

**İŞ GİRİŞİM SERMAYESİ
YATIRIM ORTAKLIĞI A.Ş.**

Condensed Interim Financial Statements
As at and for the Nine-Month Period Ended
30 September 2016

*(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish)*

26 October 2016

*This report contains 30 pages of the condensed interim financial
statements and their explanatory notes.*

**İş Girişim Sermayesi Yatırım Ortaklığı
Anonim Şirketi**

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	<u>Notes</u>	<u>Not Reviewed 30 September 2016</u>	<u>Audited 31 December 2015</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	44,421,741	11,601,590
Financial Investments	7	72,614,053	104,500,617
Other Receivables		-	1,180
Prepaid Expenses		80,085	246,926
Other Current Assets		336,508	446,497
TOTAL CURRENT ASSETS		<u>117,452,387</u>	<u>116,796,810</u>
Non-current Assets			
Other Receivables		150	150
- <i>Other Receivables from Related Parties</i>	5	150	150
Financial Investments	7	142,810,833	141,871,120
Tangible Assets	8	127,163	236,135
Intangible Assets	9	9,745	30,032
TOTAL NON-CURRENT ASSETS		<u>142,947,891</u>	<u>142,137,437</u>
TOTAL ASSETS		<u>260,400,278</u>	<u>258,934,247</u>

The accompanying notes are an integral part of these condensed interim financial statements.

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	<u>Notes</u>	<u>Not Reviewed 30 September 2016</u>	<u>Audited 31 December 2015</u>
LIABILITIES			
Current Liabilities			
Trade Payables		39,380	3,763
- <i>Due to Related Parties</i>	5	39,380	3,763
Other Payables		948	750
Employee Benefit Payables		45,168	36,912
Short-Term Provisions		1,433,374	1,878,814
- <i>Short-Term Employee Benefits</i>	11	1,433,374	1,878,814
Other Current Liabilities		177,294	1,187,640
TOTAL CURRENT LIABILITIES		1,696,164	3,107,879
Non-current Liabilities			
Long-Term Provisions		106,495	720,027
- <i>Long-Term Employee Benefits</i>	11	106,495	720,027
TOTAL NON-CURRENT LIABILITIES		106,495	720,027
TOTAL LIABILITIES		1,802,659	3,827,906
EQUITY			
Share Capital	12	74,652,480	74,652,480
Adjustments to Share Capital		21,606,400	21,606,400
Items That Will Never be Reclassified to Profit or Loss		(6,054)	-
- <i>Defined Benefit Plan Remeasurement Losses</i>		(6,054)	-
Share Premiums		7,000,000	7,000,000
Legal Reserves	12	20,700,306	20,488,276
Retained Earnings		131,147,155	130,586,536
Profit for the Period		3,497,332	772,649
TOTAL EQUITY		258,597,619	255,106,341
TOTAL EQUITY AND LIABILITIES		260,400,278	258,934,247

The accompanying notes are an integral part of these condensed interim financial statements.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Not Reviewed 1 January- 30 September 2016	Not Reviewed 1 July- 30 September 2016	Not Reviewed 1 January- 30 September 2015	Not Reviewed 1 July- 30 September 2015
CONTINUING OPERATIONS					
Revenue	4	10,773,306	3,642,911	11,741,638	4,894,900
Cost of Sales (-)		-	-	(1,850,400)	(1,850,400)
GROSS PROFIT		10,773,306	3,642,911	9,891,238	3,044,500
Administrative Expenses (-)	4	(7,350,557)	(2,260,392)	(6,347,077)	(2,003,130)
Other Operating Income		172,220	340	140,640	139,364
Other Operating Expenses (-)		(97,637)	(17,195)	(59,784)	(4,488)
OPERATING PROFIT		3,497,332	1,365,664	3,625,017	1,176,246
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS					
		3,497,332	1,365,664	3,625,017	1,176,246
Income Tax from Continuing Operations		-	-	-	-
PROFIT FOR THE PERIOD		3,497,332	1,365,664	3,625,017	1,176,246
OTHER COMPREHENSIVE INCOME					
Items That Will Never be Reclassified to Profit or Loss		(6,054)	(4,466)	-	-
Remeasurement of Defined Benefit Plans		(6,054)	(4,466)	-	-
Related Tax		-	-	-	-
OTHER COMPREHENSIVE INCOME		(6,054)	(4,466)	-	-
TOTAL COMPREHENSIVE INCOME		3,491,278	1,361,198	3,625,017	1,176,246
Basic and Diluted Earnings per Share	13	0.04685	0.01829	0.04856	0.01576

The accompanying notes are an integral part of these condensed interim financial statements.

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

Notes	Share Capital	Adjustment to Share Capital	Other Comprehensive Income/Expense that Will Never be Reclassified to Profit or Loss	Remeasurements of Defined Benefit Plans	Share Premium	Legal Reserves	Retained Earnings		Total
							Retained Earnings	Profit for the Period	
Balance at 1 January 2015	74,652,480	21,606,400	-	-	7,000,000	19,185,249	127,370,080	14,597,568	264,411,777
Transfers	12	-	-	-	-	1,303,027	13,294,541	(14,597,568)	-
Total comprehensive income		-	-	-	-	-	-	3,625,017	3,625,017
Dividends paid	12	-	-	-	-	-	(10,078,085)	-	(10,078,085)
Balance at 30 September 2015	74,652,480	21,606,400	-	-	7,000,000	20,488,276	130,586,536	3,625,017	257,958,709

Notes	Share Capital	Adjustment to Share Capital	Other Comprehensive Income/Expense that Will Never be Reclassified to Profit or Loss	Remeasurements of Defined Benefit Plans	Share Premium	Legal Reserves	Retained Earnings		Total
							Retained Earnings	Profit for the Period	
Balance at 1 January 2016	74,652,480	21,606,400	-	-	7,000,000	20,488,276	130,586,536	772,649	255,106,341
Transfers	12	-	-	-	-	212,030	560,619	(772,649)	-
Total comprehensive income		-	-	(6,054)	-	-	-	3,497,332	3,491,278
Balance at 30 September 2016	74,652,480	21,606,400	-	(6,054)	7,000,000	20,700,306	131,147,155	3,497,332	258,597,619

The accompanying notes are an integral part of these condensed interim financial statements.

