



SHAREHOLDER CIRCULAR

DATED 6TH JUNE 2023

**RELATING TO THE VIRTUAL ANNUAL GENERAL MEETING OF GCB BANK PLC TO
BE HELD ON 30TH JUNE 2023 AT 10 AM AND STREAM ONLINE FROM MOVENPICK
AMBASSADOR HOTEL, ACCRA, GHANA**

IMPORTANT INFORMATION AND DISCLAIMERS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This shareholder circular (**Circular**) is intended solely for the current shareholders of GCB Bank PLC (the **Bank** or **GCB**) to inform them on the proposed resolutions for the Additional Capital Raise (as defined below) submitted to the AGM (as defined below). This Circular should be read as a whole.

This Circular does not constitute a prospectus in relation to the Additional Capital Raise. A prospectus or a placement memorandum containing the details of each relevant option under the Additional Capital Raise will be subsequently prepared and circulated by the Bank, subject to the approval of the Securities and Exchange Commission (the **SEC**) in accordance with section 3(k) of the Securities Industry Act of Ghana, 2016 (Act 929) as amended and the Securities and Exchange Commission Regulations of Ghana, 2003 (L.I. 1728).

The contents of this Circular do not constitute (and are not to be construed as) an offer to sell, or a solicitation of an offer to purchase, or a recommendation to purchase, any securities in the Bank. Any investment decision in relation to any aspect of the Additional Capital Raise should be based exclusively on the relevant prospectus or placement memorandum to be issued and not this Circular.

GCB accepts responsibility for the information contained in this Circular. To the best of the knowledge of GCB (having taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts as at the date hereof and does not omit anything likely to affect the import of such information.

The distribution of this Circular in certain jurisdictions may be restricted by law. The Bank does not represent that this Circular may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution. In particular, no action has been taken by the Bank which is intended to permit the distribution of this Circular in any jurisdiction where action for that purpose is required. Accordingly, neither this Circular nor any advertisement or other material may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Circular may come must inform themselves about, and observe, any such restrictions.

Shareholders should pay particular attention to the notice circulated by the Bank to the shareholders in respect of the AGM and set out under paragraph 2 of this Circular. Your attention is drawn to the letter from the Chairman of the board of directors of the Bank (the **Board**) under paragraph 1 of this Circular, which contains a recommendation from the Board that you vote in favour of the resolutions to be proposed at the AGM.

1. CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders:

On behalf of the Board, I write to formally invite you to GCB's Virtual 29th Annual General Meeting (**AGM**) scheduled for 30th June, 2023 at 10am streaming from Movenpick Ambassador Hotel, Accra, Ghana. The notice can be found at [paragraph 2](#) of this Circular.

This letter discusses the special business on the agenda for the AGM which involves proposed resolutions to:

- (a) authorise the Board (by way of an ordinary resolution) to raise additional equity capital of up to GHS 1 billion through a renounceable rights issue on such terms (including the share price, the number of offer shares, allotment, and other modalities) as the directors deem fit and procure the additional listing of the issued ordinary shares on the Ghana Stock Exchange;
- (b) authorise the Board (by way of an ordinary resolution) to raise any shortfall (in the required GHS 1 billion under the rights issue) through either a single or multiple private placement(s) of ordinary shares to investors on such terms (including the share price and other modalities) as the directors deem fit and to procure the listing (by introduction) of the issued ordinary shares on the Ghana Stock Exchange, provided that the private placement(s) shall be implemented and completed within 12 months of the close of the rights issue;
- (c) authorise the Board (by way of an ordinary resolution) to raise any shortfall (in the required GHS 1 billion under the rights issue and the private placement of ordinary shares) through either a single or multiple private placement of non-redeemable, non-cumulative and convertible preference shares to investors on such terms (including the coupon rate and other modalities) as the directors deem fit and to procure the listing (by introduction) of the issued preference shares on the Ghana Stock Exchange, provided that the private placement(s) shall be implemented and completed within 12 months of the close of the rights issue and the aggregate amount to be raised shall not exceed GHS 250 million; and
- (d) amend paragraphs 12 and 13 of the Bank's constitution (by way of special resolutions) to (i) allow the Bank to issue any type of preference shares (whether redeemable or not) in accordance with market conditions and the Bank of Ghana's capital requirement directives, (ii) make the provisions simpler and more generic (for all types of preference shares) and (iii) allow the Bank to deal with the commercial terms of any preference share issuance on a case by case basis and in the relevant transaction document.

