

2017 年 3 月期 決算短信 (2016 年 4 月 1 日～2017 年 3 月 31 日)

Earnings Report for Fiscal Year ended March 2017 (April 1, 2016 – March 31, 2017)

2017 年 6 月 30 日

June 30th, 2017

フ ァ ン ド 名 i シェアーズ 米国リート・不動産株 ETF (ダウ・ジョーンズ米国不動産) **上場取引所** 東
コ ー ド 番 号 1590 **売買単位** 1 口
連 動 対 象 指 標 ダウ・ジョーンズ米国不動産指数
主 要 投 資 資 産 有価証券
管 理 会 社 ブラックロック・ファンド・アドバイザーズ
U R L <http://www.blackrock.com/jp/products/269027/>
代 表 者 (役職名) マネージング・ディレクター (氏名) ジャック・ジー
問 合 せ 先 責 任 者 (役職名) 代理人 (氏名) 本柳 祐介 (TEL) 03(6250)6200
Fund name: iShares U.S. Real Estate ETF-JDR Listed Exchange: TSE
Code: 1590 Trading unit: 1 unit
Underlying indicator: Dow Jones U.S. Real Estate™ Index
Primary invested assets: Securities
Management co.: BlackRock Fund Advisors
URL: <http://www.blackrock.com/jp/products/269027/>
Representative: (Title) Managing Director (Name) Jack Gee
Contact person: (Title) Attorney-in-Fact (Name) Yusuke Motoyanagi (TEL) 03(6250)6200
有価証券報告書提出予定日 2017 年 9 月
Scheduled date of submission of securities report: September 2017

I ファンドの運用状況

I Fund Management

1. 2017 年 3 月期の運用状況 (2016 年 4 月 1 日～2017 年 3 月 31 日)

1. Management Status for Year Ended March 2017 (from April 1, 2016 to March 31, 2017)

(1) 信託財産である外国 ETF の資産内訳

(百万円未満切捨て)

(1) Assets of Trust Asset Foreign ETF

(amounts below 1 mil. yen are disregarded)

| | 主要投資資産 | | 現金・預金・その他の資産 (負債控除後) | | 合計 (純資産) | |
|------------------------------------|-------------------------|--------|---|---------|--------------------|--------|
| | Primary Invested Assets | | Cash/Deposits/Other Assets (minus liabilities) | | Total (Net Assets) | |
| | 金額 | 構成比 | 金額 | 構成比 | 金額 | 構成比 |
| | Amount | ratio | Amount | ratio | Amount | ratio |
| | 百万円 | % | 百万円 | % | 百万円 | % |
| | JPY mil. | % | JPY mil. | % | JPY mil. | % |
| 2017 年 3 月期 FY ended March 2017 | 549,301 | 107.42 | △37,940 | (7.42) | 511,361 | 100.00 |
| 2016 年 3 月期 FY ended March 2016 | 548,820 | 110.74 | △53,230 | (10.74) | 495,589 | 100.00 |

(2) 信託財産である外国 ETF の設定・交換実績

(2) Creation and Redemption of Trust Asset Foreign ETF

| | 前計算期間末 発行済口数 No. of Issued Units at End of Previous Calculation Period (①) | 設定口数 No. of Units Created (②) | 交換口数 No. of Units Redeemed (③) | 当計算期間末 発行済口数 No. of Issued Units at End of Calculation Period (①+②-③) |
|------------------------------------|---|-------------------------------------|--------------------------------------|--|
| | 千口 '000 units | 千口 '000 units | 千口 '000 units | 千口 '000 units |
| 2017 年 3 月期 FY ended March 2017 | 57,350 | 210,800 | 209,450 | 58,700 |
| 2016 年 3 月期 FY ended March 2016 | 65,450 | 231,600 | 239,700 | 57,350 |

(3) 信託財産である外国 ETF の基準価額

(3) Net Asset Value of Trust Asset Foreign ETF

| | 総資産 Total Assets (①) | 負債 Liabilities (②) | 純資産 Net Assets (③(①-②)) | 1口当たり基準価額 Net Asset Value per unit ((③/当計算期間末 発行済口数)×1) ((③/No. of Issued Units at End of Calculation Period)×1) |
|------------------------------------|----------------------------|--------------------------|-------------------------------|---|
| | 百万円 JPY mil. | 百万円 JPY mil. | 百万円 JPY mil. | 円 JPY |
| 2017 年 3 月期 FY ended March 2017 | 551,725 | 40,363 | 511,361 | 8,711.44 |
| 2016 年 3 月期 FY ended March 2016 | 551,487 | 55,897 | 495,589 | 8,641.49 |

(4) 上場外国 ETF 信託受益証券に係る設定・交換実績

(4) Creation and Redemption of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

| | 前計算期間末 発行済口数 No. of Issued Units at End of Previous Calculation Period (①) | 設定口数 No. of Units Created (②) | 交換口数 No. of Units Redeemed (③) | 当計算期間末 発行済口数 No. of Issued Units at End of Calculation Period (①+②-③) |
|------------------------------------|---|-------------------------------------|--------------------------------------|---|
| | 千口 '000 units | 千口 '000 units | 千口 '000 units | 千口 '000 units |
| 2017 年 3 月期 FY ended March 2017 | 176.500 | 17.000 | 9.732 | 183.768 |
| 2016 年 3 月期 FY ended March 2016 | 145.000 | 31.500 | 0 | 176.500 |

(5) 上場外国 ETF 信託受益証券の分配金

(5) Dividend Payment of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

| 2017 年 3 月期 FY ended March 2017 | 1口当たり分配金 Dividend per unit | 2016 年 3 月期 FY ended March 2016 | 1口当たり分配金 Dividend per unit |
|---------------------------------------|--|---------------------------------------|--|
| ※1 | 円 JPY | ※1 | 円 JPY |
| 2016 年 6 月 23 日 June 23, 2016 | ※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49 | 2015 年 6 月 26 日 June 26, 2015 | 55 |
| 2016 年 9 月 28 日 September 28, 2016 | ※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49 | 2015 年 9 月 25 日 September 25, 2015 | ※2 税率(Tax Rate)10% : 70 税率(Tax Rate)30% : 54 |
| 2016 年 12 月 23 日 December 23, 2016 | ※2 税率(Tax Rate)10% : 110 税率(Tax Rate)30% : 85 | 2015 年 12 月 29 日 December 29, 2015 | ※2 税率(Tax Rate)10% : 100 税率(Tax Rate)30% : 77 |
| 2017 年 3 月 28 日 March 28, 2017 | ※2 税率(Tax Rate)10% : 72 税率(Tax Rate)30% : 56 | 2016 年 3 月 28 日 March 28, 2016 | ※2 税率(Tax Rate)10% : 86 税率(Tax Rate)30% : 66 |

※1 当該期間における分配のための基準日を記載しております。

※1 The record dates for distributions corresponding to the relevant period are indicated.

※2 1口あたり分配金単価(外国源泉税控除後)は、適用される米国源泉税率毎に算出されています。上記以外の税率

についての記載は省略しております。

※2 These amounts of dividend per unit are shown together with, and after the application of, the respective applicable U.S. withholding tax rates.
Except to the extent given above, the information concerning the tax rates is omitted.

(注) 上記(1)～(3)の表における米ドルから日本円への換算は、1米ドル＝110.96円の換算率(2017年5月31日に株式会社三菱東京UFJ銀行が公表した対顧客電信売買相場の仲値)により計算されています。

(Note) Conversion from United States dollars into Japanese yen with respect to the tables in (1) through (3) above has been made at the exchange rate of \$1 = ¥ 110.96 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on May 31, 2017).