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CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		<u>Not Reviewed</u> <u>1 January-</u> <u>30 September 2016</u>	<u>Not Reviewed</u> <u>1 January-</u> <u>30 September 2015</u>
	Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		3,497,332	3,625,017
Adjustments to reconcile net profit/loss			
Adjustments for depreciation and amortisation	8, 9	155,602	154,186
Adjustments for provisions for employee benefits		479,803	25,472
Adjustments for other provisions (reversals)		(463,743)	(122,222)
Adjustments for interest income		(1,999,547)	(2,010,816)
Adjustments for the fair value gains of financial instruments		(1,783,706)	565,026
Adjustments for disposal of tangible assets		(1,695)	-
Profit from disposal of financial investments		-	1,850,400
Changes in working capital			
Decrease in financial investments		32,730,558	8,033,304
(Increase)/decrease in other receivables		1,180	(380,267)
(Increase)/decrease in prepaid expenses		166,841	(21,888)
Increase/(decrease) in due to related parties		35,617	(467,778)
Increase/(decrease) in employee benefits		8,256	3,372
Increase in other payables to third parties		198	230
Decrease in other assets		109,989	331,003
Increase/(decrease) in other liabilities		(546,603)	340,123
Net cash from operating activities			
Interest received		1,938,973	2,231,865
Payments for the provisions of employee benefits	11	(1,544,829)	(1,553,896)
Net cash from operating activities		32,784,226	12,603,131
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of tangible assets		1,695	-
Acquisition of tangible assets	8	(26,343)	(20,196)
Acquisition of intangible assets	9	-	(11,210)
Net cash from investing activities		(24,648)	(31,406)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	12	-	(10,078,085)
Net cash used in financing activities		-	(10,078,085)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		32,759,578	2,493,640
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD		-	-
NET INCREASE IN CASH EQUIVALENTS (A+B+C+D)		32,759,578	2,493,640
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		11,586,247	26,883,834
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	44,345,825	29,377,474

The accompanying notes are an integral part of these condensed interim financial statements.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION OF THE COMPANY AND NATURE OF OPERATIONS

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“the Company” or “İş Girişim Sermayesi”), was established in İstanbul, Turkey. The registered address of the Company is İş Kuleleri Kule 2, Kat:2, Levent, İstanbul. Türkiye İş Bankası A.Ş. is the ultimate shareholder of the Company. The Company’s shares are traded in the İstanbul Stock Exchange since 2004.

The Company operates in private equity business.

Private equity is primarily the investments in venture capital companies which are established or will be established in Turkey and has potential to grow and need resources, in addition to those others cited in the Article 21 of the the Communiqué numbered III-48.3, “the Principles of the Private Equity Businesses“.

As at 30 September 2016, the Company has 18 employees (31 December 2015: 19 employees).

2. BASIS OF PRESENTATION

2.1 Basis of Presentation

a) Approval of the Financial Statements

The Company's condensed interim financial statements as at 30 September 2016 have been approved by the Board of Directors and authorization for issue has been given on 26 October 2016. The General Assembly and/or legal authorities has the power to amend the accompanying condensed interim financial statements after their issue.

b) Preparation of Financial Statements and Statements of Compliance with TAS

The accompanying condensed interim financial statements are prepared in accordance with the Communiqué numbered II-14.1, “Basis for Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) which are published by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying condensed interim financial statements as at 30 September 2016 have been prepared in accordance with the communiqué numbered 20/670 “Announcement on Financial Statements and Footnote Formats” published by Capital Markets Board (“CMB”) dated 7 June 2013.

The accompanying condensed interim financial statements of the Company as at and for the nine-month period ended 30 September 2016 have been prepared in accordance with Turkish Accounting Standard 34 *Interim Financial Reporting* (“TAS 34”). Condensed Interim Financial Statements does not include all the information and disclosures covered by annual financial statements and has to be read with reference to the Company’s annual financial statements as at and for the year ended 31 December 2015.

c) Basis of Measurement

The condensed interim financial statements have been prepared based on the historical cost, except for the investment securities which are measured at fair value.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION (continued)

Basis of Presentation (continued)

d) Functional and Reporting Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). Functional currency and reporting currency of the Company is Turkish Lira (“TL”).

The foreign exchange rates used by the Company as at 30 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
US Dollar (“USD”)	2.9959	2.9076
Euro	3.3608	3.1776

e) Comparative Information

The accompanying condensed interim financial statements are presented comparatively in order to enable readers to understand the trends in the Company’s financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current year, comparative figures are reclassified and material changes are disclosed in the related notes.

f) Consolidation Exemptions

According to TFRS 10 Consolidated Financial Statements, investment entity:

- (a) Obtains funds from one or more investors for the purpose of providing investment management services,
- (b) its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of its investments on a fair value basis.

While the entity evaluates whether it meets the above mentioned definition, it also considers whether it has the significant features of the investment entities mentioned below:

- (a) Has more than one investment,
- (b) Has more than one investor,
- (c) Has investors who are not related parties, and
- (d) Has partnership shares in the form of equity and suchlike shares.

Since the Company meets the above requirements, it does not consolidate its subsidiaries. Instead, it measures investments in its subsidiaries and associate according to TFRS 10 by recognizing the changes in the fair value to the profit or loss.

2.2 Changes in Accounting Policies

Accounting policies applied in the preparation of the condensed interim financial statements as at and for the nine-month period ended 30 September 2016 are consistent with the accounting policies applied during the preparation of the financial statements for the year ended 31 December 2015.

