

**2017年7月期 決算短信 (2016年8月1日~2017年7月31日)**  
Earnings Report for Fiscal Year ended July 2017 (August 1, 2016 – July 31, 2017)

2017年10月10日

October 10, 2017

ファンド名 iシェアーズ 先進国株ETF-JDR (MSCI コクサイ) 上場取引所 東  
 コード番号 1581 売買単位 1口  
 連動対象指標 MSCI KOKUSAI (コクサイ) インデックス  
 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  
 URL <http://www.blackrock.com/jp/products/269022/>  
 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 MSCI Kokusai ETF-JDR Listed Exchange: TSE  
 Code: 1581 Trading unit: 1 unit  
 Underlying indicator: MSCI Kokusai Index  
 Primary invested assets: Securities  
 Management co.: BlackRock Fund Advisors  
 URL: <http://www.blackrock.com/jp/products/269022/>  
 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 2018年1月

Scheduled date of submission of securities report: January 2018

**I ファンドの運用状況**

**I Fund Management**

1. 2017年7月期の運用状況 (2016年8月1日~2017年7月31日)

1. Management Status for Year Ended July 2017 (from August 1, 2016 to July 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 Amount	構成比 ratio	金額 Amount	構成比 ratio	金額 Amount	構成比 ratio
	百万円 JPY mil.	% %	百万円 JPY mil.	% %	百万円 JPY mil.	% %
2017年7月期 FY ended July 2017	37,571	100.97	△360	(0.97)	37,210	100.00
2016年7月期 FY ended July 2016	32,146	101.78	△563	(1.78)	31,582	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7月期 FY ended July 2017	5,200	4,800	4,600	5,400
2016年7月期 FY ended July 2016	6,400	400	1,600	5,200

## (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7月期 FY ended July 2017	37,690	479	37,210	6,890.82
2016年7月期 FY ended July 2016	32,223	640	31,582	6,073.64

## (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7月期 FY ended July 2017	694.38	0	154	540.38
2016年7月期 FY ended July 2016	594.38	110	10	694.38

## (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7月期 FY ended July 2017	1口当たり分配金 Dividend per unit	2016年7月期 FY ended July 2016	1口当たり分配金 Dividend per unit
※1	円 JPY	※1	円 JPY
2016年12月23日 December 23, 2016	※2 税率(Tax Rate)10% : 68 税率(Tax Rate)30% : 53	2015年12月23日 December 23, 2015	※2 税率(Tax Rate)10% : 76 税率(Tax Rate)30% : 59
2017年6月22日 June 22, 2017	※2 税率(Tax Rate)10% : 93 税率(Tax Rate)30% : 72	2016年6月24日 June 24, 2016	※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49

※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=112.78円の換算率(2017年10月2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 = ¥ 112.78 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on October 2, 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 MSCI ACWI Low Carbon Target ETF | CRBN | NYSE Arca
- ▶ iShares MSCI All Country Asia ex Japan ETF | AAXJ | NASDAQ
- ▶ iShares MSCI Europe Financials ETF | EUFN | NASDAQ
- ▶ iShares MSCI Kokusai ETF | TOK | NYSE Arca

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# Statements of Assets and Liabilities (Continued)

## iSHARES® TRUST

July 31, 2017

iShares  
MSCI Kokusai  
ETF

### ASSETS

Investments, at cost:	
Unaffiliated	\$333,550,156
Affiliated (Note 2)	4,997,058
Total cost of investments	<u>\$338,547,214</u>
Investments in securities, at fair value (including securities on loan <sup>a</sup> ) (Note 1):	
Unaffiliated	\$328,057,309
Affiliated (Note 2)	5,081,628
Total fair value of investments	333,138,937
Foreign currency, at value <sup>b</sup>	319,828
Cash	134,776
Receivables:	
Investment securities sold	108,442
Dividends and interest	209,884
Tax reclaims	215,288
Foreign withholding tax claims (Note 8)	64,747
Total Assets	<u>\$334,191,902</u>

### LIABILITIES

Payables:	
Investment securities purchased	405,822
Collateral for securities on loan (Note 1)	3,801,532
Professional fees (Note 8)	647
Investment advisory fees (Note 2)	45,530
Proxy fees	76
Total Liabilities	<u>4,253,607</u>

NET ASSETS \$329,938,295

### Net assets consist of:

Paid-in capital	\$348,889,084
Undistributed net investment income	214,504
Accumulated net realized loss	(13,769,332)
Net unrealized depreciation	(5,395,961)
NET ASSETS	<u>\$329,938,295</u>

Shares outstanding<sup>c</sup> 5,400,000

Net asset value per share \$ 61.10

<sup>a</sup> Securities on loan with a value of \$3,638,480. See Note 1.

