 12/12 | - | 4/4 | 6/6 | 2/2 |
| Ceri Smith | 29 October 2013 | 11/12 | - | 4/4 | 6/6 | 2/2 |
| Maria Turner | 28 April 2014 | 10/11 | 2/5 | 4/4 | - | - |
| Executive Directors | | | | | | |
| Keith Morgan | 10 December 2013 | 12/12 | | | | |
| Christopher Fox | 13 January 2015 | 2/3 | | | | |
| Patrick Magee | 10 March 2015 | 7/7; 1/1 | | | | |