2.3 Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates, if it is only related to one period, is recognized in the period that the change is made, if it is related with the future periods, is recognized in the current period and also in future periods, prospectively. There is no significant change in accounting estimates of the Company during the current period.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION (continued)

2.3 Changes in Accounting Estimates and Errors (continued)

Material accounting errors are corrected retrospectively and the prior period financial statements are restated accordingly.

2.4 Summary of Significant Accounting Policies

Accounting policies applied in the preparation of the condensed interim financial statements as at and for the nine-month period ended 30 September 2016 are consistent with the accounting policies applied during the preparation of the financial statements for the year ended 31 December 2015.

2.5 Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with TAS necessitates applying the management of the Company's accounting policies and making estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

There is no significant change in the estimation and judgments of the management of the Company during the preparation of the condensed interim financial statements compared to the year ended 31 December 2015.

The estimates are used particularly in the following notes:

Note 7 Determination of fair value of the subsidiaries and the associates

Shares of the subsidiaries and the associates are not publicly traded. When determining the fair values of the subsidiaries and the associates, Discounted Cash Flows ("DCF") method of the income approach has been used. Discount and growth rates used are as follows:

<u>Name of subsidiary or associate</u>	<u>Discount rates</u>	<u>Ongoing growth rates</u>
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz")	%16.6-%17.6	%4.5-%5.5
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	%16.8-%17.8	%4.0-%6.0
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")	%11.6-%12.6	%1.6-%2.6
Radore Veri Hizmetleri Anonim Şirketi'nin ("Radore")	%14.1-%15.1	%4.5-%5.5
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")	%19.1-%20.1	%4.5-%5.5
Mika Tur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur")	%16.0-%22.0	%7.5-%9.5

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION (continued)

2.6 Comparative Information and Revision of Prior Period Financial Statements

The Company's financial statements as at and for the nine-month period ended 30 September 2016 have been presented in comparison with the prior period, in order to be able to determine financial position and performance. The Company has prepared its statement of financial position as at 30 September 2016 in comparison with that as at 31 December 2015, its statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the nine-month period ended 30 September 2016 in comparison with those for the nine-month period ended 30 September 2015.

Due to the changes in the format of the statement of cash flows of Public Disclosure Platform (PDP), cash inflows of TL 8,033,304 from decrease in financial investments which has been presented under the cash flows from investing activities in the Company's statement of cash flows for the nine-month period ended 30 September 2015 have been reclassified as the cash flows from operating activities in the statement of cash flows for the nine-month period ended 30 September 2016.

2.7 Standards and interpretations not yet adopted as of 30 September 2016

Standards issued but not yet effective and not early adopted

TFRS 9 - Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION (continued)

2.7 Standards and interpretations not yet adopted as of 30 September 2016

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION (continued)

2.7 Standards and interpretations not yet adopted as of 30 September 2016

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

2.8 Control of compliance with restrictions on the investment portfolio, financial loans and total expenses

The information contained in the additional note related to Control of Compliance With Restrictions on the Investment Portfolio, Financial Loans and Total Expenses, is summary information derived from the financial statements according to "Communiqué on Financial Reporting in Capital Market" of CMB and this information has been prepared in accordance with the control of portfolio, financial loans and total expenses limits compliance, of CMB's "Communiqué on Principles Regarding Real Estate Investment Trusts", numbered III-48.3 published in the Official Gazette on 9 October 2013.

3. SEGMENT REPORTING

The Company operates only in private equity business. The Company management monitors its financial investments according to their fair value. Information regarding those financial investments is disclosed in Note 7.

4. SEASONALITY OF OPERATIONS

Operations of the Company are not significantly affected by seasonality. For the nine-month period ended 30 September 2016, the Company's sales amounting to TL 10,773,306 consist of interest income on deposits and Takasbank deposits, net investment gain, net income from long term financial investments and dividend income (30 September 2015: TL 11,741,638). In the same period, administration expenses are TL 7,350,557 (30 September 2015: TL 6,347,077).

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5. RELATED PARTIES

The Company’s ultimate shareholder is Türkiye İş Bankası A.Ş..

Benefits provided to key management:

Benefits provided to key management during the period are as follows:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Salaries and other benefits	3,948,675	980,929	2,893,266	641,927
	3,948,675	980,929	2,893,266	641,927

Key management compensation includes salaries, bonuses and insurance and other benefits.

The details of the balances between the Company and other related parties are as follows.

Financial investments	30 September 2016	31 December 2015
Investment funds		
İş Portföy Hedef Hedge Fund	10,036,403	3,119,641
İş Portföy Second Stock Fund	3,410,870	3,733,619
İş Bankası Subsidiaries Index Stock Fund	2,525,361	-
İş Portföy Private Sector Borrowing Fund	3,068,999	-
	19,041,633	6,853,260

Financial investments	30 September 2016	31 December 2015
Private sector bonds		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	7,444,575	2,604,160
İş Faktoring A.Ş.	953,650	3,436,178
İş Finansal Kiralama A.Ş.	-	12,103,517
İş Yatırım Menkul Değerler A.Ş.	-	973,770
	8,398,225	19,117,625

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5. RELATED PARTIES (continued)

Financial investments	30 September 2016	31 December 2015		
Shares quoted in stock exchange				
İş Yatırım Ortaklığı A.Ş.	4,256,531	4,723,711		
	4,256,531	4,723,711		
	30 September 2016	31 December 2015		
Cash and cash equivalents				
Türkiye İş Bankası A.Ş. time deposits	43,067,261	10,299,700		
Türkiye İş Bankası A.Ş. demand deposits	33,748	44		
İş Portföy short-term borrowing fund	508,440	-		
	43,609,449	10,299,744		
	30 September 2016			
	Receivables			
	Current			
	Payables			
	Current			
Balances with related parties	Trade	Other	Trade	Other
Anadolu Anonim Türk Sigorta Şirketi	-	-	(35,552)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(3,442)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(118)	-
Numnum Yiyecek ve İçecek A.Ş.	-	-	(268)	-
	-	-	(39,380)	-
	31 December 2015			
	Receivables		Payables	
	Current		Current	
Balances with related parties	Trade	Other	Trade	Other
Anadolu Anonim Türk Sigorta Şirketi	-	-	(2,682)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(1,081)	-
	-	-	(3,763)	-