2. 信託財産である外国ETFの会計方針の変更

2. Change in Accounting Policies of Trust Asset Foreign ETF

(1) 会計基準等の改正に伴う会計方針の変更 : 無

(1) Changes accompanying revision to accounting standards, etc. : No

(2) (1)以外の会計方針の変更 : 無

(2) Changes other than those in (1) : No

2017 ANNUAL REPORT



iShares Trust

- ▶ iShares U.S. Aerospace & Defense ETF | ITA | NYSE Arca
- ▶ iShares U.S. Broker-Dealers & Securities Exchanges ETF | IAI | NYSE Arca
- ▶ iShares U.S. Healthcare Providers ETF | IHF | NYSE Arca
- ▶ iShares U.S. Home Construction ETF | ITB | NYSE Arca
- ▶ iShares U.S. Insurance ETF | IAK | NYSE Arca
- ▶ iShares U.S. Medical Devices ETF | IHI | NYSE Arca
- ▶ iShares U.S. Oil & Gas Exploration & Production ETF | IEO | NYSE Arca
- ▶ iShares U.S. Oil Equipment & Services ETF | IEZ | NYSE Arca
- ▶ iShares U.S. Pharmaceuticals ETF | IHE | NYSE Arca
- ▶ iShares U.S. Real Estate ETF | IYR | NYSE Arca
- ▶ iShares U.S. Regional Banks ETF | IAT | NYSE Arca
- ▶ iShares U.S. Telecommunications ETF | IYZ | NYSE Arca

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Statements of Assets and Liabilities (Continued)

iSHARES® TRUST

March 31, 2017

| | iShares U.S. Real Estate ETF | iShares U.S. Regional Banks ETF | iShares U.S. Telecommunications ETF |
|---|------------------------------------|---------------------------------------|---|
| ASSETS | | | |
| Investments, at cost: | | | |
| Unaffiliated | \$4,974,547,306 | \$641,087,206 | \$ 565,507,256 |
| Affiliated (Note 2) | 359,807,003 | 79,941,123 | 106,063,912 |
| Total cost of investments | <u>\$5,334,354,309</u> | <u>\$721,028,329</u> | <u>\$ 671,571,168</u> |
| Investments in securities, at fair value (including securities on loan ^a) (Note 1): | | | |
| Unaffiliated | \$4,590,549,908 | \$663,280,423 | \$ 509,579,946 |
| Affiliated (Note 2) | 359,899,240 | 85,468,301 | 83,100,792 |
| Total fair value of investments | 4,950,449,148 | 748,748,724 | 592,680,738 |
| Cash | 2,271,240 | 132,659 | — |
| Receivables: | | | |
| Due from custodian (Note 4) | 24,417 | 74,707 | — |
| Dividends and interest | 19,545,659 | 1,350,851 | 592,186 |
| Total Assets | <u>4,972,290,464</u> | <u>750,306,941</u> | <u>593,272,924</u> |
| LIABILITIES | | | |
| Payables: | | | |
| Investment securities purchased | 24,417 | 753,627 | 106,053 |
| Collateral for securities on loan (Note 1) | 359,792,013 | 1,312,677 | 72,516,457 |
| Capital shares redeemed | 2,284,001 | — | 682,478 |
| Investment advisory fees (Note 2) | 1,667,944 | 283,603 | 199,876 |
| Total Liabilities | <u>363,768,375</u> | <u>2,349,907</u> | <u>73,504,864</u> |
| NET ASSETS | <u>\$4,608,522,089</u> | <u>\$747,957,034</u> | <u>\$ 519,768,060</u> |
| Net assets consist of: | | | |
| Paid-in capital | \$5,038,656,506 | \$750,233,241 | \$ 799,162,575 |
| Undistributed net investment income | — | 837,493 | — |
| Accumulated net realized loss | (46,229,256) | (30,834,095) | (200,504,085) |
| Net unrealized appreciation (depreciation) | (383,905,161) | 27,720,395 | (78,890,430) |
| NET ASSETS | <u>\$4,608,522,089</u> | <u>\$747,957,034</u> | <u>\$ 519,768,060</u> |
| Shares outstanding ^b | <u>58,700,000</u> | <u>16,700,000</u> | <u>16,050,000</u> |
| Net asset value per share | <u>\$ 78.51</u> | <u>\$ 44.79</u> | <u>\$ 32.38</u> |

^a Securities on loan with values of \$353,472,189, \$1,271,171 and \$69,085,202, respectively. See Note 1.

^b No par value, unlimited number of shares authorized.

See notes to financial statements.

Statements of Operations (Continued)

iSHARES® TRUST

Year ended March 31, 2017

| | iShares U.S. Real Estate ETF | iShares U.S. Regional Banks ETF | iShares U.S. Telecommunications ETF |
|---|------------------------------------|---------------------------------------|---|
| NET INVESTMENT INCOME | | | |
| Dividends — unaffiliated ^a | \$ 140,738,782 | \$ 9,164,376 | \$ 12,769,391 |
| Dividends — affiliated (Note 2) | 16,215 | 1,014,320 | 2,497 |
| Securities lending income — affiliated — net (Note 2) | <u>1,047,877</u> | <u>12,426</u> | <u>2,319,829</u> |
| Total investment income | <u>141,802,874</u> | <u>10,191,122</u> | <u>15,091,717</u> |
| EXPENSES | | | |
| Investment advisory fees (Note 2) | <u>19,498,607</u> | <u>2,012,427</u> | <u>2,710,372</u> |
| Total expenses | <u>19,498,607</u> | <u>2,012,427</u> | <u>2,710,372</u> |
| Net investment income | <u>122,304,267</u> | <u>8,178,695</u> | <u>12,381,345</u> |
| NET REALIZED AND UNREALIZED GAIN (LOSS) | | | |
| Net realized gain (loss) from: | | | |
| Investments — unaffiliated | (157,929,154) | (1,626,449) | (18,241,477) |
| Investments — affiliated (Note 2) | 14,991 | (255,853) | (3,297,274) |
| In-kind redemptions — unaffiliated | 302,276,879 | 30,923,936 | 93,929,817 |
| In-kind redemptions — affiliated (Note 2) | — | 3,777,249 | (2,680,340) |
| Realized gain distributions from affiliated funds | <u>119</u> | <u>17</u> | <u>28</u> |
| Net realized gain | <u>144,362,835</u> | <u>32,818,900</u> | <u>69,710,754</u> |
| Net change in unrealized appreciation/depreciation | <u>(104,336,258)</u> | <u>80,922,975</u> | <u>(48,851,291)</u> |
| Net realized and unrealized gain | <u>40,026,577</u> | <u>113,741,875</u> | <u>20,859,463</u> |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$ 162,330,844</u> | <u>\$121,920,570</u> | <u>\$ 33,240,808</u> |

^a Net of foreign withholding tax of \$ —, \$8,157 and \$ —, respectively.

See notes to financial statements.

