

## 2017 年 10 月期 中間決算短信 (2016 年 11 月 1 日～2017 年 4 月 30 日)

Semi-Annual Earnings Report for Fiscal Year ended October 2017 (November 1, 2016 – April 30, 2017)

2017 年 7 月 7 日

July 7, 2017

フ ァ ン ド 名	i シェアーズ 米国債 ETF (米 7-10 年国債)	上場取引所	東
コ ー ド 番 号	1363	売買単位	1 口
連 動 対 象 指 標	ICE 米国国債 7-10 年指数		
主 要 投 資 資 産	有価証券		
外 国 投 資 法 人	i シェアーズ II パブリック・リミテッド・カンパニー		
代 表 者	(役職名) ディレクター	(氏名)	バリー・オドワイアー
管 理 会 社	ブラックロック・アセット・マネジメント・アイルランド・リミテッド		
U R L	<a href="http://www.blackrock.com/jp/products/271021/">http://www.blackrock.com/jp/products/271021/</a>		
代 表 者	(役職名) ディレクター	(氏名)	バリー・オドワイアー
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 \$ Treasury Bond 7-10yr UCITS ETF USD (Dist)- JDR Listed Exchange: TSE

Code: 1363 Trading unit: 1 unit

Underlying indicator: ICE U.S. Treasury 7-10 Year Bond Index

Primary invested assets: Securities

Foreign

Investment iShares II Public Limited Company

Corporation:

Representative: (Title) Director (Name) Barry O'Dwyer

Management BlackRock Asset Management Ireland Limited  
co.:

URL: <http://www.blackrock.com/jp/products/271021/>

Representative: (Title) Director (Name) Barry O'Dwyer

Contact (Title) Attorney-in-Fact (Name) Yusuke (TEL)  
person: Motoyanagi 03(6250)6200

半期報告書提出予定日 2017 年 7 月

Scheduled date of submission of semi-annual report: July, 2017

## I ファンドの運用状況

### I Fund Management

#### 1. 2017年4月中間期の運用状況 (2016年11月1日～2017年4月30日)

1. Management Status for Half-Year Ended April 2017 (from November 1, 2016 to April 30, 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 Primary Invested Assets		現金・預金・その他の資産（負債控除後） Cash/Deposits/Other Assets (minus liabilities)		合計（純資産） 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4月中 間期 1st Half of the FY ended April 2017	216,796	99.17	1,813	0.83	218,609	100.00
2016年10月 期 FY ended October 2016	269,634	99.19	2,213	0.81	271,848	100.00

##### (2) 信託財産である外国ETFの設定・交換実績

(千口未満四捨五入)

##### (2) Creation and Redemption of Trust Asset Foreign ETF

(amounts below 1 thousand units are rounded off)

	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)	当中間計算期間末発行済口数 No. of Issued Units at End of Semi-annual Period (①+②-③)
	千口 '000 units	千口 '000 units	千口 '000 units	千口 '000 units
2017年4月中 間期 1st Half of the FY ended April 2017	12,000	2,980	5,020	9,960

##### (3) 信託財産である外国ETFの基準価額

(百万円未満切捨て)

##### (3) Net Asset Value of Trust Asset Foreign ETF

(amounts below 1 mil. yen are disregarded)

	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/当中間計算期間末(前 計算期間末)発行済口数) × 1) ( (③/No. of Issued Units at End of Semi-annual Period (Previous Calculation Period)) × 1)
	百万円 JPY mil.	百万円 JPY mil.	百万円 JPY mil.	円 JPY
2017年4月中 間期 1st Half of the FY ended April 2017	222,586	3,977	218,609	21,948.75
2016年10月 期 FY ended October 2016	272,800	952	271,848	22,654.00

(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)	当中間計算期間末発行済口数 No. of Issued Units at End of Semi-annual Period (①+②-③)
	千口 ‘000 units	千口 ‘000 units	千口 ‘000 units	千口 ‘000 units
2017 年 4 月中 間期 1st Half of the FY ended April 2017	248.758	10	167.25	91.508
2016 年 10 月期 FY ended October 2016	146.258	102.5	0	248.758

(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 4 月中間期 1st Half of the FY ended April 2017	1 口当たり分配金 Dividend per unit	2016 年 10 月期 FY ended October 2016	1 口当たり分配金 Dividend per unit
※	円 JPY	※	円 JPY
2016 年 11 月 11 日 November 11, 2016	199	2015 年 11 月 13 日 November 13, 2015	234
—	—	2016 年 5 月 13 日 May 13, 2016	212

※ 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。

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

(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

# Contents

Half yearly management report	
Financial instruments and risks	2
Significant related party transactions	8

## Financial Statements

### Unaudited financial statements of the Company

Condensed income statement	10
Condensed statement of changes in net assets attributable to redeemable participating shareholders	10
Condensed balance sheet	11
Notes to the unaudited financial statements of the Company	12

### Unaudited condensed Fund primary statements, schedules of investments, schedules of material purchases and sales, and notes:

iShares \$ Treasury Bond 7-10yr UCITS ETF	16
Notes to the unaudited financial statements of the Funds	20

## Other Information

Glossary	21
Supplementary Information	23

### IMPORTANT INFORMATION FOR JAPANESE INVESTORS

Some funds of the Company are not authorised for distribution in Japan. Therefore this report does not contain any information with regard to these funds. However, investors are being advised that some of the information in this report has been prepared on a consolidated basis and thus also includes data of those funds, which are not authorised for the distribution to unqualified investors in or from Japan.