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5. RELATED PARTIES (continued)

Balances with related parties	30 September 2016			
	Receivables Non-Current		Payables Non-Current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-

Balances with related parties	31 December 2015			
	Receivables Non-Current		Payables Non-Current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-

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5. RELATED PARTIES (continued)

Transactions with related parties	<u>1 January – 30 September 2016</u>						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(4,982)
Türkiye İş Bankası A.Ş.	1,614,313	(58,806)	-	(2,900)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(387,079)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(81,483)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(123,796)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(66,127)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(9,658)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	648,861	-
	1,614,313	(68,464)	(66,127)	(84,383)	(387,079)	648,861	(128,778)

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5. RELATED PARTIES (continued)

Transactions with related parties	<u>1 January – 30 September 2015</u>						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(11,881)
Türkiye İş Bankası A.Ş.	1,028,743	-	-	(1,698)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(360,880)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(261,739)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(107,214)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(63,683)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(8,856)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	970,697	-
	1,028,743	(8,856)	(63,683)	(263,437)	(360,880)	970,697	(119,095)

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6. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Cash on hand	439	352
Cash at banks	43,102,647	10,300,695
<i>Demand deposits</i>	35,386	995
<i>Time deposits with a maturity less than 3 months</i>	43,067,261	10,299,700
Short-term borrowing funds	508,440	-
Receivables from Takasbank money market transactions	810,215	1,300,543
	44,421,741	11,601,590

Reconciliation between the elements comprising cash and cash equivalents in the statement of financial position and statement of cash flows:

	30 September 2016	30 September 2015
Cash and cash equivalents	44,421,741	29,398,283
Less: Accrued interest	(75,916)	(20,809)
	44,345,825	29,377,474

As at 30 September 2016, the Company has no restricted deposits (31 December 2015: None).

As at 30 September 2016 and 31 December 2015 interest and maturity details of the bank deposits are as follows:

	30 September 2016			Amount TL
	Interest rate %	Maturity	Currency	
Time Deposit	11.45	28 October 2016	TL	43,067,261
				43,067,261
	31 December 2015			Amount TL
	Interest rate %	Maturity	Currency	
Time Deposit	13.50	29 January 2016	TL	10,024,774
Time Deposit	3.50	4 January 2016	TL	274,926
				10,299,700

Foreign currency risks, interest rate risks and sensitivity analysis for Company's financial assets and liabilities are explained in Note 14.

As at 30 September 2016, gross interest rate on Takasbank money market transactions is 9.70% (31 December 2015: 15.25%).

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7. FINANCIAL INVESTMENTS

7.1 Short term financial investments

	30 September 2016	31 December 2015
Financial investments designated at fair value through profit or loss	72,614,053	104,500,617
	72,614,053	104,500,617
	30 September 2016	
	Nominal (*)	Fair Value
Private sector bonds	23,170,000	23,167,321
Government bonds	14,000,000	22,475,180
Investment funds	816,744,578	22,715,021
Shares quoted to stock exchange	5,190,891	4,256,531
		72,614,053
	31 December 2015	
	Nominal (*)	Fair Value
Private sector bonds	49,070,000	49,457,905
Government bonds	18,200,000	27,601,326
Investment funds	1,071,835,029	22,717,675
Shares quoted to stock exchange	5,190,891	4,723,711
		104,500,617

(*) Nominal values of mutual funds and securities quoted in stock exchange are presented in units, government bonds and private sector bonds are presented in TL.

As at 30 September 2016, interest rates of private sector bonds and government bonds held for trading are between the rates 9.76% and 14.42% per annum (31 December 2015: between 9.49%-15.01% per annum).

7.2 Long term financial investments

As at 30 September 2016 and 31 December 2015, details of private equity investments are as follows:

	30 September 2016	31 December 2015
Investments held-to-maturity	10,012,868	10,011,350
Financial investments designated at fair value through profit or loss	132,797,965	131,859,770
	142,810,833	141,871,120

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7. FINANCIAL INVESTMENTS (continued)

7.2 Long term financial investments (continued)

Investments held-to-maturity

As at 30 September 2016 and 31 December 2015, details of investments held-to-maturity are as follows:

<u>Company Name</u>	<u>Nominal</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. Debt Instrument	10,000,000	10,012,868	10,011,350
	10,000,000	10,012,868	10,011,350

As disposal of these investments are not planned in the short term, they are classified as non-current investments.

Financial investments designated at fair value through profit or loss

As at 30 September 2016 and 31 December 2015, fair value details of the subsidiaries and the associates are as follows:

<u>Name of subsidiary/associate</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Toksöz Spor	35,542,100	35,542,100
Ortopro	33,457,905	33,457,905
Numnum	23,447,736	23,447,736
Radore	15,960,450	15,960,450
Nevotek	13,101,579	13,101,579
Tatil Budur	11,288,195	10,350,000
	132,797,965	131,859,770

As at 30 September 2016 and 31 December 2015, details of the Company’s subsidiaries and associates are as follows:

<u>Subsidiaries and associates</u>	<u>Acquisition date</u>	<u>Place of establishment and operation</u>	<u>Share of capital holding interest (%)</u>		
			<u>30 September 2016</u>	<u>31 December 2015</u>	<u>Voting power</u>
Nevotek	30 September 2003	Turkey	81.24	81.24	81.24
Ortopro	10 December 2007	Turkey	83.64	83.64	83.64
Toksöz Spor	13 November 2012	Turkey	55.00	55.00	55.00
Num Num	5 December 2012	Turkey	61.66	61.66	61.66
Radore	1 December 2014	Turkey	25.50	25.50	25.50
Tatil Budur (*)	6 November 2015	Turkey	20.00	20.00	20.00

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7. FINANCIAL INVESTMENTS (continued)

7.2 Non-Current financial investments (continued)

Financial investments designated at fair value through profit or loss (continued)

(*) The Company has acquired the shares representing 20% of the paid-in capital of Tatil Budur from its shareholders Ahmet Kara, Beşir Kara, Çetin Yılmaz, Timuçin Kuş, Gencer Öztürk and Derya Bülent Kuş on 6 November 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. Transfer of the shares correspond to 20% of Tatil Budur with down payment amounting to TL 10,350,000 has been made on 6 November 2015 and outstanding balance amounting to TL 938,195 to the final purchase price amount to total 11,288,195 has been paid on 22 September 2016 which arisen depending upon the adjusting value correction mechanism applied within the framework of agreement terms.

Discounted cash flow method is used to determine fair values. Valuation model considers the present value of the expected payment, discounted using a risk adjusted discounted rate. The expected payment is determined by considering the possible scenarios of forecast earnings before interest tax depreciation and amortisation (“EBITDA”), the amount to be paid under each scenario and the probability of each scenario. Subsidiaries’ estimated annual revenue growth rate is between 1.6% with 9.50% estimated EBITDA ratio is between 10.5% with 40.5%, risk adjusted estimated discount rates are between 11.6% and 22.0%.

Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.

For the fair values of subsidiaries, reasonably possible changes at 30 September 2016 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Sensitivity Analysis

30 September 2016

	Profit or Loss	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	3,973,649	(3,640,469)
EBITDA, growth rate (0.5% change)	4,785,450	(4,785,450)
Risk-adjusted discount rate (0.5% change)	7,745,841	(7,092,441)

There is no contractual restriction on the ability of the subsidiaries and the associates to transfer funds to the Company in the form of dividends or repayment of loans and advances given.

The Company does not have any commitments or intentions to provide financial support to the subsidiaries and the associates, including those that aims to assist the subsidiaries and the associates to obtain financial support, except for the Ortopro shares which have been pledged as disclosed in Note 10.

The Company does not have any contractual agreements which may require it, its subsidiaries and associates to provide financial support to a non-consolidated, controlled, restructured entity, including events and conditions that may expose it to losses.

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8. TANGIBLE ASSETS

As at 30 September 2016, net tangible assets of the Company is amounting to TL 127,163 (31 December 2015: TL 236,135). The additions to tangible assets are amounting to TL 26,343 in the current period (30 September 2015: TL 20,196). For the nine-month period ended 30 September 2016, depreciation expense is amounting to TL 135,315 (30 September 2015: TL 136,752). In the current period tangible assets with a cost value of TL 16,440 and net carrying value amounting to zero were sold (30 September 2015: None).

As at 30 September 2016 and 31 December 2015, there is no pledge/mortgage on tangible assets.

9. INTANGIBLE ASSETS

As at 30 September 2016, net intangible assets which consist of computer software is amounting to TL 9,745 (31 December 2015: TL 30,032). There is no additions to intangible assets in the current period (30 September 2015: TL 11,210). For the nine-month period ended 30 September 2016, amortization expense is amounting to TL 20,287 (30 September 2015: TL 17,434). In the current period, there is no intangible asset sold (30 September 2015: None).

As at 30 September 2016 and 31 December 2015, there is no pledge/mortgage on intangible assets.

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The shares of İş Girişim Sermayesi in Ortopro have been pledged in order to obtain a 5-year maturity loan for Ortopro from Yapı Kredi Bankası A.Ş. amounting to maximum of TL 20,000,000 (twenty million Turkish Lira) for the purpose of restructuring Ortopro’s short-term loans.

11. EMPLOYEE BENEFITS

As at 30 September 2016 and 31 December 2015, the details of the Company’s employee benefits are as follows:

	30 September 2016	31 December 2015
Short term		
Provision for employee bonuses	886,179	1,375,899
Vacation pay liability	547,195	502,915
	1,433,374	1,878,814
Long term		
Provision for employee bonuses	-	586,179
Reserve for employee severance payments	106,495	133,848
	106,495	720,027

As at 30 September 2016, the reserve for severance pay liability is based on the monthly ceiling amounting to TL 4,297.21 (31 December 2015: TL 3,828.37).

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11. EMPLOYEE BENEFITS (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Consequently, in the accompanying statement of financial position as at 30 September 2016, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the end of the reporting period has been calculated assuming an annual inflation rate of 6.15% (31 December 2015: 6.15%) and an interest rate of 10.80% (31 December 2015: 10.80%) resulting in a net discount rate of approximately 4.38% (31 December 2015: 4.38%) The anticipated rate of forfeitures is also considered.

In the current period, the Company has made bonus payments amounting to TL 1,375,899 severance payments amounting to TL 62,745 and vacation payments amounting to TL 106,185 (30 September 2015: bonus payments TL 1,505,711).