Statements of Changes in Net Assets (Continued)

iSHARES® TRUST

| | <i>iShares U.S. Real Estate ETF</i> | | |
|---|---|---|------------------------------|
| | Year ended March 31, 2017 | Period from May 1, 2015 to March 31, 2016 ^a | Year ended April 30, 2015 |
| INCREASE (DECREASE) IN NET ASSETS | | | |
| OPERATIONS: | | | |
| Net investment income | \$ 122,304,267 | \$ 109,014,079 | \$ 137,033,417 |
| Net realized gain | 144,362,835 | 427,424 | 777,665,156 |
| Net change in unrealized appreciation/depreciation | (104,336,258) | 186,505,072 | (310,943,554) |
| Net increase in net assets resulting from operations | <u>162,330,844</u> | <u>295,946,575</u> | <u>603,755,019</u> |
| DISTRIBUTIONS TO SHAREHOLDERS: | | | |
| From net investment income | (182,863,277) | (150,743,219) | (177,990,317) |
| From net realized gain | — | (34,165,146) | (10,391,973) |
| Total distributions to shareholders | <u>(182,863,277)</u> | <u>(184,908,365)</u> | <u>(188,382,290)</u> |
| CAPITAL SHARE TRANSACTIONS: | | | |
| Proceeds from shares sold | 16,590,501,935 | 17,077,452,277 | 25,380,070,070 |
| Cost of shares redeemed | (16,427,827,097) | (17,659,606,099) | (25,405,340,051) |
| Net increase (decrease) in net assets from capital share transactions | <u>162,674,838</u> | <u>(582,153,822)</u> | <u>(25,269,981)</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>142,142,405</u> | <u>(471,115,612)</u> | <u>390,102,748</u> |
| NET ASSETS | | | |
| Beginning of period | <u>4,466,379,684</u> | <u>4,937,495,296</u> | <u>4,547,392,548</u> |
| End of period | <u>\$ 4,608,522,089</u> | <u>\$ 4,466,379,684</u> | <u>\$ 4,937,495,296</u> |
| SHARES ISSUED AND REDEEMED | | | |
| Shares sold | 210,800,000 | 231,600,000 | 338,000,000 |
| Shares redeemed | (209,450,000) | (239,700,000) | (337,750,000) |
| Net increase (decrease) in shares outstanding | <u>1,350,000</u> | <u>(8,100,000)</u> | <u>250,000</u> |

^a The Fund's fiscal year-end was changed from April 30 to March 31.

See notes to financial statements.

Financial Highlights (Continued)

iSHARES® TRUST

(For a share outstanding throughout each period)

iShares U.S. Real Estate ETF

| | Year ended Mar. 31, 2017 | Period from May 1, 2015 to Mar. 31, 2016 ^a | Year ended Apr. 30, 2015 | Year ended Apr. 30, 2014 | Year ended Apr. 30, 2013 | Year ended Apr. 30, 2012 |
|---|-----------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net asset value, beginning of period | \$ 77.88 | \$ 75.44 | \$ 69.75 | \$ 73.45 | \$ 63.90 | \$ 62.15 |
| Income from investment operations: | | | | | | |
| Net investment income ^b | 2.19 | 1.84 | 1.92 | 2.03 | 2.07 | 1.81 |
| Net realized and unrealized gain (loss) ^c | 1.67 | 3.79 | 6.47 | (3.16) | 9.93 | 2.15 |
| Total from investment operations | 3.86 | 5.63 | 8.39 | (1.13) | 12.00 | 3.96 |
| Less distributions from: | | | | | | |
| Net investment income | (3.23) | (2.60) | (2.55) | (2.49) | (2.45) | (2.21) |
| Net realized gain | — | (0.59) | (0.15) | (0.08) | — | — |
| Total distributions | (3.23) | (3.19) | (2.70) | (2.57) | (2.45) | (2.21) |
| Net asset value, end of period | \$ 78.51 | \$ 77.88 | \$ 75.44 | \$ 69.75 | \$ 73.45 | \$ 63.90 |
| Total return | 5.03% | 7.77% ^d | 12.14% | (1.23)% | 19.35% | 6.84% |
| Ratios/Supplemental data: | | | | | | |
| Net assets, end of period (000s) | \$4,608,522 | \$4,466,380 | \$4,937,495 | \$4,547,393 | \$5,769,209 | \$3,926,945 |
| Ratio of expenses to average net assets ^e | 0.44% | 0.44% | 0.43% | 0.45% | 0.46% | 0.47% |
| Ratio of net investment income to average net assets ^e | 2.77% | 2.72% | 2.55% | 3.04% | 3.16% | 3.11% |
| Portfolio turnover rate ^f | 18% | 13% ^d | 21% | 27% | 16% | 14% |

^a The Fund's fiscal year-end was changed from April 30 to March 31.

^b Based on average shares outstanding throughout each period.

^c The amounts reported for a share outstanding may not accord with the change in aggregate gains and losses in securities for the fiscal period due to the timing of capital share transactions in relation to the fluctuating market values of the Fund's underlying securities.

^d Not annualized.

^e Annualized for periods of less than one year.

^f Portfolio turnover rates exclude portfolio securities received or delivered as a result of processing capital share transactions in Creation Units.

See notes to financial statements.

Notes to Financial Statements

iSHARES® TRUST

iShares Trust (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Trust was established as a Delaware statutory trust pursuant to an Agreement and Declaration of Trust dated December 16, 1999.

These financial statements relate only to the following funds (each, a “Fund,” and collectively, the “Funds”):

| <i>iShares ETF</i> | <i>Diversification Classification</i> | <i>iShares ETF</i> | <i>Diversification Classification</i> |
|--|---|---|---|
| U.S. Aerospace & Defense | Non-diversified | U.S. Oil & Gas Exploration & Production | Non-diversified |
| U.S. Broker-Dealers Securities Exchanges | Non-diversified | U.S. Oil Equipment & Services | Non-diversified |
| U.S. Healthcare Providers | Non-diversified | U.S. Pharmaceuticals | Non-diversified |
| U.S. Home Construction | Non-diversified | U.S. Real Estate | Diversified |
| U.S. Insurance | Non-diversified | U.S. Regional Banks | Non-diversified |
| U.S. Medical Devices | Non-diversified | U.S. Telecommunications | Non-diversified |

The investment objective of each Fund is to seek investment results that correspond generally to the price and yield performance, before fees and expenses, of its underlying index. The investment adviser uses a “passive” or index approach to try to achieve each Fund’s investment objective.

Pursuant to the Trust’s organizational documents, the Funds’ officers and trustees are indemnified against certain liabilities that may arise out of the performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

1. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Each Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies.

SECURITY VALUATION

Each Fund’s investments are valued at fair value each day that the Fund’s listing exchange is open and, for financial reporting purposes, as of the report date should the reporting period end on a day that the Fund’s listing exchange is not open. U.S. GAAP defines fair value as the price a fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The BlackRock Global Valuation Methodologies Committee (the “Global Valuation Committee”) provides oversight of the valuation of investments for the Funds. The investments of each Fund are valued pursuant to policies and procedures developed by the Global Valuation Committee and approved by the Board of Trustees of the Trust (the “Board”).

- Equity investments traded on a recognized securities exchange are valued at that day’s last reported trade price or the official closing price, as applicable, on the exchange where the stock is primarily traded. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last traded price.
- Open-end U.S. mutual funds (including money market funds) are valued at that day’s published net asset value (“NAV”).

Notes to Financial Statements (Continued)

iSHARES® TRUST

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the fair value of such investment or if a price is not available, the investment will be valued by the Global Valuation Committee, in accordance with policies approved by the Board. The fair valuation approaches that may be utilized by the Global Valuation Committee to determine fair value include market approach, income approach and the cost approach. The valuation techniques used under these approaches take into consideration factors that include but are not limited to (i) attributes specific to the investment; (ii) the principal market for the investment; (iii) the customary participants in the principal market for the investment; (iv) data assumptions by market participants for the investment, if reasonably available; (v) quoted prices for similar investments in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and/or default rates. Valuations based on such factors are reported to the Board on a quarterly basis.

The Global Valuation Committee employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Trust's pricing vendors, a regular review of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices, reviews of large movements in market values, and reviews of market related activity.

Fair value pricing could result in a difference between the prices used to calculate a Fund's NAV and the prices used by the Fund's underlying index, which in turn could result in a difference between the Fund's performance and the performance of the Fund's underlying index.

Various inputs are used in determining the fair value of financial instruments. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered to be active, inputs other than quoted prices that are observable for the asset or liability (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs; and
- Level 3 — Unobservable inputs for the asset or liability based on the best information available in the circumstances, to the extent observable inputs are not available, including the Global Valuation Committee's assumptions used in determining the fair value of investments.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgement exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy for each Fund's investments is included in its schedule of investments.