The special business resolutions are in respect of the Bank's intention to raise additional equity capital (the **Additional Capital Raise**) to address the regulatory capital adequacy issues of the Bank resulting from the significant impact of the Government's Domestic Debt Exchange Programme (**DDEP**) on the economy, the financial performance of the banking sector as well as your Bank.

This letter discusses the details and effects of the DDEP, the options which were open to us and the prudent steps taken by your Board to preserve and deliver improved value to shareholders. It also lays out the key issues and highlights in a robust and comprehensive capital plan prepared by the management of the Bank (the **Management**) that has been subsequently approved by the Board. A key component of the capital plan is to raise additional equity capital and we shall be seeking your approval at the AGM to enable the Bank achieve this.

1.1 REASONS FOR THE ADDITIONAL CAPITAL RAISE

1.1.1 EFFECTS OF THE DDEP

The DDEP was an invitation for the voluntary exchange of about GHS 130 billion of the domestic bonds of the Republic including E.S.L.A and Daakye bonds for a package of new bonds with lower coupons and longer tenors.

The DDEP is part of a comprehensive strategy aimed at bringing the public debt stock back to sustainable level and to unlock financial assistance from the International Monetary Fund (IMF). Your Bank exchanged a total amount of GHS 6.784 billion being the value of Eligible Bonds under the DDEP.

International Financial Reporting Standards require that an impairment loss is recognized as the difference between the present value of all contractual cashflows and the present value of expected future cash flows on a financial asset using the original effective interest rate. Your Bank's participation in the DDEP resulted in an impairment loss of GHS 1.8 billion for the year. Your Bank was able to absorb this impairment loss and retain the confidence of its customers due to the sufficient retained earnings it had prudently built over time.

The Board reviewed the options available to it and came to the conclusion that participation in the DDEP was in the best interest of the Bank and its shareholders for reasons including the following:

- (a) the Bank of Ghana indicated that the risk weights attached to the new bonds would be set at 0% for capital adequacy ratio computation but 100% for the bonds to be exchanged under the DDEP;
- (b) illiquidity in the market for the bonds which were subject to be exchanged under the DDEP due to likelihood of default; and
- (c) the successful completion of the DDEP was a critical component of both the debt reduction programme and the IMF programme discussions being undertaken by the Government to avert a national economic crisis. There is no doubt that the recovery of the Ghanaian economy has a significant upside for the Ghanaian banking sector and GCB.

The implication of the above is that your Bank's capital adequacy position would have deteriorated further due to the higher regulatory risk weighting on bonds that are not exchanged and the Bank risks realising value from its investment. The Board authorised the Management to participate in the DDEP in order to preserve value to shareholders, protect its competitive strength and secure its future prospects and enable the Bank to continue to deliver improved value to shareholders. Your Bank is a leading bank, has strong fundamentals and is well positioned to benefit from the country's economy recovery. In arriving at the above conclusion, the Board was aware of the impact on the Bank's profit and capital.

1.1.2 CAPITAL PLAN

As stated earlier, the DDEP adversely impacted on the Bank's capital adequacy ratio. In order to mitigate the impact of the DDEP, the Bank of Ghana has implemented regulatory forbearance on capital. Excluding the adjustment related to the regulatory capital forbearance your Bank's capital adequacy was 7.59% at the end of December 2022 compared to a prudential limit of 13%. This reflects a significant decline in the capital adequacy ratio at the end of September 2022 of 17.7%. The reported capital adequacy ratio at the end of 2022 taking into consideration the capital forbearance was 17.86%.

The Bank of Ghana has also suspended dividends until further notice. In compliance with the Bank of Ghana regulatory directive on suspension of dividends, the directors do not recommend dividend for 2022.

The immediate priority of the Board and Management reflected in the comprehensive capital plan is to rebuild capital, further strengthen liquidity while we continue to boost our earnings generation capacity especially from non-funded sources.

Based on the capital plan we seek your support to raise additional capital of GH 1 billion to:

- (a) meet regulatory capital adequacy ratio requirements;
- (b) enhance our deal-making capacity and take advantage of opportunities available to the Bank while preserving our core strengths;
- (c) strengthen access to funding markets and bolster confidence in the Bank; and
- (d) support targeted and prioritized investment in digital transformation and ultimately help to drive our business strategy.

Following a review of the risk appetite and opportunities in our operating environment as part of the capital planning process, the Board and Management have concluded that it is appropriate to maintain a capital adequacy ratio in excess of 14.0% by the end of 2023 and rebuild the ratio to at least 18.0% by 2025.