12. CAPITAL AND RESERVES

a) Share Capital

As at 30 September 2016 and 31 December 2015, the capital structure of the Company is as follows:

Shareholders	Group	%	30 September 2016		31 December 2015	
				%		%
İş Yatırım Menkul Değerler A.Ş.	A	8.9	6,635,776	8.9	6,635,776	
İş Yatırım Menkul Değerler A.Ş. (*)	B	20.4	15,227,409	20.1	15,018,515	
Türkiye Sınai Kalkınma Bankası A.Ş.	B	16.7	12,442,079	16.7	12,442,079	
Türkiye Teknoloji Geliştirme Vakfı	B	11.1	8,294,719	11.1	8,294,719	
Other	B	12.0	8,958,298	12.0	8,958,298	
Publicly held (*)	B	30.9	23,094,199	31.2	23,303,093	
Nominal capital			74,652,480		74,652,480	

(*)Based on the resolution of the Board of Directors of the Company dated 27 June 2016, a contract has been signed on 28 June 2016 with İş Yatırım Menkul Değerler A.Ş. in order for it to engage in the market-making activities over the shares of the Company quoted in İstanbul Stock Exchange. With regard to the contract, İş Yatırım Menkul Değerler A.Ş. has started the market-making activities on 29 June 2016. As at 30 September 2016, İş Yatırım Menkul Değerler A.Ş. has purchased publicly traded shares of the Company with a nominal amount of TL 208,894.

As at 30 September 2016 the Company's share capital consists of 7,465,248,000 unit shares (31 December 2015: 7,465,248,000 shares). The par value of each share is TL 0.01 (31 December 2015: TL 0.01 per share).

The nominal share capital of the Company amounting to TL 74,652,480 comprised of Group A and Group B shares, amounting to TL 6,635,776 and TL 68,016,704, respectively. Group A shareholders have the privilege during the BOD election to nominate four members of the total seven members. In addition, one of the members of the Board representing Group B, is elected among the candidates nominated by Türkiye Teknoloji Geliştirme Vakfı unless their share in issued capital is below TL 2,000,000

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12. CAPITAL AND RESERVES (continued)

During the capital increase, in exchange for Group A shares Group A, in exchange for Group B shares Group B shares is issued. During the capital increase through the restriction of pre-emption rights, only the Group B shares can be issued.

No preferred shares can be issued, except for the preferred shares giving the right to suggest candidate while electing the two thirds of the BOD members or giving dividend right. The fractional number is rounded when calculating the two thirds of the BOD members. After going to public, no preferences can be created including the preference to suggest candidate to the BOD membership and preference for taking dividend.

b) Legal Reserves

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company’s statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions. The Company has performed transfer to legal reserves amounting to TL 212,030 in year 2016 (31 December 2015: TL 1,303,027). As at 30 September 2016, the Company has legal reserves amounting to TL 20,700,306 (31 December 2015: TL 20,488,276).

c) Dividend

The Company distributes dividend in accordance with requirements in Turkish Commercial Code and Capital Market Regulations.

In accordance with the resolutions dated 16 March 2016 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 560,619 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2015: TL 10,078,085 dividend distributed in cash).

13. EARNINGS PER SHARE

	1 January- 30 September 2016	1 January- 30 September 2015
Earnings per share		
Weighted average number of shares available during the period (full amount)	74,652,480	74,652,480
Total	74,652,480	74,652,480
Net profit for the period	3,497,332	3,625,017
Basic and diluted earnings per share (TL 1 nominal value)	0.04685	0.04856

14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

There has been no change in the Company’s exposure to market risks or the manner which it manages and measures the risk compared to previous year.

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14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at the end of the reporting period are as follows:

30 September 2016	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(34,457)	(9,440)	(1,838)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM FINANCIAL LIABILITIES	(34,457)	(9,440)	(1,838)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(34,457)	(9,440)	(1,838)	-
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative(foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative(foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	-	-	-	-
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(34,457)	(9,440)	(1,838)	-
22. Fair value of derivative instruments used in foreign currency hedge	(34,457)	(9,440)	(1,838)	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-
18. TOTAL LIABILITIES	-	-	-	-
19. Off balance sheet derivatives net asset/liability	-	-	-	-

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

31 December 2015	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(495,098)	(126,095)	(40,425)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM FINANCIAL LIABILITIES	(495,098)	(126,095)	(40,425)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(495,098)	(126,095)	(40,425)	-
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative(foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative(foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	-	-	-	-
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(495,098)	(126,095)	(40,425)	-
22. Fair value of derivative instruments used in foreign currency hedge	(495,098)	(126,095)	(40,425)	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-
18. TOTAL LIABILITIES	-	-	-	-
19. Off balance sheet derivatives net asset/liability	-	-	-	-

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

Foreign currency risk sensitivity analysis

The Company is mainly exposed to foreign currency risks in US Dollar and Euro.

The following table shows the Company’s sensitivity to a 10% increase and decrease in US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity.

30 September 2016				
<u>Profit / Loss</u>		<u>Equity</u>		
The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency	
10% appreciation / depreciation of TL against the U.S. Dollar				
1 - US Dollar net asset / liability	-	-	-	-
2- Portion secured from US Dollar (-)	(2,828)	2,828	-	-
3- US Dollar net effect (1 +2)	(2,828)	2,828	-	-
10% appreciation / depreciation of TL against Euro				
4 - Euro net asset / liability	(618)	618	-	-
5 - Portion secured from Euro (-)	-	-	-	-
6 - Euro net effect (4+5)	(618)	618	-	-
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset / liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
9- Other currency net effect (7+8)	-	-	-	-
TOTAL (3 + 6 +9)	(3,446)	3,446	-	-

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14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

Foreign currency risk sensitivity analysis (continued)

	30 September 2015			
	Profit / Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
10% appreciation / depreciation of TL against the U.S. Dollar				
1 - US Dollar net asset / liability	(3,428)	3,428	-	-
2- Portion secured from US Dollar (-)	-	-	-	-
3- US Dollar net effect (1 +2)	(3,428)	3,428	-	-
10% appreciation / depreciation of TL against Euro				
4 - Euro net asset / liability	(630)	630	-	-
5 - Portion secured from Euro (-)	-	-	-	-
6 - Euro net effect (4+5)	(520)	630	-	-
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset / liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
9- Other currency net effect (7+8)	-	-	-	-
TOTAL (3 + 6 +9)	(4,058)	4,058	-	-

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14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Changes in market interest rates causing fluctuations in the prices of financial instruments of the Company's interest rate risk leads to the necessity to deal with.