<sup>b</sup> Cost of foreign currency: \$316,691.

<sup>c</sup> No par value, unlimited number of shares authorized.

See notes to financial statements.

# Statements of Operations (Continued)

## iSHARES® TRUST

Year ended July 31, 2017

iShares  
MSCI Kokusai  
ETF

### NET INVESTMENT INCOME

Dividends — unaffiliated <sup>a</sup>	\$ 5,099,012
Dividends — affiliated (Note 2)	15,010
Securities lending income — affiliated — net (Note 2)	28,770
Foreign withholding tax claims (Note 8)	64,747
	<u>5,207,539</u>
Less: Other foreign taxes (Note 1)	(130)
Total investment income	<u>5,207,409</u>

### EXPENSES

Investment advisory fees (Note 2)	491,490
Proxy fees	3,894
Professional fees (Note 8)	647
	<u>496,031</u>
Total expenses	<u>496,031</u>
Net investment income	<u>4,711,378</u>

### NET REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:	
Investments — unaffiliated	(763,221)
Investments — affiliated (Note 2)	4,395
In-kind redemptions — unaffiliated	70,922,926
In-kind redemptions — affiliated (Note 2)	344,929
Foreign currency transactions	20,251
Realized gain distributions from affiliated funds	21
	<u>70,529,301</u>
Net realized gain	<u>70,529,301</u>
Net change in unrealized appreciation/depreciation on:	
Investments	(45,365,301)
Translation of assets and liabilities in foreign currencies	14,578
	<u>(45,350,723)</u>
Net change in unrealized appreciation/depreciation	<u>(45,350,723)</u>
Net realized and unrealized gain	<u>25,178,578</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 29,889,956</u>

<sup>a</sup> Net of foreign withholding tax of \$205,030.

See notes to financial statements.

# Statements of Changes in Net Assets (Continued)

## iSHARES® TRUST

	<i>iShares</i> <i>MSCI Europe</i> <i>Financials ETF</i>		<i>iShares</i> <i>MSCI Kokusai</i> <i>ETF</i>	
	Year ended July 31, 2017	Year ended July 31, 2016	Year ended July 31, 2017	Year ended July 31, 2016
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
<b>OPERATIONS:</b>				
Net investment income	\$ 30,644,133	\$ 10,061,118	\$ 4,711,378	\$ 6,752,124
Net realized gain (loss)	31,361,961	(25,325,175)	70,529,301	11,230,624
Net change in unrealized appreciation/depreciation	<u>212,380,162</u>	<u>(79,038,823)</u>	<u>(45,350,723)</u>	<u>(23,652,066)</u>
Net increase (decrease) in net assets resulting from operations	<u>274,386,256</u>	<u>(94,302,880)</u>	<u>29,889,956</u>	<u>(5,669,318)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>				
From net investment income	<u>(31,598,804)</u>	<u>(10,373,542)</u>	<u>(4,810,056)</u>	<u>(8,020,664)</u>
Total distributions to shareholders	<u>(31,598,804)</u>	<u>(10,373,542)</u>	<u>(4,810,056)</u>	<u>(8,020,664)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>				
Proceeds from shares sold	1,206,080,159	287,189,590	289,837,708	20,052,122
Cost of shares redeemed	<u>(284,535,378)</u>	<u>(180,848,510)</u>	<u>(265,019,768)</u>	<u>(80,435,693)</u>
Net increase (decrease) in net assets from capital share transactions	<u>921,544,781</u>	<u>106,341,080</u>	<u>24,817,940</u>	<u>(60,383,571)</u>
INCREASE (DECREASE) IN NET ASSETS	1,164,332,233	1,664,658	49,897,840	(74,073,553)
<b>NET ASSETS</b>				
Beginning of year	<u>447,061,604</u>	<u>445,396,946</u>	<u>280,040,455</u>	<u>354,114,008</u>
End of year	<u>\$1,611,393,837</u>	<u>\$ 447,061,604</u>	<u>\$ 329,938,295</u>	<u>\$280,040,455</u>
Undistributed (distributions in excess of) net investment income included in net assets at end of year	<u>\$ (381,976)</u>	<u>\$ (94,884)</u>	<u>\$ 214,504</u>	<u>\$ 89,765</u>
<b>SHARES ISSUED AND REDEEMED</b>				
Shares sold	57,600,000	17,850,000	4,800,000	400,000
Shares redeemed	<u>(15,400,000)</u>	<u>(9,300,000)</u>	<u>(4,600,000)</u>	<u>(1,600,000)</u>
Net increase (decrease) in shares outstanding	<u>42,200,000</u>	<u>8,550,000</u>	<u>200,000</u>	<u>(1,200,000)</u>