Changes in valuation techniques may result in transfers in or out of an assigned level within the fair value hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of values determined for financial instruments are based on the pricing transparency of the financial instruments and are not necessarily an indication of the risks associated with investing in those securities.

Notes to Financial Statements (Continued)

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SECURITY TRANSACTIONS AND INCOME RECOGNITION

Security transactions are accounted for on trade date. Dividend income and capital gain distributions, if any, are recognized on the ex-dividend date, net of any foreign taxes withheld at source. Any taxes withheld that are reclaimable from foreign tax authorities as of March 31, 2017 are reflected in tax reclaims receivable. Non-cash dividends received in the form of stock in an elective dividend, if any, are recorded as dividend income at fair value. Distributions received by the Funds may include a return of capital that is estimated by management. Such amounts are recorded as a reduction of the cost of investments or reclassified to capital gains. Interest income is accrued daily. Realized gains and losses on investment transactions are determined using the specific identification method.

U.S. real estate investment trusts (REITs) determine the tax character of their distributions annually and may characterize a portion of their distributions as a return of capital or capital gain. U.S. REIT distributions are initially recorded as dividend income on ex-dividend date and then re-designated as return of capital and/or capital gain distributions at the end of the reporting period based on information provided by the REIT or management's estimates of such re-designations when actual information has not yet been reported.

DISTRIBUTIONS TO SHAREHOLDERS

Dividends and distributions paid by each Fund are recorded on the ex-dividend dates. Distributions are determined on a tax basis and may differ from net investment income and net realized capital gains for financial reporting purposes. Dividends and distributions are paid in U.S. dollars and cannot be automatically reinvested in additional shares of the Funds.

LOANS OF PORTFOLIO SECURITIES

Each Fund may lend its investment securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by an approved bank, or securities issued or guaranteed by the U.S. government. The initial collateral received by each Fund is required to have a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter at a value equal to at least 100% of the current value of the securities on loan. The market value of the loaned securities is determined at the close of each business day of the Funds. Any additional required collateral is delivered to the Funds and any excess collateral is returned by the Funds on the next business day. During the term of the loan, each Fund is entitled to all distributions made on or in respect of the loaned securities but does not receive interest income on securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

On October 11, 2016, BlackRock, Inc. ("BlackRock") implemented changes required by amendments to Rule 2a-7 under the 1940 Act, which governs the operations of U.S. money market funds. The Funds may be exposed to additional risks when reinvesting the cash collateral in money market funds that do not seek to maintain a stable NAV per share of \$1.00 and which may be subject to redemption gates or liquidity fees under certain circumstances.

Cash received as collateral for securities on loan may be reinvested in certain short-term instruments either directly on behalf of a fund or through one or more joint accounts or money market funds, including those managed by BlackRock Fund Advisors ("BFA"), the Funds' investment adviser, or its affiliates. As of March 31, 2017, any securities on loan were collateralized by cash and/or U.S. government obligations. Cash collateral received was invested in money market funds managed by BFA and is disclosed in the schedules of investments. Any non-cash collateral received cannot be sold, re-invested or pledged by the Fund, except in the event of borrower default. The securities on loan for each Fund are also disclosed in its schedule of investments.

Notes to Financial Statements (Continued)

iSHARES® TRUST

The total value of any securities on loan as of March 31, 2017 and the total value of the related cash collateral are disclosed in the statements of assets and liabilities. Income earned by the Funds from securities lending is disclosed in the statements of operations.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Funds benefit from a borrower default indemnity provided by BlackRock. BlackRock's indemnity allows for full replacement of securities lent. Each Fund could suffer a loss if the value of the investments purchased with cash collateral falls below the value of the cash collateral received.

Securities lending transactions are entered into by the Funds under Master Securities Lending Agreements ("MSLA") which provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, a Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, the borrower can resell or re-pledge the loaned securities, and a Fund can reinvest cash collateral, or, upon an event of default, resell or re-pledge the collateral.

The following table is a summary of securities lending agreements which are subject to offset under an MSLA as of March 31, 2017:

| <i>iShares ETF and Counterparty</i> | <i>Market Value of Securities on Loan</i> | <i>Cash Collateral Received^a</i> | <i>Net Amount^b</i> |
|---|---|---|-----------------------------------|
| <i>U.S. Aerospace & Defense</i> | | | |
| Barclays Capital Inc. | \$ 3,149,975 | \$ 3,149,975 | \$ — |
| Citigroup Global Markets Inc. | 2,478,286 | 2,478,286 | — |
| Credit Suisse Securities (USA) LLC | 22,810,543 | 22,810,543 | — |
| Deutsche Bank Securities Inc. | 6,034,653 | 6,034,653 | — |
| Goldman Sachs & Co. | 14,511,337 | 14,511,337 | — |
| Jefferies LLC | 116,953 | 116,953 | — |
| JPMorgan Securities LLC | 9,701,385 | 9,701,385 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 427,588 | 427,588 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 14,606,831 | 14,606,831 | — |
| Nomura Securities International Inc. | 8,409 | 8,409 | — |
| State Street Bank & Trust Company | 3,011,730 | 3,011,730 | — |
| UBS AG | 1,625,028 | 1,625,028 | — |
| UBS Securities LLC | 2,634,007 | 2,634,007 | — |
| Wells Fargo Securities LLC | 34,185 | 34,185 | — |
| | <u>\$ 81,150,910</u> | <u>\$ 81,150,910</u> | <u>\$ —</u> |
| <i>U.S. Broker-Dealers & Securities Exchanges</i> | | | |
| JPMorgan Securities LLC | \$ 405,758 | \$ 405,758 | \$ — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 2,392 | 2,392 | — |
| Nomura Securities International Inc. | 40,152 | 40,152 | — |
| UBS Securities LLC | 4,485 | 4,485 | — |
| | <u>\$ 452,787</u> | <u>\$ 452,787</u> | <u>\$ —</u> |

Notes to Financial Statements (Continued)

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| <i>iShares ETF and Counterparty</i> | <i>Market Value of Securities on Loan</i> | <i>Cash Collateral Received^a</i> | <i>Net Amount^b</i> |
|---|---|---|-----------------------------------|
| <i>U.S. Healthcare Providers</i> | | | |
| BNP Paribas New York Branch | \$ 1,301,809 | \$ 1,301,809 | \$ — |
| Citigroup Global Markets Inc. | 773,131 | 773,131 | — |
| Credit Suisse Securities (USA) LLC | 2,342,350 | 2,342,350 | — |
| Deutsche Bank Securities Inc. | 2,519,208 | 2,519,208 | — |
| Goldman Sachs & Co. | 19,746,394 | 19,746,394 | — |
| JPMorgan Securities LLC | 5,031,110 | 5,031,110 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 1,263,830 | 1,263,830 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 2,359,009 | 2,359,009 | — |
| National Financial Services LLC | 360,360 | 360,360 | — |
| State Street Bank & Trust Company | 2,133,261 | 2,133,261 | — |
| UBS Securities LLC | 4,170,358 | 4,170,358 | — |
| Wells Fargo Securities LLC | 218,000 | 218,000 | — |
| | <u>\$ 42,218,820</u> | <u>\$ 42,218,820</u> | <u>\$ —</u> |
| <i>U.S. Home Construction</i> | | | |
| Barclays Capital Inc. | \$ 267,821 | \$ 267,821 | \$ — |
| BNP Paribas New York Branch | 226,974 | 226,974 | — |
| BNP Paribas Prime Brokerage Inc. | 800,276 | 800,276 | — |
| Citigroup Global Markets Inc. | 729,565 | 729,565 | — |
| Credit Suisse Securities (USA) LLC | 2,764,717 | 2,764,717 | — |
| Deutsche Bank Securities Inc. | 3,871,480 | 3,734,991 | (136,489) |
| Goldman Sachs & Co. | 2,838,010 | 2,809,931 | (28,079) |
| Jefferies LLC | 117,875 | 117,875 | — |
| JPMorgan Securities LLC | 36,485,422 | 36,485,422 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 1,734,824 | 1,710,035 | (24,789) |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 10,650,109 | 10,650,109 | — |
| National Financial Services LLC | 304,150 | 304,150 | — |
| Nomura Securities International Inc. | 6,969 | 6,969 | — |
| Scotia Capital (USA) Inc. | 47,000 | 47,000 | — |
| State Street Bank & Trust Company | 2,407,156 | 2,335,311 | (71,845) |
| UBS AG | 2,226,086 | 2,226,086 | — |
| UBS Securities LLC | 1,155,000 | 1,155,000 | — |
| | <u>\$ 66,633,434</u> | <u>\$ 66,372,232</u> | <u>\$ (261,202)</u> |
| <i>U.S. Insurance</i> | | | |
| JPMorgan Securities LLC | \$ 14,399 | \$ 14,399 | \$ — |