Interest positions as at 30 September 2016 and 31 December 2015 are as follows:

Interest Position Table

	<u>30 September 2016</u>	<u>31 December 2015</u>
Fixed interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	29,426,790	47,479,668
Time deposits	43,067,261	10,299,700
Takasbank money market receivables	810,215	1,300,543
	<u>73,304,266</u>	<u>59,079,911</u>
Floating interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	16,215,711	29,579,563
Financial assets held to maturity	10,012,868	10,011,350
	<u>26,228,579</u>	<u>39,590,913</u>

Fixed and variable income securities that are classified as designated at fair value through profit and loss in the Company's statement of financial position are exposed to price risk depending on interest rate changes. As at 30 September 2016 and 30 September 2015 according to the analysis that the Company calculated, effect on fixed and variable income securities' market value and the Company's net profit/loss, under the assumption that all other variables remain constant, in the case of 1% interest rate increase or decrease of TL denominated securities and Eurobonds, presented below.

30 September 2016

<u>Type of risk</u>	<u>Risk rate</u>	<u>Direction of risk</u>	<u>Effect on net profit</u>
Interest rate risk	1%	Increase	(1,469,314)
		Decrease	1,496,200

30 September 2015

<u>Type of risk</u>	<u>Risk rate</u>	<u>Direction of risk</u>	<u>Effect on net profit</u>
Interest rate risk	1%	Increase	(1,484,026)
		Decrease	1,571,397

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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

14. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Other price risks

The Company's portfolio in equities and mutual funds, which are publicly traded, is exposed to price risk.

According to the statement of financial position as at 30 September 2016, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Company's portfolio, with the effect of equity investment designated at fair value through profit or loss and stock-indexed investment fund, net profit would be TL 425,653 (30 September 2015: TL 467,180) higher/lower.

According to the statement of financial position as at 30 September 2016, in case of 1% increase/decrease, if all the other variables remain constant, in the value of investment fund that are in the Company's portfolio, with the effect of investment funds designated at fair value through profit or loss, net profit would be TL 232,235 (30 September 2015: TL 235,058) higher/lower.

15. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair Value of Financial Instruments:

Fair value of financial assets and liabilities is identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

15. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (continued)

Classification of fair values of financial assets and liabilities is as follows:

Financial assets	30 September 2016	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss	205,412,018	72,614,053	-	132,797,965
Cash and cash equivalents	-			
B type liquid funds	508,440	508,440		
Takasbank money market	810,215	810,215	-	-
Total	206,730,673	73,932,708	-	132,797,965

Financial assets	31 December 2015	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss	236,360,387	104,500,617	-	131,859,770
Cash and cash equivalents				
Takasbank money market	1,300,543	1,300,543	-	-
Total	237,660,930	105,801,160	-	131,859,770

In the current period, there was no change on the fair values measured with Level 3 inputs.

16. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED TO BE EXPLAINED FOR CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

17. EVENTS AFTER REPORTING PERIOD

None.

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ADDITIONAL NOTE: CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO, BORROWINGS AND TOTAL EXPENSES

	Financial Statement Captions	Regulations	30.09.2016 (TL)	31.12.2015 (TL)
A	Monetary and Capital Market Instruments	Article 20/1-(b)	117,035,794	116,102,207
B	Private Equity Investments	Article 20/1-(a)	142,810,833	141,871,120
C	Subsidiaries in Portfolio Management and Advisory Companies	Article 20/1-(d) and (e)	-	-
D	Other Assets		5,533,651	960,920
E	Total Assets	Article 3/1-(a)	2,604,002,278	258,934,247
F	Financial Borrowings	Article 29	-	-
G	Provisions, Contingent Assets and Liabilities	Article 20/2-(a)	-	-
H	Equity		258,597,619	255,106,341
I	Other Liabilities		1,802,659	3,827,906
E	Total Liabilities and Equity	Article 3/1-(a)	260,400,278	258,934,247
	Other Financial Information	Regulations	30.09.2016 (TL)	31.12.2015 (TL)
	Investments in Financial Market Instruments	Article 20/1-(b)		
	I. Financial Market Instruments		73,932,708	105,801,160
	A- Government Bonds		22,475,180	27,601,326
	TRT010420T19		-	1,622,790
	TRT060121T16		2,247,518	25,978,536
	B- Private Sector Bonds		23,167,321	49,457,905
	Akfen Holding A.Ş.		6,659,958	675,987
	Aksa Holding A.Ş.		2,536,775	2,549,200
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		-	2,000,000
	Creditwest Faktoring A.Ş.		2,022,520	8,464,018
	İş Faktoring A.Ş.		953,650	3,436,178
	İş Finansal Kiralama A.Ş.		-	12,103,517
	Deva Holding A.Ş.		1,526,323	-
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		7,444,575	2,604,160
	İş Yatırım Menkul Değerler A.Ş.		-	973,770
	Karsan Otomotiv San. ve Tic. A.Ş.		-	509,860
	Orfin Finansman A.Ş.		5,997,960	9,009,000
	Rönesans Holding A.Ş.		-	2,560,700
A1	Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		-	2,532,475
	Timur Gayrimenkul A.Ş.		2,019,560	2,039,040
	C- Takasbank Money Market		810,215	1,300,543
	D- Investment Funds		23,223,461	22,717,675
	İş Portföy Second Share Fund		3,410,870	3,733,619
	İstanbul Portföy Ark I Hedge Fund		-	2,428,790
	Azimet PYS the First Hedge Fund		2,042,208	3,642,276
	Azimet PYS Absolute Return Hedge Fund		-	2,138,981
	Logos Portföy Private Sector Debt Securities Fund		-	3,155,360
	T3 İş Bankası Subsidiaries Index Stock Funds		2,525,361	-
	Logos Portföy Dynamic Hedge Fund		-	1,340,307
	Azimet PYS the First Debt Securities Fund		-	2,790,494
	Taaleri Portföy Variable Fund		5,700,023	368,205
	İş Portföy Hedef Hedge Fund		1,036,403	3,119,641
	Ünlü Portföy the Second Variable Fund		1,061,157	-
	TBV İş Portföy Private Sector Borrowing Fund		3,068,999	-
	TIV Portföy Short Term Borrowing Fund		5,084,440	-
	E- Stocks		4,256,531	4,723,711
	İş Yatırım Ortaklığı A.Ş.		4,256,531	4,723,711
A2	TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account	Article 20/1-(b)	43,103,086	10,301,047
B1	Collective Investment Institutions Established Abroad	Article 21/3-(c)	-	-
B2	Combination of Debt and Equity Financing	Article 21/3-(f)	-	-
B3	Non-Listed Shares of Publicly Traded Private Equity Companies	Article 21/3-(e)	-	-
B4	Special Purpose Company	Article 21/3-(g)	-	-
C1	Participation in Portfolio Management Company	Article 20/1-(e)	-	-
C2	Participation in Consulting Company	Article 20/1-(d)	-	-
F1	Short-Term Loans	Article 29/1	-	-
F2	Long-Term Loans	Article 29/1	-	-
F3	Short-Term Borrowing Instruments	Article 29/1	-	-
F4	Long-Term Borrowing Instruments	Article 29/1	-	-
F5	Other Short-Term Financial Borrowings	Article 29/1	-	-
F6	Other Long-Term Financial Borrowings	Article 29/1	-	-
G1	Pledged	Article 20/2-(a)	-	-
G2	Collateral	Article 20/2-(a)	-	-
G3	Mortgages	Article 20/1-(a)	-	-
I	Outsourced Services Expenses	Article 26/1	1,648,102	2,878,630