See notes to financial statements.

# Financial Highlights (Continued)

## iSHARES® TRUST

(For a share outstanding throughout each period)

	<i>iShares MSCI Kokusai ETF</i>				
	Year ended Jul. 31, 2017	Year ended Jul. 31, 2016	Year ended Jul. 31, 2015	Year ended Jul. 31, 2014	Year ended Jul. 31, 2013
<b>Net asset value, beginning of year</b>	\$ 53.85	\$ 55.33	\$ 54.13	\$ 47.63	\$ 39.67
<b>Income from investment operations:</b>					
Net investment income <sup>a</sup>	1.36 <sup>b</sup>	1.22	1.21	1.33	1.10
Net realized and unrealized gain (loss) <sup>c</sup>	7.49	(1.24)	1.36	6.64	8.03
Total from investment operations	8.85	(0.02)	2.57	7.97	9.13
<b>Less distributions from:</b>					
Net investment income	(1.60)	(1.46)	(1.37)	(1.47)	(1.17)
Total distributions	(1.60)	(1.46)	(1.37)	(1.47)	(1.17)
<b>Net asset value, end of year</b>	\$ 61.10	\$ 53.85	\$ 55.33	\$ 54.13	\$ 47.63
<b>Total return</b>	16.62% <sup>b</sup>	0.11%	4.80%	16.80%	23.26%
<b>Ratios/Supplemental data:</b>					
Net assets, end of year (000s)	\$329,938	\$280,040	\$354,114	\$487,142	\$562,059
Ratio of expenses to average net assets	0.25%	0.25%	0.25%	0.25%	0.25%
Ratio of expenses to average net assets excluding professional fees for foreign withholding tax claims (Note 8)	0.25%	n/a	n/a	n/a	n/a
Ratio of net investment income to average net assets	2.40% <sup>b</sup>	2.36%	2.20%	2.56%	2.50%
Portfolio turnover rate <sup>d</sup>	7%	5%	5%	5%	4%

<sup>a</sup> Based on average shares outstanding throughout each period.

<sup>b</sup> Reflects the positive effect of foreign withholding tax claims, net of the associated professional fees (See Note 8), which resulted in the following increases for the year ended July 31, 2017:

- Net investment income per share by \$0.02.
- Total return by 0.02%.
- Ratio of net investment income to average net assets by 0.03%.

<sup>c</sup> 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.

<sup>d</sup> 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*<sup>®</sup> 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”):

<u><i>iShares ETF</i></u>	<u><i>Diversification Classification</i></u>
MSCI ACWI Low Carbon Target	Non-diversified
MSCI All Country Asia ex Japan	Diversified
MSCI Europe Financials	Diversified
MSCI Kokusai	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.

The iShares MSCI All Country Asia ex Japan ETF carries out its investment strategies associated with investment in Indian securities by investing in a wholly-owned subsidiary in the Republic of Mauritius (the “Subsidiary”), which in turn invests in Indian securities included in the underlying index. The investment adviser of the Fund also serves as the investment adviser to the Subsidiary. Through this investment structure, the Fund expects to obtain certain benefits under a current tax treaty between Mauritius and India. The accompanying consolidated financial statements for the Fund include the accounts of the Subsidiary. Intercompany accounts and transactions, if any, have been eliminated.