In order to limit dilution and maintain high quality and efficient capital structure we believe the most appropriate way to strengthen our capital base is through a combination of raising additional equity capital, internal capital generation through retention of profits and revaluation of landed property. Therefore, the Board seeks the approval of shareholders to raise additional equity capital of GH 1 billion by way of Common Equity Tier 1 capital of GH 750 million and Additional Tier 1 capital of GH 250 million preference shares as explained under paragraph 1.2 below.

Going forward, the Board and Management have identified key strategies including the following to preserve and optimize capital, strengthen the balance sheet as well as generate sustainable profits and returns:

- (a) cost management through stricter expense control discipline and drive value for money in all spending and investment;
- (b) grow non-funded revenue through new client acquisition, cross selling and intensified sales and marketing activities supported by digitization;
- (c) further enhance risk management including continuous review of our risk appetite and evaluation of risk in our portfolio as well as improve operational resilience; and
- (d) strengthen our market leading position in the retail banking segment by providing more competitive, innovative and digital offerings and prudently grow our loan portfolio.

1.2 DETAILS OF THE ADDITIONAL CAPITAL RAISE

The Additional Capital Raise involve the following:

- (a) ordinary share renounceable rights issue to raise up to GHS 1 billion (the **Rights Issue**) – this will give all shareholders the right to participate proportionately in the capital raising to minimise any potential dilution impact. The additional shares issued under this will be listed on the Ghana Stock Exchange;
- (b) private placement of ordinary shares (the **Ordinary Share Private Placement**) – if the Bank is unable to raise all the GHS 1 billion from the Rights Issue, the Board and Management propose to undertake (either a single or series of) private placement(s) of ordinary shares with interested existing shareholders and other selected investors to make up for any shortfall. The ordinary shares issued under the private placement will be listed (by introduction) on the Ghana Stock Exchange. We are also asking shareholders to approve a timeline of 12 months from the close of the Rights Issue to implement and complete the Ordinary Share Private Placement to account for market conditions and negotiation timelines with investors; and
- (c) private placement of non-redeemable, non-cumulative and convertible preference shares (the **Preference Share Private Placement**) – if there is any shortfall after the completion of the Rights Issue and the Ordinary Share Private Placement, the Board and Management propose to undertake (either a single or series of) private placement(s) of preference shares with interested existing shareholders and other selected investors to raise up to a limit of GHS 250 million. The preference shares issued under the private placement will be listed (by introduction) on the Ghana Stock Exchange. We are also asking shareholders to approve a timeline of 12 months from the close of the Rights Issue to implement and complete the Preference Share Private Placement of the preference shares to account for market conditions and negotiation timelines with investors.

For the purpose of the Additional Capital Raise and, in particular, the private placement and listing of preference shares, we have proposed the following amendments to the Bank's Constitution:

- (a) amendment of paragraph 12 of the Bank's constitution by deleting and replacing it with:

"The Company may issue preference shares to existing members or any other persons not exceeding an aggregate of 500,000,000 shares as authorised under paragraph 9 of this Constitution."

The existing provision under paragraph 12 is as follows: *"The Company may issue as redeemable preference shares to existing members or any other person such number of shares in the company not exceeding in total 500,000,000 shares out of the 2,000,000,000 shares authorised by paragraph 9 of this Constitution"*.

The key change in this paragraph is the deletion of "redeemable" so that the Bank is now able to issue any type of preference shares (whether redeemable or not) in accordance with market conditions and Bank of Ghana's capital requirement directives; and

- (b) amendment of paragraph 13 of the Bank's constitution by deleting and replacing it with:

“The commercial terms of any preference shares issued by the Company shall be as agreed between the Company and the relevant person (and in accordance with applicable law, including any prevailing capital requirement directives of the Bank of Ghana) and set out in a relevant agreement.”

The existing provision under paragraph 13 is as follows:

“The following rights in addition to such terms and conditions as may be agreed in writing are hereby conferred on the holder of the redeemable preference shares:

(a) The right to a fixed rate of dividend as determined in the redeemable preference shares agreement.

(b) The right to return on investment at a rate per annum on the cash paid up thereon.

(c) The right to vote at any meeting convened for the purpose of reducing capital, or winding up, or sanctioning a sale of the undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six(6) months.”