Notes to Financial Statements (Continued)

iSHARES® TRUST

| <i>iShares ETF and Counterparty</i> | <i>Market Value of Securities on Loan</i> | <i>Cash Collateral Received^a</i> | <i>Net Amount^b</i> |
|---|---|---|-----------------------------------|
| <i>U.S. Medical Devices</i> | | | |
| BNP Paribas Prime Brokerage Inc. | \$ 4,737,750 | \$ 4,737,750 | \$ — |
| BNP Paribas Prime Brokerage International Ltd. | 6,446,156 | 6,446,156 | — |
| Credit Suisse Securities (USA) LLC | 1,945,341 | 1,945,341 | — |
| Deutsche Bank Securities Inc. | 1,339,147 | 1,339,147 | — |
| Goldman Sachs & Co. | 3,321,266 | 3,321,266 | — |
| JPMorgan Securities LLC | 3,277,684 | 3,277,684 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 4,476,652 | 4,476,652 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 15,961,075 | 15,961,075 | — |
| National Financial Services LLC | 110,200 | 110,200 | — |
| State Street Bank & Trust Company | 7,511,992 | 7,511,992 | — |
| UBS Securities LLC | 4,489,847 | 4,489,847 | — |
| Wells Fargo Bank, National Association | 5,394,662 | 5,394,662 | — |
| Wells Fargo Securities LLC | 315,975 | 315,975 | — |
| | <u>\$ 59,327,747</u> | <u>\$ 59,327,747</u> | <u>\$ —</u> |
| <i>U.S. Oil & Gas Exploration & Production</i> | | | |
| Barclays Capital Inc. | \$ 4,535 | \$ 4,535 | \$ — |
| BNP Paribas Prime Brokerage Inc. | 2,407,396 | 2,407,396 | — |
| Citigroup Global Markets Inc. | 276,759 | 276,759 | — |
| Credit Suisse Securities (USA) LLC | 851,005 | 851,005 | — |
| Deutsche Bank Securities Inc. | 5,169,366 | 5,169,366 | — |
| HSBC Bank PLC | 450,064 | 450,064 | — |
| JPMorgan Securities LLC | 1,655,696 | 1,655,696 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 1,806,742 | 1,805,475 | (1,267) |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 757,202 | 757,202 | — |
| Nomura Securities International Inc. | 193,488 | 193,488 | — |
| UBS Securities LLC | 71,097 | 71,097 | — |
| | <u>\$ 13,643,350</u> | <u>\$ 13,642,083</u> | <u>\$ (1,267)</u> |
| <i>U.S. Oil Equipment & Services</i> | | | |
| BNP Paribas New York Branch | \$ 67,500 | \$ 67,500 | \$ — |
| BNP Paribas Prime Brokerage Inc. | 648,998 | 648,998 | — |
| Citigroup Global Markets Inc. | 1,757,984 | 1,757,984 | — |
| Credit Suisse Securities (USA) LLC | 8,612,353 | 8,612,353 | — |
| Deutsche Bank Securities Inc. | 554,727 | 551,175 | (3,552) |
| Goldman Sachs & Co. | 4,558,761 | 4,558,761 | — |
| JPMorgan Securities LLC | 4,231,932 | 4,231,932 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 447,181 | 447,181 | — |
| Scotia Capital (USA) Inc. | 102,060 | 102,060 | — |
| State Street Bank & Trust Company | 2,022 | 2,013 | (9) |
| UBS AG | 190 | 190 | — |
| | <u>\$ 20,983,708</u> | <u>\$ 20,980,147</u> | <u>\$ (3,561)</u> |

Notes to Financial Statements (Continued)

iSHARES® TRUST

| <i>iShares ETF and Counterparty</i> | <i>Market Value of Securities on Loan</i> | <i>Cash Collateral Received^a</i> | <i>Net Amount^b</i> |
|---|---|---|-----------------------------------|
| <i>U.S. Pharmaceuticals</i> | | | |
| Barclays Capital Inc. | \$ 976,685 | \$ 976,685 | \$ — |
| BNP Paribas New York Branch | 49,734 | 49,734 | — |
| BNP Paribas Prime Brokerage Inc. | 71,795 | 71,795 | — |
| BNP Paribas Prime Brokerage International Ltd. | 2,968,907 | 2,968,907 | — |
| Citigroup Global Markets Inc. | 7,000,552 | 7,000,552 | — |
| Credit Suisse Securities (USA) LLC | 12,493,616 | 12,493,616 | — |
| Deutsche Bank Securities Inc. | 10,870,122 | 10,870,122 | — |
| Goldman Sachs & Co. | 5,834,967 | 5,834,967 | — |
| Jefferies LLC | 710,259 | 710,259 | — |
| JPMorgan Securities LLC | 15,203,836 | 15,203,836 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 11,018,718 | 11,018,718 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 3,271,960 | 3,271,960 | — |
| National Financial Services LLC | 808,091 | 808,091 | — |
| Nomura Securities International Inc. | 67,580 | 67,580 | — |
| RBC Capital Markets LLC | 3,223,333 | 3,223,333 | — |
| State Street Bank & Trust Company | 14,521,528 | 14,521,528 | — |
| UBS AG | 1,410,562 | 1,410,562 | — |
| UBS Securities LLC | 6,530,285 | 6,530,285 | — |
| Wells Fargo Securities LLC | 4,930,604 | 4,930,604 | — |
| | <u>\$ 101,963,134</u> | <u>\$ 101,963,134</u> | <u>\$ —</u> |
| <i>U.S. Real Estate</i> | | | |
| Barclays Capital Inc. | \$ 18,942,366 | \$ 18,942,366 | \$ — |
| BNP Paribas New York Branch | 468,742 | 468,742 | — |
| BNP Paribas Prime Brokerage Inc. | 913,346 | 913,346 | — |
| Citigroup Global Markets Inc. | 6,184,712 | 6,184,712 | — |
| Credit Suisse Securities (USA) LLC | 7,749,278 | 7,749,278 | — |
| Deutsche Bank Securities Inc. | 72,771,054 | 72,771,054 | — |
| Goldman Sachs & Co. | 31,241,316 | 31,241,316 | — |
| HSBC Bank PLC | 13,809,900 | 13,809,900 | — |
| JPMorgan Securities LLC | 25,312,245 | 25,312,245 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 49,507,972 | 49,507,972 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 105,459,857 | 105,459,857 | — |
| National Financial Services LLC | 567,109 | 567,109 | — |
| Nomura Securities International Inc. | 772,003 | 772,003 | — |
| Scotia Capital (USA) Inc. | 4,697,946 | 4,697,946 | — |
| State Street Bank & Trust Company | 9,296,427 | 9,296,427 | — |
| UBS Securities LLC | 5,777,916 | 5,777,916 | — |
| | <u>\$ 353,472,189</u> | <u>\$ 353,472,189</u> | <u>\$ —</u> |