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

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

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”).

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 inputs 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 inputs, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and/or default rates. Valuations based on such inputs 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 to valuation techniques are categorized into a fair value 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

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

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.

### **SECURITY TRANSACTIONS AND INCOME RECOGNITION**

Security transactions are accounted for on trade date. Realized gains and losses on investment transactions are determined using the specific identification method. 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 July 31, 2017 are reflected in tax reclaims receivable. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be re-designated as a reduction of cost of the related investment and/or realized gain. 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.

### **FOREIGN CURRENCY TRANSLATION**

The accounting records of the Funds are maintained in U.S. dollars. Foreign currencies, as well as investment securities and other assets and liabilities denominated in foreign currencies, are translated into U.S. dollars using exchange rates deemed appropriate by the investment adviser. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars on the respective dates of such transactions.

Each Fund does not isolate the effect of fluctuations in foreign exchange rates from the effect of fluctuations in the market prices of securities. Such fluctuations are reflected by the Funds as a component of realized and unrealized gains and losses from investments for financial reporting purposes. Each Fund reports realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are generally treated as ordinary income for U.S. federal income tax purposes.

### **FOREIGN TAXES**

The Funds may be subject to foreign taxes (a portion of which may be reclaimable) on income, stock dividends, capital gains on investments, or certain foreign currency transactions. All foreign taxes are recorded in accordance with the applicable foreign tax regulations and rates that exist in the foreign jurisdictions in which the Funds invest. These foreign taxes, if any, are paid by the Funds and are reflected in their statements of operations as follows: foreign taxes withheld at source are presented as a reduction of income, foreign taxes on securities lending income are presented as a reduction of securities lending income, foreign taxes on stock dividends are presented as "other foreign taxes", and foreign taxes on capital gains from sales of investments and foreign taxes on foreign currency transactions are included in their respective net realized gain (loss) categories. Foreign taxes payable or deferred as of July 31, 2017, if any, are disclosed in the Funds' statements of assets and liabilities.

The iShares MSCI All Country Asia ex Japan ETF conducts its investment activities in India through the Subsidiary and expects to obtain benefits under the Double Tax Avoidance Agreement ("DTAA") between India and Mauritius. In order to be eligible to

# Notes to Financial Statements (Continued)

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claim benefits under the DTAA, the Subsidiary must, on an annual basis, satisfy certain tests and conditions, including the establishment and maintenance of valid tax residence in Mauritius and related requirements. The Fund has obtained a current tax residence certificate issued by the Mauritian Revenue Authorities.

Based upon current interpretation and practice of the current tax laws in India and Mauritius and the DTAA, the Subsidiary is subject to tax in Mauritius on its net income at the rate of 15%. However, a system of tax credits effectively reduces the Mauritius income tax rate to a maximum of 3%. Taxes on income, if any, are paid by the Subsidiary and are disclosed in the consolidated statements of operations. Any dividends paid by the Subsidiary to the Fund are not subject to tax in Mauritius. The Subsidiary is currently exempt from tax in Mauritius on any gains from the sale of securities.

The DTAA provides that capital gains will be taxable in India with respect to the sale of shares acquired on or after April 1, 2017. Capital gains arising from shares acquired before April 1, 2017, regardless of when they are sold, will continue to be exempt from taxation under the amended DTAA, assuming requirements for eligibility under the DTAA are satisfied.

### **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.

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 July 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. The total value of any securities on loan as of July 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 loaned if the collateral received does not cover the value of the securities loaned in the event of borrower default. Each Fund could incur a loss if the value of an investment

# Notes to Financial Statements (Continued)

## iSHARES® TRUST

purchased with cash collateral falls below the value of the loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original 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 July 31, 2017:

<i>iShares ETF and Counterparty</i>	<i>Market Value of Securities on Loan</i>	<i>Cash Collateral Received<sup>a</sup></i>	<i>Net Amount<sup>b</sup></i>
<i>MSCI ACWI Low Carbon Target</i>			
BNP Paribas Prime Brokerage Inc.	\$ 102,367	\$ 102,367	\$ —
BNP Paribas Prime Brokerage International Ltd.	23,397	23,397	—
Citigroup Global Markets Inc.	1,110,043	1,110,043	—
Credit Suisse Securities (USA) LLC	922,226	922,226	—
Deutsche Bank Securities Inc.	376,665	376,665	—
Goldman Sachs & Co.	2,078,588	2,078,588	—
JPMorgan Securities LLC	639,068	639,068	—
Merrill Lynch, Pierce, Fenner & Smith	305,330	305,330	—
National Financial Services LLC	1,724	1,713	(11)
State Street Bank & Trust Company	3,687,039	3,687,039	—
UBS AG	327,854	327,854	—
	<u>\$ 9,574,301</u>	<u>\$ 9,574,290</u>	<u>\$ (11)</u>
<i>MSCI All Country Asia ex Japan</i>			
Citigroup Global Markets Inc.	\$ 875,303	\$ 875,303	\$ —
Credit Suisse Securities (USA) LLC	1,048,763	1,048,763	—
Deutsche Bank AG	14,647	14,647	—
Deutsche Bank Securities Inc.	4,286,946	4,286,946	—
Goldman Sachs & Co.	99,985,150	99,985,150	—
JPMorgan Securities LLC	17,317,276	17,317,276	—
Macquarie Bank Limited	9,188	9,188	—
Merrill Lynch, Pierce, Fenner & Smith	69,376,960	69,376,960	—
Morgan Stanley & Co. International PLC	2,072,619	2,072,619	—
Morgan Stanley & Co. LLC	19,893,821	19,893,821	—
State Street Bank & Trust Company	9,884,599	9,884,599	—
UBS AG	72,143	72,143	—
Wells Fargo Securities LLC	2,324	2,324	—
	<u>\$ 224,839,739</u>	<u>\$ 224,839,739</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<sup>a</sup></i>	<i>Net Amount<sup>b</sup></i>
<i>MSCI Kokusai</i>			
Barclays Capital Inc.	\$ 11,415	\$ 11,415	\$ —
BNP Paribas Prime Brokerage Inc.	17,049	17,049	—
BNP Paribas Prime Brokerage International Ltd.	22,561	22,561	—
Citigroup Global Markets Inc.	301,364	301,364	—
Credit Suisse Securities (USA) LLC	90,343	90,343	—
Goldman Sachs & Co.	221,265	221,265	—
HSBC Bank PLC	11,023	10,347	(676)
JPMorgan Securities LLC	234,246	234,246	—
Merrill Lynch, Pierce, Fenner & Smith	174,466	174,466	—
Morgan Stanley & Co. LLC	735,280	735,280	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	41,527	41,527	—
National Financial Services LLC	34,248	34,248	—
Nomura Securities International Inc.	64,895	64,895	—
Scotia Capital (USA) Inc.	87,757	87,757	—
State Street Bank & Trust Company	1,241,671	1,241,671	—
UBS AG	337,373	337,373	—
UBS Securities LLC	11,981	11,981	—
Wells Fargo Securities LLC	16	16	—
	\$ 3,638,480	\$ 3,637,804	\$ (676)

<sup>a</sup> 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.

<sup>b</sup> 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.

## RECENT ACCOUNTING STANDARD

The U.S. Securities and Exchange Commission ("SEC") adopted new rules and forms and amended other rules to enhance the reporting and disclosure of information by registered investment companies. As part of these changes, the SEC amended Regulation S-X to standardize and enhance disclosures in investment company financial statements. Implementation of the new or amended rules is required for reporting periods ending after August 1, 2017. Management has reviewed the requirements and believes the adoption of the amendments to Regulation S-X will not have a material impact on the Funds' financial statements and related disclosures.

## 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).

With respect to the iShares MSCI All Country Asia ex Japan ETF, the Subsidiary has entered into a separate contract with BFA under which BFA provides investment advisory services to the Subsidiary but does not receive separate compensation from the Subsidiary for providing it with such services. The Subsidiary has also entered into separate arrangements that provide for the

# Notes to Financial Statements (Continued)

## iSHARES® TRUST

provision of other services to the Subsidiary (including administrative, custody, transfer agency and other services), and BFA pays the costs and expenses related to the provision of those services.

