



TO : INVESTMENT COMMUNITY  
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SUBJECT : Buyback of Founder Shares  
DATE : April 22, 2008

Dear Investment Community,

According to the Board Resolution of the Bank dated April 22, 2008;

1- In light of the demands of the Bank's local and foreign investors concerning the cancellation of the Bank's founder share-certificates (holders of which have a right to 10% of the net profit of the Bank) to eliminate the negative impact the founder shares have over the market value of the Bank's shares, it has become necessary to cancel the founder share-certificates. In this regard, it is resolved that (i) the 370 founder share-certificates of the Bank be cancelled by purchasing at a value of YTL 3,876,307 per share (totaling YTL 1,434,233,590) in accordance with the value assessed by the Istanbul 5th Commercial Court of First Instance, (ii) the total consideration be covered from the extraordinary reserves of the Bank, (iii) the founder share-certificates be destroyed following their purchase, and (iv) the Head Office be authorized to file necessary applications with the Banking Regulation and Supervision Agency, Capital Market Board of Turkey and the other relevant official authorities in order to conclude the above-mentioned process.

2- It is resolved that the Articles 15, 16 and 45 of the Articles of Association of the Bank be amended as shown below, and the Head Office be authorized to file necessary applications with the Banking Regulation and Supervision Agency, Capital Market Board of Turkey and the other relevant official authorities in order to conclude the above-mentioned process and execute any and all operations related thereto.

CURRENT TEXT:	NEW TEXT:
<b>Article 15-</b> Those having signed the Articles of Association during the foundation of the Bank as Founder, those having subscribed and paid-up the initial capital have been delivered 370 founder share-certificates. In case founder share-certificates are presented for sale, the Bank shall be free to purchase these shares with the purpose of destroying them.	<b>Article 15-</b> Removed from the Articles of Association.
<b>Article 16-</b> Founder shares grant the right to benefit, from the dividend share stimulated in the Articles of Association and, in case of liquidation, to receive a certain liquidation share to be assigned by the General Assembly approving the liquidation.	<b>Article 16-</b> Removed from the Articles of Association.

#### **DISTRIBUTION OF PROFIT**

**Article 45-** The net profit remaining after the deduction of all expenses from the revenues obtained as a result of the Bank's annual activities shall be subject to transaction in the following order.

A. 5% shall be distributed to the legal reserves,

B. 5% of the paid-up capital from the remaining part shall be distributed to the shareholders as first profit share (dividend),

C. 5% of the remaining part shall be distributed to the extraordinary reserves,

D. of the remainder after the assignment and distribution as in the items A-B-C:

- 10% shall be distributed to the founder (benefit) certificates. These profit shares shall be determined according to the net profit falling on the last main capital.

E. The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as profit share or to assign it partly or entirely to the extraordinary reserves.

F. The provision of Article 466, sub-paragraph 2, item 3 of the Turkish Commercial Law shall be reserved. The distribution as mentioned above in items C-D-E may not be realized unless the funds (equivalent) of the financial liabilities to be fulfilled by the company's juridical person and the legal reserves have been assigned.

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C. 5% of the remaining part shall be distributed to the extraordinary reserves,

D. Following the assignment and distribution as in the items A-B-C:

- The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as profit share or to assign it partly or entirely to the extraordinary reserves.

The provision of Article 466, sub-paragraph 2, item 3 of the Turkish Commercial Law shall be reserved. The distribution as mentioned above in items C and D may not be realized unless the funds (equivalent) of the financial liabilities to be fulfilled by the company's juridical person and the legal reserves have been assigned.

We declare that our above statements are in conformity with the principles included in the Board's Communiqué, Serial VIII Nr. 39., that it exactly reflects the information we received; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank



# FOUNDER SHARES ACQUISITION & RIGHTS OFFERING

## Founder Shares Acquisition

Today Garanti Bank Board has unanimously resolved to acquire the Founder shares currently held by its majority shareholders Doğuş Holding A.S., GE Arastirma ve Musavirlik Ltd. and others for a total consideration of TRY 1.434Bn

## Rights Offering

- In order to finance the transaction, Garanti is planning to proceed with a rights offering of TRY 2.1Bn
  - TRY 1.434Bn out of TRY 2.1Bn will be used for the acquisition of the Founder shares
  - The remaining will be used to support the Bank's capital adequacy ratios and to enhance its financial flexibility for future growth both organically and through selective acquisitions which will comply with its disciplined acquisition criteria
    - The transaction is expected to improve consolidated CAR by 1.20% from 13.98% to 15.18% (based on 31 December 2007 accounts)
- Doğuş and GE currently hold 30.52% and 20.85% of Garanti's outstanding share capital respectively
  - Doğuş and GE have committed to fully take up their rights relating to 51.37% of the Bank's share capital in order to retain their current ownership levels
- No restriction of pre-emptive rights apply to the existing shareholders for the rights offering
- The new shares will be issued at nominal value
- The launch of the Rights Offering and subscription period are expected to take place in 2Q2008
  - The closing of the transaction will take place after the required regulatory approvals have been obtained

# RATIONALE OF THE TRANSACTION

- 1) Founder shares are entitled to a significant cash flow out of Bank's earnings; redemption will enable Garanti Bank to unburden cash outflows
  - Higher retained earnings will help finance high growth of Garanti Bank, which will create value for Garanti Bank shareholders
  
- 2) Redemption will improve valuation of ordinary shares, which reflect the real value for Garanti Bank shareholders
  - Ordinary shareholders will be eligible to receive dividends from a larger pool of distributable profit
  - Cash outflows to Founder shareholders exerted a downward pressure on Garanti Bank share price as the Founder dividends penalized ordinary shareholders
    - Garanti will remain a high growth bank and the Founder shares are particularly negative for ordinary shareholders in high growth banks as capital is retained because,
      - Founder shareholders free ride retained capital as well as cash capital increases as they are entitled to a portion of net profits