Notes to Financial Statements (Continued)

iSHARES® TRUST

| <i>iShares ETF and Counterparty</i> | <i>Market Value of Securities on Loan</i> | <i>Cash Collateral Received^a</i> | <i>Net Amount^b</i> |
|---|---|---|-----------------------------------|
| <i>U.S. Regional Banks</i> | | | |
| Goldman Sachs & Co. | \$ 42,977 | \$ 42,977 | \$ — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 1,228,194 | 1,228,194 | — |
| | <u>\$ 1,271,171</u> | <u>\$ 1,271,171</u> | <u>\$ —</u> |
| <i>U.S. Telecommunications</i> | | | |
| Barclays Capital Inc. | \$ 1,325,157 | \$ 1,325,157 | \$ — |
| BNP Paribas Prime Brokerage International Ltd. | 8,958,446 | 8,958,446 | — |
| Citigroup Global Markets Inc. | 1,669,386 | 1,669,386 | — |
| Credit Suisse Securities (USA) LLC | 13,831,788 | 13,831,788 | — |
| Deutsche Bank Securities Inc. | 6,615,677 | 6,615,677 | — |
| Goldman Sachs & Co. | 3,447,453 | 3,447,453 | — |
| HSBC Bank PLC | 218,489 | 218,489 | — |
| Jefferies LLC | 507,590 | 507,590 | — |
| JPMorgan Securities LLC | 17,942,630 | 17,942,630 | — |
| Merrill Lynch, Pierce, Fenner & Smith | 3,100,312 | 3,100,312 | — |
| Morgan Stanley & Co. LLC (U.S. Equity Securities Lending) | 8,211,894 | 8,211,894 | — |
| Nomura Securities International Inc. | 14,160 | 14,160 | — |
| UBS Securities LLC | 610,454 | 610,454 | — |
| Wells Fargo Securities LLC | 2,631,766 | 2,631,766 | — |
| | <u>\$ 69,085,202</u> | <u>\$ 69,085,202</u> | <u>\$ —</u> |

^a Collateral received in excess of the market value of securities on loan is not presented in this table. The total cash collateral received by each Fund is disclosed in the Fund's statement of assets and liabilities.

^b Additional collateral is delivered to the Funds on the next business day in accordance with the MSLA. The net amount would be subject to the borrower default indemnity in the event of default by a counterparty.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Pursuant to an Investment Advisory Agreement with the Trust, BFA manages the investment of each Fund's assets. BFA is a California corporation indirectly owned by BlackRock. Under the Investment Advisory Agreement, BFA is responsible for substantially all expenses of the Funds, except (i) interest and taxes; (ii) brokerage commissions and other expenses connected with the execution of portfolio transactions; (iii) distribution fees; (iv) the advisory fee payable to BFA; and (v) litigation expenses and any extraordinary expenses (in each case as determined by a majority of the independent Trustees).

For its investment advisory services to each Fund, BFA is entitled to an annual investment advisory fee, accrued daily and paid monthly by the Funds, based on each Fund's allocable portion of the aggregate of the average daily net assets of the Fund and certain other iShares funds, as follows:

| <i>Investment Advisory Fee</i> | <i>Aggregate Average Daily Net Assets</i> |
|--------------------------------|---|
| 0.48% | First \$10 billion |
| 0.43 | Over \$10 billion, up to and including \$20 billion |
| 0.38 | Over \$20 billion, up to and including \$30 billion |
| 0.34 | Over \$30 billion, up to and including \$40 billion |
| 0.33 | Over \$40 billion, up to and including \$50 billion |
| 0.31 | Over \$50 billion |

Notes to Financial Statements (Continued)

iSHARES® TRUST

The U.S. Securities and Exchange Commission (the “SEC”) has issued an exemptive order which permits BlackRock Institutional Trust Company, N.A. (“BTC”), an affiliate of BFA, to serve as securities lending agent for the Funds, subject to applicable conditions. As securities lending agent, BTC bears all operational costs directly related to securities lending. Each Fund is responsible for fees in connection with the investment of cash collateral received for securities on loan in a money market fund managed by BFA, however, BTC has agreed to reduce the amount of securities lending income it receives in order to effectively limit the collateral investment fees each Fund bears to an annual rate of 0.04% (the “collateral investment fees”). Securities lending income is equal to the total of income earned from the reinvestment of cash collateral, net of fees and other payments to and from borrowers of securities, and less the collateral investment fees. The Funds retain a portion of securities lending income and remit the remaining portion to BTC as compensation for its services as securities lending agent.

Pursuant to a securities lending agreement, each Fund retains 71.5% of securities lending income and the amount retained can never be less than 65% of the total of securities lending income plus the collateral investment fees. In addition, commencing the business day following the date that the aggregate securities lending income plus the collateral investment fees generated across all 1940 Act iShares exchange-traded funds (the “iShares ETF Complex”) in a given calendar year exceeds the aggregate securities lending income generated across the iShares ETF Complex in the calendar year 2013, each Fund, pursuant to a securities lending agreement, will retain for the remainder of that calendar year 75% of securities lending income and the amount retained can never be less than 65% of the total of securities lending income plus the collateral investment fees.

For the year ended March 31, 2017, the total of securities lending agent services and collateral investment fees paid were as follows:

| <i>iShares ETF</i> | <i>Fees Paid to BTC</i> | <i>iShares ETF</i> | <i>Fees Paid to BTC</i> |
|--|-----------------------------|---|-----------------------------|
| U.S. Aerospace & Defense | \$ 261,996 | U.S. Oil & Gas Exploration & Production | \$ 28,219 |
| U.S. Broker-Dealers & Securities Exchanges | 7,569 | U.S. Oil Equipment & Services | 67,994 |
| U.S. Healthcare Providers | 157,122 | U.S. Pharmaceuticals | 371,885 |
| U.S. Home Construction | 224,644 | U.S. Real Estate | 530,195 |
| U.S. Insurance | 81 | U.S. Regional Banks | 5,381 |
| U.S. Medical Devices | 104,792 | U.S. Telecommunications | 935,759 |

BlackRock Investments, LLC, an affiliate of BFA, is the distributor for each Fund. Pursuant to the distribution agreement, BFA is responsible for any fees or expenses for distribution services provided to the Funds.

Cross trading is the buying or selling of portfolio securities between funds to which BFA (or an affiliate) serves as investment adviser. At its regularly scheduled quarterly meetings, the Board reviews such transactions as of the most recent calendar quarter for compliance with the requirements and restrictions set forth by Rule 17a-7.

Notes to Financial Statements (Continued)

iSHARES® TRUST

For the year ended March 31, 2017, transactions executed by the Funds pursuant to Rule 17a-7 under the 1940 Act were as follows:

| <i>iShares ETF</i> | <i>Purchases</i> | <i>Sales</i> |
|--|------------------|--------------|
| U.S. Aerospace & Defense | \$27,038,825 | \$61,542,675 |
| U.S. Broker-Dealers & Securities Exchanges | 5,406,327 | 5,122,965 |
| U.S. Healthcare Providers | 23,518,507 | 32,643,325 |
| U.S. Home Construction | 30,946,666 | 30,595,774 |
| U.S. Insurance | 1,946,320 | 3,275,506 |
| U.S. Medical Devices | 33,520,199 | 73,543,078 |
| U.S. Oil & Gas Exploration & Production | 1,330,178 | 5,772,657 |
| U.S. Oil Equipment & Services | 15,849,092 | 30,433,123 |
| U.S. Pharmaceuticals | 32,615,665 | 56,921,638 |
| U.S. Real Estate | 8,994,430 | 40,085,284 |
| U.S. Regional Banks | 5,252,259 | 3,332,389 |
| U.S. Telecommunications | 34,349,128 | 38,696,466 |

Each Fund may invest its positive cash balances in certain money market funds managed by BFA or an affiliate. The income earned on these temporary cash investments is included in "Dividends – affiliated" in the statements of operations.