Effective August 1, 2016, for its investment advisory services to the iShares MSCI ACWI Low Carbon Target ETF, BFA is entitled to an annual investment advisory fee of 0.20%, accrued daily and paid monthly by the Fund, based on the average daily net assets of the Fund. Prior to August 1, 2016, for its investment advisory services to the Fund, BFA was entitled to an annual investment advisory fee of 0.33% based on the average daily net assets of the Fund. The total of the investment advisory fee and acquired fund fees and expenses are a fund's total annual operating expenses. BFA contractually agreed to waive a portion of its investment advisory fees for the Fund through November 30, 2016 in order to limit total annual operating expenses to 0.20% of average daily net assets. The contractual waiver was terminated effective August 1, 2016, pursuant to a written agreement between the Trust and BFA, and in conjunction with the annual advisory fee reduction from 0.33% to 0.20%.

For its investment advisory services to each of the following Funds, BFA is entitled to an annual investment advisory fee, accrued daily and paid monthly by the Funds, based on the average daily net assets of each Fund as follows:

<i>iShares ETF</i>	<i>Investment Advisory Fee</i>
MSCI Europe Financials	0.48%
MSCI Kokusai	0.25

For its investment advisory services to the iShares MSCI All Country Asia ex Japan ETF, BFA is entitled to an annual investment advisory fee, accrued daily and paid monthly by the Fund, based on the 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>
0.75%	First \$14 billion
0.68	Over \$14 billion, up to and including \$28 billion
0.61	Over \$28 billion, up to and including \$42 billion
0.54	Over \$42 billion, up to and including \$56 billion
0.47	Over \$56 billion, up to and including \$70 billion
0.41	Over \$70 billion, up to and including \$84 billion
0.35	Over \$84 billion

In addition, the iShares MSCI All Country Asia ex Japan ETF may incur its pro rata share of fees and expenses attributable to its investments in other investment companies ("acquired fund fees and expenses"). BFA has contractually agreed to waive a portion of its investment advisory fees for the Fund through November 30, 2021 in an amount equal to the acquired fund fees and expenses, if any, attributable to the Fund's investments in other iShares funds.

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.

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

Pursuant to a securities lending agreement, each Fund retains 80% of securities lending income and the amount retained can never be less than 70% 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 85% of securities lending income and the amount retained can never be less than 70% of the total of securities lending income plus the collateral investment fees.

For the year ended July 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>
MSCI ACWI Low Carbon Target	\$ 13,785
MSCI All Country Asia ex Japan	413,568
MSCI Europe Financials	15,678
MSCI Kokusai	7,963

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.

For the year ended July 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>
MSCI All Country Asia ex Japan	\$13,899,966	\$14,568,650
MSCI Europe Financials	2,611,110	12,016,890
MSCI Kokusai	967,936	1,329,479

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.

The iShares MSCI All Country Asia ex Japan ETF, in order to improve its portfolio liquidity and its ability to track its underlying index, may invest in shares of other iShares funds that invest in securities in the Fund’s underlying index.

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

# Notes to Financial Statements (Continued)

## iSHARES® TRUST

### 3. INVESTMENT PORTFOLIO TRANSACTIONS

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

<i>iShares ETF</i>	<i>Purchases</i>	<i>Sales</i>
MSCI ACWI Low Carbon Target	\$ 47,107,091	\$ 38,643,515
MSCI All Country Asia ex Japan	895,253,351	349,328,172
MSCI Europe Financials	101,700,848	64,528,409
MSCI Kokusai	15,911,545	14,661,072

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

<i>iShares ETF</i>	<i>In-kind Purchases</i>	<i>In-kind Sales</i>
MSCI ACWI Low Carbon Target	\$ 137,387,440	\$ —
MSCI All Country Asia ex Japan	869,803,159	248,061,876
MSCI Europe Financials	1,150,546,229	273,237,384
MSCI Kokusai	285,054,652	260,449,490

### 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 invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer to meet all its obligations, including the ability to pay principal and interest when due (issuer credit risk). The value of securities may also be affected by one or all of the following: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

treaties between various countries; and (iv) currency, interest rate and price fluctuations. 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.