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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Portfolio Restrictions (*)	Regulations	30.09.2016	31.12.2015	Min. /Max. Rate
1	Monetary and Capital Market Instruments	Article 22/1- (b)	44.94	44.84	≤%65
	Financial Market Instruments	Article 22/1- (c)	28.39	40.86	
	A- Government Bonds		8.63	10.66	
	TRT010420T19		-	0.63	≤%10
	TRT060121T16		8.63	10.03	≤%10
	B- Private Sector Bonds		8.90	19.1	
	Akfen Holding A.Ş.		0.26	0.26	≤%10
	Aksa Holding A.Ş.		0.97	0.98	
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		-	0.77	≤%10
	Creditwest Faktoring A.Ş.		0.78	3.27	≤%10
	İş Faktoring A.Ş.		0.37	1.33	≤%10
	İş Finansal Kiralama A.Ş.		-	4.67	≤%10
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2.86	1.01	≤%10
	Deva Holding A.Ş.		0.59	-	≤%10
	İş Yatırım Menkul Değerler A.Ş.		-	0.38	≤%10
	Karsan Otomotiv San. ve Tic A.Ş.		-	0.2	≤%10
	Orfin Finansman A.Ş.		2.30	3.48	≤%10
	Rönesans Holding A.Ş.		-	0.99	≤%10
	Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		-	0.98	≤%10
	Timur Gayrimenkul A.Ş.		0.78	0.79	≤%10
	C- Takasbank Money Market		0.31	0.5	≤%10
	D- Investment Funds		8.92	8.77	
	İş Portföy Second Share Fund		1.31	1.44	≤%10
	İstanbul Portföy Ark I Hedge Fund		-	0.94	≤%10
	Azimet PYS the First Hedge Fund		0.78	1.41	≤%10
	Azimet PYS Absolute Return Hedge Fund		-	0.83	≤%10
	Logos Portföy Private Sector Debt Securities Fund		-	1.22	≤%10
	TI3 İş Bankası Subsidiaries Index Stock Fund		0.97	-	≤%10
	Logos Portföy Dynamic Hedge Fund		-	0.52	≤%10
	Azimet PYS the First Debt Securities Fund		-	1.08	≤%10
	Taaleri Portföy Variable Fund		0.22	0.14	≤%10
	İş Portföy Hedef Hedge Fund		3.85	1.2	≤%10
	Ünlü Portföy the Second Variable Fund		0.41	-	≤%10
	TBV İş Portföy Private Sector Borrowing Fund		1,18	-	≤%10
	TIV İş Portföy Short Term Borrowing Fund		0.20	-	≤%10
	E- Stocks		1.63	1.82	≤%10
	İş Yatırım Ortaklığı A.Ş.		1.63	1.82	≤%10
3	Private Equity Investments	Article 22/1- (b)/(ğ)	54.84	54.79	≥%35
4	Participation in Portfolio Management Company	Article 22/1- (ç)	-	-	≤%10
5	Collective Investment Institutions Established Abroad	Article 22/1-(e)	-	-	≤%49
6	Combination of Debt and Equity Financing	Article 22/1- (h)	-	-	≤%25
7	Non-Listed Shares of Publicly Traded Private Equity Companies	Article 22/1- (f)	-	-	≤%25
8	TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account (*)	Article 22/1- (i)	16.55	3.98	≤%20
9	Face Values Of Short-Term Borrowings and Debt Instruments (*)	Article 29	-	-	≤%50
10	Face Values Of Long-Term Borrowings and Debt Instruments	Article 29	-	-	≤%200
11	Pledged, Collateral and Mortgages	Article 22/1- (d)	-	-	≤%10
12	Outsourced Services Expenses	Article 26/1	0.63	1.11	≤%2,5

(*)According to 22(g). Clause of the Venture Capital Investment Trusts Basis Communiqué, since the amount of investments made to the venture companies that are suitable for small and medium size enterprises requirements exceeds the 5% of the total assets, portfolio limitation rate is applied as 35% instead of 51%.