The PNC Financial Services Group, Inc. is the largest stockholder of BlackRock and is considered to be an affiliate of the Funds for 1940 Act purposes.

Certain trustees and officers of the Trust are also officers of BTC and/or BFA.

3. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments (excluding in-kind transactions and short-term investments) for the year ended March 31, 2017 were as follows:

| <i>iShares ETF</i> | <i>Purchases</i> | <i>Sales</i> |
|--|------------------|---------------|
| U.S. Aerospace & Defense | \$190,394,468 | \$185,448,030 |
| U.S. Broker-Dealers & Securities Exchanges | 23,186,736 | 26,553,854 |
| U.S. Healthcare Providers | 73,915,747 | 76,089,319 |
| U.S. Home Construction | 162,798,531 | 162,491,738 |
| U.S. Insurance | 18,505,057 | 16,040,166 |
| U.S. Medical Devices | 243,340,600 | 223,479,430 |
| U.S. Oil & Gas Exploration & Production | 29,501,397 | 29,976,056 |
| U.S. Oil Equipment & Services | 68,493,588 | 66,089,737 |
| U.S. Pharmaceuticals | 212,362,878 | 212,852,237 |
| U.S. Real Estate | 784,052,468 | 800,067,203 |
| U.S. Regional Banks | 27,969,538 | 28,375,864 |
| U.S. Telecommunications | 302,575,447 | 286,057,077 |

Notes to Financial Statements (Continued)

iSHARES® TRUST

In-kind transactions (see Note 4) for the year ended March 31, 2017 were as follows:

| <i>iShares ETF</i> | <i>In-kind Purchases</i> | <i>In-kind Sales</i> |
|--|------------------------------|--------------------------|
| U.S. Aerospace & Defense | \$ 1,968,040,051 | \$ 299,855,162 |
| U.S. Broker-Dealers & Securities Exchanges | 143,029,733 | 115,374,095 |
| U.S. Healthcare Providers | 404,925,262 | 597,709,923 |
| U.S. Home Construction | 1,536,237,000 | 1,790,208,740 |
| U.S. Insurance | 75,607,777 | 31,068,685 |
| U.S. Medical Devices | 1,086,024,173 | 1,105,609,878 |
| U.S. Oil & Gas Exploration & Production | 165,238,315 | 172,696,161 |
| U.S. Oil Equipment & Services | 41,225,186 | 59,674,304 |
| U.S. Pharmaceuticals | 331,822,510 | 314,893,289 |
| U.S. Real Estate | 16,149,523,195 | 15,967,925,090 |
| U.S. Regional Banks | 614,229,473 | 388,159,175 |
| U.S. Telecommunications | 1,147,739,620 | 1,205,348,461 |

4. CAPITAL SHARE TRANSACTIONS

Capital shares are issued and redeemed by each Fund only in aggregations of a specified number of shares or multiples thereof ("Creation Units") at NAV. Except when aggregated in Creation Units, shares of each Fund are not redeemable. Transactions in capital shares for each Fund are disclosed in detail in the statements of changes in net assets.

The consideration for the purchase of Creation Units of a fund in the Trust generally consists of the in-kind deposit of a designated portfolio of securities and a specified amount of cash. Certain funds in the Trust may be offered in Creation Units solely or partially for cash in U.S. dollars. Investors purchasing and redeeming Creation Units may pay a purchase transaction fee and a redemption transaction fee directly to State Street Bank and Trust Company, the Trust's administrator, to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units, including Creation Units for cash. Investors transacting in Creation Units for cash may also pay an additional variable charge to compensate the relevant fund for certain transaction costs (i.e., stamp taxes, taxes on currency or other financial transactions, and brokerage costs) and market impact expenses relating to investing in portfolio securities. Such variable charges, if any, are included in "Proceeds from shares sold" in the statements of changes in net assets.

From time to time, settlement of securities related to in-kind contributions or in-kind redemptions may be delayed. In such cases, securities related to in-kind contributions are reflected as "Due from custodian" and securities related to in-kind redemptions are reflected as "Securities related to in-kind transactions" in the statements of assets and liabilities.

5. PRINCIPAL RISKS

In the normal course of business, each Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The significant types of financial risks each Fund is exposed to include market risk and credit risk. Each Fund's prospectus provides details of these and other types of risk.

BFA uses a "passive" or index approach to try to achieve each Fund's investment objective following the securities included in its underlying index during upturns as well as downturns. BFA does not take steps to reduce market exposure or to lessen the effects of a declining market. Divergence from the underlying index and the composition of the portfolio is monitored by BFA.

Notes to Financial Statements (Continued)

iSHARES® TRUST

MARKET RISK

Market risk arises mainly from uncertainty about future values of financial instruments influenced by price, currency and interest rate movements. It represents the potential loss a fund may suffer through holding market positions in the face of market movements. A fund is exposed to market risk by its investment in equity, fixed income and/or financial derivative instruments or by its investment in underlying funds. The fair value of securities held by a fund may decline due to general market conditions, economic trends or events that are not specifically related to the issuers of the securities including local, regional or global political, social or economic instability or to factors that affect a particular industry or group of industries. The extent of a fund's exposure to market risk is the market value of the investments held as shown in the fund's schedule of investments.

A diversified portfolio, where this is appropriate and consistent with a fund's objectives, minimizes the risk that a price change of a particular investment will have a material impact on the NAV of a fund. The investment concentrations within each Fund's portfolio are disclosed in its schedule of investments.

When a fund concentrates its investments in securities within a single or limited number of market sectors, it assumes the risk that economic, political and social conditions affecting those market sectors may have a significant impact on its investment performance.

CREDIT RISK

Credit risk is the risk that an issuer or guarantor of debt instruments or the counterparty to a financial transaction, including derivatives contracts, repurchase agreements or loans of portfolio securities, is unable or unwilling to make timely interest and/or principal payments or to otherwise honor its obligations. BFA and its affiliates manage counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose a fund to issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of a fund's exposure to credit and counterparty risks with respect to those financial assets is approximated by their value recorded in its statement of assets and liabilities.

6. INCOME TAX INFORMATION

Each Fund is treated as an entity separate from the Trust's other funds for federal income tax purposes. It is the policy of each Fund to qualify as a regulated investment company by complying with the provisions applicable to regulated investment companies, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, and to annually distribute substantially all of its ordinary income and any net capital gains (taking into account any capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income and excise taxes. Accordingly, no provision for federal income taxes is required.

U.S. GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or NAV per share. The following permanent differences as of March 31, 2017, attributable to the characterization of corporate actions, passive foreign investment companies, the expiration of capital loss

Notes to Financial Statements (Continued)

iSHARES® TRUST

carryforwards, distributions paid in excess of taxable income and realized gains (losses) from in-kind redemptions, were reclassified to the following accounts:

| <i>iShares ETF</i> | <i>Paid-in Capital</i> | <i>Undistributed Net Investment Income/Distributions in Excess of Net Investment Income</i> | <i>Undistributed Net Realized Gain/Accumulated Net Realized Loss</i> |
|--|------------------------|---|--|
| U.S. Aerospace & Defense | \$ 39,871,642 | \$ 611,224 | \$ (40,482,866) |
| U.S. Broker-Dealers & Securities Exchanges | (15,739,265) | (1,173) | 15,740,438 |
| U.S. Healthcare Providers | 15,323,921 | 20 | (15,323,941) |
| U.S. Home Construction | (7,071,884) | 83,691 | 6,988,193 |
| U.S. Insurance | (3,660,646) | 13 | 3,660,633 |
| U.S. Medical Devices | 170,963,090 | 65 | (170,963,155) |
| U.S. Oil & Gas Exploration & Production | (21,866,999) | 372,054 | 21,494,945 |
| U.S. Oil Equipment & Services | (5,003,762) | 143,459 | 4,860,303 |
| U.S. Pharmaceuticals | 29,709,912 | 242,558 | (29,952,470) |
| U.S. Real Estate | 98,729,483 | 60,559,010 | (159,288,493) |
| U.S. Regional Banks | 16,536,517 | 16 | (16,536,533) |
| U.S. Telecommunications | 29,768,592 | 2,720,820 | (32,489,412) |