The rationale is to make the provision simpler and more generic (for all types of preference shares) and to allow the Bank to deal with the commercial terms of any preference share issuance on a case by case basis and in the relevant transaction document.

1.3 REQUIRED APPROVALS FOR THE ADDITIONAL CAPITAL RAISE

1.3.1 THE RIGHTS ISSUE

Regarding the Rights Issue:

- (a) GCB would be required to issue a prospectus. The prospectus is subject to the approval of the SEC. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the SEC for the prospectus and circulate same to all the shareholders.
- (b) The additional listing (on the GSE) of the ordinary shares under the Rights Issue. The additional listing is subject to the approval of the GSE. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the GSE for the additional listing.
- (c) The approval of the Bank of Ghana will be required if the Rights Issue results in the shareholding of any existing shareholder exceeding or falling below any of regulatory supervisory thresholds of 5%, 10%, 20%, 30%, 50% or 75% or a new investor acquiring at least 5% of the issued ordinary shares of the Bank. GCB will obtain the approval of the Bank of Ghana for such changes in the shareholding.

1.3.2 THE ORDINARY SHARE PRIVATE PLACEMENT

Regarding the Ordinary Share Private Placement:

- (a) GCB would be required to issue a private placement memorandum (PPM). The PPM is subject to the approval of the SEC. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the SEC for the PPM and circulate same to the interested shareholders and selected investors.

- (b) The additional listing (on the GSE) of the ordinary shares under the Ordinary Share Private Placement. The additional listing is subject to the approval of the GSE. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the GSE for the additional listing.
- (c) The approval of the Bank of Ghana will be required if the Ordinary Share Private Placement results in the shareholding of any existing shareholder exceeding or falling below any of regulatory supervisory thresholds of 5%, 10%, 20%, 30%, 50% or 75% or a new investor acquiring at least 5% of the issued ordinary shares of the Bank. GCB will obtain the approval of the Bank of Ghana for such changes in the shareholding.

1.3.3 THE PREFERENCE SHARE PRIVATE PLACEMENT

Regarding the Preference Share Private Placement:

- (a) GCB would be required to issue a PPM. The PPM is subject to the approval of the SEC. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the SEC for the PPM and circulate same to the interested shareholders and selected investors.
- (b) The preference shares under the Preference Share Private Placement will be listed on the GSE. The listing is subject to the approval of the GSE. Accordingly, GCB will, after the shareholders have authorised the Additional Capital Raise, obtain the approval of the GSE for the listing.
- (c) The terms of the preference shares require the prior approval of the Bank of Ghana for confirmation that they qualify as additional tier 1 capital of the Bank. GCB will obtain the approval of the Bank of Ghana for the terms of the preference shares.

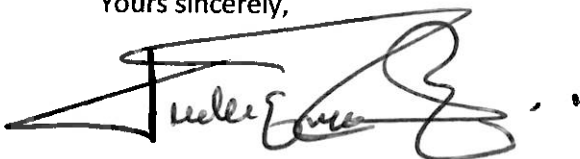
1.3.4 AMENDMENTS TO THE CONSTITUTION

The proposed amendments to the Bank's constitution require the prior approval of the Bank of Ghana. Accordingly, the special resolution approving the proposed amendments will be subject to the approval of the Bank of Ghana.

1.4 DIRECTORS' RECOMMENDATION

In view of the above, the Board recommends that shareholders vote in favour of all the proposed resolutions under the special business (as well as the ordinary business) at the AGM.

Yours sincerely,



Jude Kofi Arthur

Chairman

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2. NOTICE OF AGM

GCB BANK PLC

NOTICE OF 29TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that GCB Bank PLC will hold a virtual 29th Annual General Meeting and streamed live online from Movenpick Ambassador Hotel, Accra via <https://gcbbankagm.com>, the Bank's social media handles (Facebook, Instagram, YouTube and Twitter) and GTV on **Friday, 30th June 2023 at 10:00 am** to transact the following business:

AGENDA

Ordinary Business

as ordinary resolutions

1. To consider and adopt the Financial Statements of the Company for the year ended December 31, 2022 together with the Reports of the Directors and Auditors thereon.
2. To re-elect Directors of the Company retiring by rotation under the Companies Act 2019 (Act 992):
 - (a) Mr. Osmani Ayuba
 - (b) Alhaji Alhassan Yakubu
 - (c) Mr. Daniel Kwaku Tweneboah Asirifi
 - (d) Hon. Dr. Stephen Amoah
3. To re-elect Directors of the Company in line with the Bank of Ghana Corporate Governance Directive 2018:
 - (a) Mrs. Lydia Essah
 - (b) Nana Ama Ayensua Saara III
4. To authorize the Directors to fix the remuneration of Auditors.