### **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.

Investing in the securities of non-U.S. issuers involves certain considerations and risks not typically associated with securities of U.S. issuers. Such risks include, but are not limited to: differences in accounting, auditing and financial reporting standards; more substantial governmental involvement in the economy; higher inflation rates, greater social, economic and political uncertainties; possible nationalization or expropriation of assets; less availability of public information about issuers; imposition of withholding or other taxes; higher transaction and custody costs and delays in settlement procedures; and lower level of regulation of the securities markets and issuers. Non-U.S. securities may be less liquid, more difficult to value, and have greater price volatility due to exchange rate fluctuations. These and other risks are heightened for investments in issuers from countries with less developed capital markets.

The economies and markets of European countries are often closely connected and interdependent, and events in one country in Europe can have an adverse impact on other European countries. The European financial markets have experienced volatility and adverse trends in recent years due to concerns about economic downturns or rising government debt levels in several European countries. These events have adversely affected the exchange rate of the euro and may continue to significantly affect European countries. The occurrence of terrorist incidents throughout Europe also could impact financial markets. In addition, the United Kingdom has voted to withdraw from the European Union. The referendum may introduce significant new uncertainties and instability in the financial markets as the United Kingdom negotiates its exit from the European Union.

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.

The United States and the European Union, along with the regulatory bodies of a number of countries including Japan, Australia, Norway, Switzerland and Canada, have imposed economic sanctions, which consist of asset freezes and sectorial sanctions, on certain Russian individuals and Russian corporate entities. Broader sanctions on Russia could also be instituted. These sanctions, or even the threat of further sanctions, may result in the decline of the value and liquidity of Russian securities, a weakening of the ruble or other adverse consequences to the Russian economy. Current or future sanctions may result in Russia

# Notes to Financial Statements (Continued)

## iSHARES® TRUST

taking counter measures or retaliatory actions, which may further impair the value and liquidity of Russian securities. These retaliatory measures may include the immediate freeze of Russian assets held by a fund.

### 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 July 31, 2017, attributable to the characterization of corporate actions, passive foreign investment companies, the expiration of capital loss carryforwards, foreign currency transactions 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>
MSCI ACWI Low Carbon Target	\$ —	\$ 79,794	\$ (79,794)
MSCI All Country Asia ex Japan	26,765,590	1,898,477	(28,664,067)
MSCI Europe Financials	43,804,446	667,579	(44,472,025)
MSCI Kokusai	69,646,455	223,417	(69,869,872)

# Notes to Financial Statements (Continued)

## iSHARES® TRUST

The tax character of distributions paid during the years ended July 31, 2017 and July 31, 2016 was as follows:

<i>iShares ETF</i>	2017	2016
<i>MSCI ACWI Low Carbon Target</i>		
Ordinary income	<u>\$ 7,472,309</u>	<u>\$ 5,258,921</u>
<i>MSCI All Country Asia ex Japan</i>		
Ordinary income	<u>\$45,649,853</u>	<u>\$56,637,383</u>
<i>MSCI Europe Financials</i>		
Ordinary income	<u>\$31,598,804</u>	<u>\$10,373,542</u>
<i>MSCI Kokusai</i>		
Ordinary income	<u>\$ 4,810,056</u>	<u>\$ 8,020,664</u>

As of July 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)<sup>a</sup></i>	<i>Total</i>
MSCI ACWI Low Carbon Target	\$ 1,347,789	\$ (7,032,548)	\$ 54,467,769	\$ 48,783,010
MSCI All Country Asia ex Japan	30,926,488	(614,370,572)	639,648,438	56,204,354
MSCI Europe Financials	5,155,691	(12,788,027)	107,041,776	99,409,440
MSCI Kokusai	201,264	(13,243,871)	(5,908,182)	(18,950,789)

<sup>a</sup> The difference between book-basis and tax-basis unrealized gains (losses) was attributable primarily to the tax deferral of losses on wash sales, foreign withholding tax reclaims, the characterization of corporate actions and the realization for tax purposes of unrealized gains on investments in passive foreign investment companies.