The tax character of distributions paid during the year ended March 31, 2017, the period ended March 31, 2016 and the year ended April 30, 2015 was as follows:

| <i>iShares ETF</i> | <i>Year ended March 31, 2017</i> | <i>Period ended March 31, 2016</i> | <i>Year ended April 30, 2015</i> |
|--|----------------------------------|------------------------------------|----------------------------------|
| <i>U.S. Aerospace & Defense</i> | | | |
| Ordinary income | \$ 16,364,471 | \$ 5,285,595 | \$ 6,856,073 |
| <i>U.S. Broker-Dealers & Securities Exchanges</i> | | | |
| Ordinary income | \$ 2,445,716 | \$ 3,991,778 | \$ 2,734,450 |
| <i>U.S. Healthcare Providers</i> | | | |
| Ordinary income | \$ 1,428,033 | \$ 1,650,108 | \$ 1,120,709 |
| <i>U.S. Home Construction</i> | | | |
| Ordinary income | \$ 5,464,226 | \$ 7,346,056 | \$ 6,271,832 |
| <i>U.S. Insurance</i> | | | |
| Ordinary income | \$ 2,068,942 | \$ 2,116,844 | \$ 2,060,135 |
| <i>U.S. Medical Devices</i> | | | |
| Ordinary income | \$ 6,450,708 | \$ 9,457,464 | \$ 5,290,800 |
| <i>U.S. Oil & Gas Exploration & Production</i> | | | |
| Ordinary income | \$ 3,834,069 | \$ 6,780,931 | \$ 6,133,730 |

Notes to Financial Statements (Continued)

iSHARES® TRUST

| <i>iShares ETF</i> | <i>Year ended March 31, 2017</i> | <i>Period ended March 31, 2016</i> | <i>Year ended April 30, 2015</i> |
|--|--------------------------------------|--|--------------------------------------|
| <i>U.S. Oil Equipment & Services</i> | | | |
| Ordinary income | \$ 2,072,483 | \$ 5,049,972 | \$ 7,180,947 |
| <i>U.S. Pharmaceuticals</i> | | | |
| Ordinary income | \$ 6,054,440 | \$ 9,007,065 | \$ 8,914,234 |
| Long-term capital gain | — | 8,881,964 | 970,287 |
| | \$ 6,054,440 | \$ 17,889,029 | \$ 9,884,521 |
| <i>U.S. Real Estate</i> | | | |
| Ordinary income | \$ 182,863,277 | \$ 150,743,219 | \$ 177,990,317 |
| Long-term capital gain | — | 34,165,146 | 10,391,973 |
| | \$ 182,863,277 | \$ 184,908,365 | \$ 188,382,290 |
| <i>U.S. Regional Banks</i> | | | |
| Ordinary income | \$ 7,963,412 | \$ 10,060,282 | \$ 9,315,181 |
| <i>U.S. Telecommunications</i> | | | |
| Ordinary income | \$ 15,102,165 | \$ 10,401,869 | \$ 12,667,567 |

As of March 31, 2017, the tax components of accumulated net earnings (losses) were as follows:

| <i>iShares ETF</i> | <i>Undistributed Ordinary Income</i> | <i>Capital Loss Carryforwards</i> | <i>Net Unrealized Gains (Losses)^a</i> | <i>Total</i> |
|--|--|---|--|----------------|
| U.S. Aerospace & Defense | \$ — | \$ (29,653,924) | \$ 188,987,262 | \$ 159,333,338 |
| U.S. Broker-Dealers & Securities Exchanges | 52,126 | (39,728,896) | 6,073,257 | (33,603,513) |
| U.S. Healthcare Providers | 65,637 | (27,551,782) | (30,311,351) | (57,797,496) |
| U.S. Home Construction | — | (169,318,055) | 19,217,625 | (150,100,430) |
| U.S. Insurance | 92,146 | (5,438,624) | 17,033,401 | 11,686,923 |
| U.S. Medical Devices | 199,718 | (12,279,301) | 68,029,830 | 55,950,247 |
| U.S. Oil & Gas Exploration & Production | — | (68,071,256) | (119,453,220) | (187,524,476) |
| U.S. Oil Equipment & Services | — | (167,968,169) | (109,227,514) | (277,195,683) |
| U.S. Pharmaceuticals | — | (33,503,987) | (95,150,768) | (128,654,755) |
| U.S. Real Estate | — | (4,210,689) | (425,923,728) | (430,134,417) |
| U.S. Regional Banks | 837,493 | (29,524,013) | 26,410,313 | (2,276,207) |
| U.S. Telecommunications | — | (182,520,068) | (96,874,447) | (279,394,515) |

^a The difference between book-basis and tax-basis unrealized gains (losses) was attributable primarily to the tax deferral of losses on wash sales and the timing and recognition of partnership income.

Notes to Financial Statements (Continued)

iSHARES® TRUST

As of March 31, 2017, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

| <i>iShares ETF</i> | <i>Non-Expiring^a</i> | <i>Expiring 2018</i> | <i>Expiring 2019</i> | <i>Total</i> |
|--|---------------------------------|----------------------|----------------------|---------------|
| U.S. Aerospace & Defense | \$ 9,931,981 | \$ 18,274,518 | \$ 1,447,425 | \$ 29,653,924 |
| U.S. Broker-Dealers & Securities Exchanges | 19,676,652 | 17,785,438 | 2,266,806 | 39,728,896 |
| U.S. Healthcare Providers | 22,301,316 | 5,250,466 | — | 27,551,782 |
| U.S. Home Construction | 14,577,492 | 146,896,099 | 7,844,464 | 169,318,055 |
| U.S. Insurance | 671,826 | 2,305,872 | 2,460,926 | 5,438,624 |
| U.S. Medical Devices | — | 5,371,460 | 6,907,841 | 12,279,301 |
| U.S. Oil & Gas Exploration & Production | 51,063,414 | 9,040,459 | 7,967,383 | 68,071,256 |
| U.S. Oil Equipment & Services | 86,407,173 | 57,694,132 | 23,866,864 | 167,968,169 |
| U.S. Pharmaceuticals | 33,503,987 | — | — | 33,503,987 |
| U.S. Real Estate | 4,210,689 | — | — | 4,210,689 |
| U.S. Regional Banks | 9,286,131 | 19,012,829 | 1,225,053 | 29,524,013 |
| U.S. Telecommunications | 41,892,348 | 109,926,562 | 30,701,158 | 182,520,068 |

^a Must be utilized prior to losses subject to expiration.

For the year ended March 31, 2017, the following Funds utilized their capital loss carryforwards as follows:

| <i>iShares ETF</i> | <i>Utilized</i> |
|-------------------------|-----------------|
| U.S. Medical Devices | \$6,299,117 |
| U.S. Telecommunications | 5,157,970 |

The Funds may own shares in certain foreign investment entities, referred to, under U.S. tax law, as “passive foreign investment companies.” The Funds may elect to mark-to-market annually the shares of each passive foreign investment company and would be required to distribute to shareholders any such marked-to-market gains.

Management has analyzed tax laws and regulations and their application to the Funds as of March 31, 2017, inclusive of the open tax return years, and does not believe there are any uncertain tax positions that require recognition of a tax liability in the Funds’ financial statements.

7. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Funds through the date the financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.