Special Business

as ordinary resolutions

5. Capital Raise
 - (a) To authorize the Directors to raise additional equity capital of up to GHS 1 billion through a renounceable rights issue on such terms (including the share price, the number of offer shares, allotment, and other modalities) as the directors deem fit and procure the additional listing of the issued ordinary shares on the Ghana Stock Exchange.
 - (b) To authorize the Directors to raise any shortfall (in the required GHS 1 billion under the rights issue) through either a single or multiple private placement of ordinary shares to investors on such terms (including the share price and other modalities) as the directors deem fit and to procure the listing (by introduction) of the issued ordinary shares on the Ghana Stock Exchange,

provided that the private placement(s) shall be implemented and completed within 12 months of the close of the rights issue.

- (c) To authorize the Directors to raise any shortfall (in the required GHS 1 billion under the rights issue and the private placement of ordinary shares) through either a single or multiple private placement of non-redeemable, non-cumulative and convertible preference shares to investors on such terms (including the coupon rate and other modalities) as the directors deem fit and to procure the listing (by introduction) of the issued preference shares on the Ghana Stock Exchange, provided that the private placement(s) shall be implemented and completed within 12 months of the close of the rights issue and the aggregate amount to be raised shall not exceed GHS 250 million.

as special resolutions

6. Amendment to the Bank's Constitution

- (a) To amend paragraph 12 of the Company's constitution by deleting and replacing it with the following:

"The Company may issue preference shares to existing members or any other persons not exceeding an aggregate of 500,000,000 shares as authorised under paragraph 9 of this Constitution."

- (b) To amend paragraph 13 of the Company's constitution by deleting and replacing it with the following:

"The commercial terms of any preference shares issued by the Company shall be as agreed between the Company and the relevant person (and in accordance with applicable law, including any prevailing capital requirement directives of the Bank of Ghana) and set out in a relevant agreement."

DATED THIS 23RD DAY OF MAY, 2023
BY ORDER OF THE BOARD OF DIRECTORS

(SGD.)

Amma Agyeman Kusi-Appouh
Company Secretary

Notes

In accordance with Regulatory Guidelines and the Bank's Constitution, attendance and participation by members or their proxies in this year's Annual General Meeting of the Bank, shall be virtual (by online participation).

A. Proxy

1. A member is entitled to attend (via online participation) and vote or may appoint a proxy to attend (via online participation) and vote on his or her behalf either online or by post. Such a proxy need not be a member of the company. For a proxy form to be valid for the purposes of the meeting, it must be completed and submitted via shareregistry@gcb.com.gh or deposited at the Share Registry, GCB Bank PLC, Head Office, High Street, Accra, not less than 48 hours before the meeting.

2. A copy of the Proxy Form can be downloaded from: <https://gcbbankagm.com> and may be filled and sent via email to: shareregistry@gcb.com.gh.
3. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting (via online). Where a member attends the meeting, the proxy appointment shall be deemed to be revoked.

B. Accessing, Participating and Voting at the Virtual AGM

1. To access and vote at the Virtual AGM, a confidential unique token number will be sent to shareholders by email and/or SMS to give access to the meeting platform, <https://www.gcbbankagm.com> from 9th June, 2023.
2. Shareholders who do not receive this token can contact the GCB Bank PLC Share Registry on: shareregistry@gcb.com.gh or call 0302-668712, 0244-338508, 0244-318079, 0244-358514 to be sent the unique token any time before the date of the AGM.
3. To gain access to the Virtual AGM, shareholders must visit <https://www.gcbbankagm.com> and input their unique token number on the portal to join in and vote electronically during the meeting.
4. Further assistance on accessing the meeting and voting electronically can be found on <https://www.gcbbankagm.com>
5. The AGM Proceedings would be streamed Live on GTV, Facebook, Twitter, YouTube and Instagram for shareholders' observation and participation.

C. Other Information

1. Annual Report and other information on the Bank's AGM would be available on the Bank's websites, <https://gcbbank.com.gh> and <https://gcbbankagm.com.gh>
2. For further information contact:

The Registrar
Share Registry
GCB Bank PLC
High Street Accra
Tel: 0302668712, 0244-338508, 0244-318079, 0244-358514
Email: shareregistry@gcb.com.gh