As of July 31, 2017, the following 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<sup>a</sup></i>	<i>Expiring 2018</i>	<i>Expiring 2019</i>	<i>Total</i>
MSCI ACWI Low Carbon Target	\$ 7,032,548	\$ —	\$ —	\$ 7,032,548
MSCI All Country Asia ex Japan	606,340,877	5,230,616	2,799,079	614,370,572
MSCI Europe Financials	12,781,714	—	6,313	12,788,027
MSCI Kokusai	11,234,922	1,478,401	530,548	13,243,871

<sup>a</sup> Must be utilized prior to losses subject to expiration.

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 July 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.

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

### **7. LINE OF CREDIT**

The iShares MSCI All Country Asia ex Japan ETF, along with certain other iShares funds, is a party to a \$250 million credit agreement with State Street Bank and Trust Company, which expires on October 25, 2017. The line of credit may be used for temporary or emergency purposes, including redemptions, settlement of trades and rebalancing of portfolio holdings. The credit agreement has the following terms: a commitment fee of 0.20% per annum on the unused portion of the credit agreement and interest at a rate equal to the higher of (a) the one-month LIBOR (not less than zero) plus 1.00% per annum or (b) the U.S. Federal Funds rate (not less than zero) plus 1.00% per annum on amounts borrowed. The commitment fee is allocated to each fund participating in the credit agreement based on each fund's pro-rata share of the aggregate average daily value of assets invested in local securities of certain foreign markets.

For the year ended July 31, 2017, the Fund's maximum amount borrowed, the average borrowings and the weighted average interest rate under the credit agreement were \$12,250,000, \$669,820 and 1.86%, respectively.

### **8. FOREIGN WITHHOLDING TAX CLAIMS**

The iShares MSCI Europe Financials and iShares MSCI Kokusai ETFs have filed claims to recover taxes withheld by Finland on dividend income on the basis that Finland had purportedly violated certain provisions in the Treaty on the Functioning of the European Union. The Funds have recorded a receivable for all recoverable taxes withheld by Finland based upon recent favorable determinations issued by the Finnish Tax Authority. Withholding tax claims may be for the current year and potentially for a limited number of prior calendar years, depending upon the member state's statute of limitation on taxes. The Funds continue to evaluate developments in Finland for potential impact to the receivables recorded. Such foreign withholding tax claims are disclosed in the statement of assets and liabilities and statement of operations. Professional fees associated with the filing of these claims that result in the recovery of foreign withholding taxes have been approved by the Board as appropriate expenses of the Funds.

The Internal Revenue Service has issued guidance to address U.S. income tax liabilities attributable to fund shareholders resulting from the recovery of foreign taxes withheld in prior calendar years. These withheld foreign taxes were passed through to shareholders in the form of foreign tax credits in the year the taxes were withheld. Assuming there are sufficient foreign taxes paid which the Funds are able to pass through to their shareholders as a foreign tax credit in the current year, each of the Funds will be able to offset the prior years' withholding taxes recovered against the foreign taxes paid in the current year. Accordingly, no federal income tax liability is recorded by the Funds.

### **9. LEGAL PROCEEDINGS**

On June 16, 2016, investors (the "Plaintiffs") in certain iShares funds (iShares Core S&P Small-Cap ETF, iShares Russell 1000 Growth ETF, iShares Core S&P 500 ETF, iShares Russell Mid-Cap Growth ETF, iShares Russell Mid-Cap ETF, iShares Russell Mid-Cap Value ETF, iShares Select Dividend ETF, iShares Morningstar Mid-Cap ETF, iShares Morningstar Large-Cap ETF, iShares U.S. Aerospace & Defense ETF and iShares U.S. Preferred Stock ETF) filed a putative class action lawsuit against iShares Trust, BlackRock, Inc. and certain of its advisory affiliates, and certain directors/trustees and officers of the Funds (collectively, "Defendants"). The lawsuit alleges the Defendants violated federal securities laws by failing to adequately disclose in the prospectuses issued by the funds noted above the risks of using stop-loss orders in the event of a 'flash crash', such as the one that occurred on May 6, 2010. On September 18, 2017, the Court issued a Statement of Decision holding that the Plaintiffs lack standing to assert their claims.

# Notes to Financial Statements (Continued)

## *iSHARES® TRUST*

### **10. 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.