



STATEMENT BY DR. J. SANPHA KOROMA
FOUNDER AND CHIEF EXECUTIVE OFFICER
ON THE OCCASION OF THE BANK'S 2017 YEAR-END COCKTAILS
ON SATURDAY, 13TH JANUARY 2018
AT THE RADISSON BLU MAMMY YOKO HOTEL, ABERDEEN

Distinguished Guests

Our Loyal Customers

Ladies and Gentlemen, a very good evening to you all.

Once more, on behalf of our Shareholders, Management and Staff of the bank, it is always my pleasure to welcome you as we celebrate the end of 2017 and usher in 2018.

And as we do, every year comes with its own peculiarity. Without doubt, this is the season for stock-taking in the banking industry and in other business enterprises and so, we will be hearing reports of performances from all players in the national economy. However, for this occasion, I shall be confining myself to talking business and more specifically about commercial banking, as I see developments in the sector as an operator, distinct from policy which is the purview of the Governor. But, having served in that capacity in the past, there is always a temptation to veer into the realm of policy, so if I am tempted to do so, I crave your collective indulgence to suffer me momentarily.

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It is now an accepted fact in the international financial community that 2017 ended a decade of the latest global depression which was characterized by major disruptions in both national economies and in global financial markets. Ironically,

2017 also ended with unprecedented growth in the indices of virtually all financial markets around the world, with equally unprecedented low rates of unemployment in developed economies, a prolonged reign of low interest rates in all monetary regimes, thus the influx of cheap money in global capital markets, thereby resulting in what is now universally accepted as “***the Good-ish times for the global economy***” (*sic*).

Seen under a different prism, it can hardly be said that our local banking industry enjoyed those ***good-ish times*** in 2017. For starters, our industry was handicapped in various aspects, but more tellingly, we experienced a serious shortage of foreign exchange, particularly with the discontinuation of the weekly foreign exchange auctions by the Central Bank. Hitherto, these auctions were a major source of support for our foreign trade operations. Be that as it may, I believe the industry coped relatively well in managing that situation, thereby avoiding the systemic stresses and individual hiccups that usually accompanied such shortages over time.

Going forward, the authoritative magazine, the **Economist**, has also declared **2018 a Year of Optimism**, projecting seamless robustness in all the big economies – developed and emerging - as all the gains of 2017 will play out in the global economy in 2018.

While that declaration has implications for the more resilient emerging economies, it is necessary to reflect on what it means for our businesses and our financial sector here in Sierra Leone. And on that note, there is no better indicator than the **Statement of Economic and Financial Policies for the Financial Year 2018** delivered by the Minister of Finance and Economic Development in Parliament on October 27, 2017 with the theme “***Strengthening Resilience for Inclusive Growth***”. While time will not allow me to delve deeply into that

Statement, yet I can only pray that we will all share that veiled optimism and further endeavour to ensure the sustainability of our businesses and macro-economic programs set out for 2018.

Again, with particular reference to business and financial prospects in Sierra Leone for 2018, it is difficult to ignore the realities of the political developments that are already playing out and which certainly will influence the course of the business cycle in the first half of the year. Therefore, my take on these developments is to cling on to the promised optimism predicted by the Economist Group and the Minister's Statement referred to earlier.

Other operational areas continued in the usual stride; coping with the scale and infrastructural restrictions of the operating environment, particularly with the perennial problems of portfolio delinquency and undue long delays in securing redress through the legal system. In this respect, I wish to acknowledge our regulator's effort at investigating the core issues of the industry's non-performing assets, and trust that the findings and recommendations will be implemented in the collective interest of the industry.

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As an investor in more than one commercial bank, I share in the frustrations caused by the paucity in the returns from investments in the banking system, principally in the Sierra Leonean banks. It is no longer a secret that two of our largest banks, one of which is jointly owned by the Government and private investors have not paid dividends in a number of years. Their corporate governance structures continue to pose a systemic threat. Consequently, there has been a serious deterioration in the assets of these banks, leading to losses to private investors and a serious erosion of investor confidence in the banking industry. The collective equity of the private investors has also been seriously

diluted. As the authorized representative of the class of private investors in one of these banks, I want to plead with our partners, the official shareholders, to ensure the sound management of these institutions to enable them contribute to the growth of the national economy and more importantly to meet the expectations of private investors.

I would also appeal for better policies regarding the governance structures of these institutions to avoid the creation of a systemic risk that would lead to serious implications particularly in correspondence banking, a problem that is already facing many banking systems around the world. This is clearly an imminent problem for the three Sierra Leonean banks. Therefore, I crave the indulgence of the authorities in mitigating that threat. And let me end this issue by reminding all of us that universally, government ownership of commercial banks is a nagging anachronism.

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Against that grim backdrop and as we enter 2018 with optimism, I want to urge our national authorities to address the serious issues in our banking system by:

- i) Loosening the official grip in the ownership of the two largest banks and encourage more private investment in them;
- ii) Rationalize and strengthen corporate management structures of Other Financial Institutions either promoted or owned by government to avoid unnecessary duplication and stress within the national financial system; and,
- iii) Finally, and without preaching a philosophy of ***“Sierra Leone First”***, rationalizing our legal and prudential oversight, to encourage more Sierra Leonean investments in the banking system, and to ensure the retention and redeployment of the games of the industry back into the national economy rather than been externalized en masse.

Undoubtedly, only with such clear policies can we increase national capital formation and growth, create more employment opportunities and improve the living standards of all Sierra Leoneans.

To our Shareholders and Service Providers, as Union Trust Bank enters its 23rd Year of meaningful existence, I delight in assuring you that your investment continues to pay in, modestly but consistently; that Union Trust Bank Limited continues to lead the industry in both capital formation and visibility; and above all, Union Trust Bank remains uniquely relevant to the interest of the national economy in several avenues; and we continue to have the strongest corporate governance structure and therefore continue to be attractive to global development finance institutions.

Finally, on behalf of our Shareholders, Management and Staff, our grateful thanks and appreciation to all our Customers, our Service Providers, our Stakeholders and our Well-Wishers across the country.

We assure you of our unflinching commitment to serve you better and to extend our services all over this country, thereby together promote a stronger, more efficient and attractive banking system.

I wish you all peace, goodwill and better economic prospects in the year ahead.

I thank you all.