This interim report and unaudited financial statements (the “Report and Accounts”) may be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Report and Accounts. To the extent that there is any inconsistency between the English language Report and Accounts and the Report and Accounts in another language, the English language Report and Accounts will prevail, except to the extent (and only to the extent) that it is required by law of any jurisdiction where the shares are sold, that in an action based upon disclosure in a Report and Accounts in a language other than English, the language of the Report and Accounts on which such action is based shall prevail. Any disputes as to the terms of the Report and Accounts, regardless of the language of the Report and Accounts, shall be governed by and construed in accordance with the laws of Ireland.

# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\*

### Introduction and overview

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the prospectus and supplements for a more detailed discussion of the risks inherent in investing in the Company.

### Risk management framework

The principal risks and uncertainties of the Company and related risk management policies are consistent with those disclosed in the Company's audited financial statements as at and for the financial year ended 31 October 2016.

The Directors of the Company consider the following risks to be the principal risks and uncertainties facing the Company for the financial period:

#### a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Funds may suffer through holding market positions in the face of market movements.

#### i) Market risk arising from other price risk

##### Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Funds are exposed to market risk by virtue of their investments in equities, warrants, rights, bonds, mortgage backed securities ("MBS"), to be announced contracts ("TBA"), contracts for difference ("CFD"), futures contracts and forward currency contracts.

The movements in the prices of these investments result in movements in the performance of the Funds. The investment concentrations within the portfolio are disclosed in the schedules of investments by investment type.

##### Management of other price risk

The Investment Manager manages the Funds' market risk on a daily basis in accordance with the Funds' investment objective. The

investment objective of the Funds is to provide investors with a total return, taking into account the capital and income returns, which reflect the total returns of the respective benchmark. The Funds' performances are correlated to their benchmark. The correlation of the Funds' performance against the benchmark is a metric monitored by key management personnel.

#### ii) Market risk arising from foreign currency risk

##### Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Funds may invest in securities, which as far as possible and practicable, consist of the component securities of the benchmark index of each Fund and which may be denominated in currencies other than its reporting currency.

The Funds, with the exception of the currency hedged Fund (as listed in the Background section), in line with their benchmarks, are unhedged and are therefore exposed to foreign currency risk.

Consequently, each Fund is exposed to the risk of currency fluctuations between the base currency of the benchmark index and the base currency of the constituent securities of the benchmark index.

The Funds may also invest in forward currency contracts and thus gain further exposure to foreign currency risk.

##### Management of foreign currency risk

To minimise this risk, the currency hedged Fund, invests in forward currency contracts that as far as possible track the hedging methodology of the benchmark index.

The benchmark index of the currency hedged Fund is designed to represent a close approximation of the return that can be achieved by hedging the currency exposures of the index in the one-month forward market at the end of each month.

Exchange rate exposures are managed where appropriate and in compliance with the prospectus utilising forward currency contracts. The details of the contracts in place at the financial period-end date are disclosed in the schedules of investments.

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\* (continued)

### a) Market risk (continued)

#### iii) Market risk arising from interest rate risk

##### Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to interest rate risk through their cash holdings, including margin cash held with brokers and their investments in bonds, MBSs and TBAs where the value of these securities may fluctuate as a result of a change in interest rates.

The Funds also have indirect exposure to interest rate risk through their investments into futures contracts, whereby the value of the underlying asset may fluctuate as a result of a change in interest rates.

The Fund that invests in CFDs is immaterially exposed to interest rate risk through these investments.

##### Management of interest rate risk

Movements in the prices of these investments are derived from movements in market interest rates and issuer creditworthiness.

Issuer creditworthiness and credit spreads are monitored by the Investment Manager regularly. The securities in which the Funds invest will generally have a minimum rating of investment grade from a ratings agency as set out in the investment policy of the Funds.

### b) Counterparty credit risk

#### Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Funds are exposed to counterparty credit risk from the parties with which they trade and will bear the risk of settlement default.

##### Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's Risk and Quantitative Analysis ("RQA") Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated.

As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer.

The BlackRock RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process.

There were no past due or impaired balances in relation to transactions with counterparties as at 30 April 2017 or 31 October 2016.

#### i) Exchange traded financial derivative instruments

The Funds' holdings in futures contracts expose the Funds to counterparty credit risk.

##### Management of counterparty credit risk related to futures contracts

The exposure is limited by trading the contracts through a clearing house. The Funds' exposure to counterparty credit risk on contracts in which it currently has a gain position is reduced by such gains received in cash from the counterparty under the daily mark-to-market mechanism on exchange traded futures contracts (variation margin).

The Funds' exposure to counterparty credit risk on contracts in which it currently has a loss position is equal to the amount of margin posted to the counterparty which has not been transferred to the exchange under the daily mark-to-market mechanism. The counterparties for futures contracts are Barclays Bank Plc, Credit Suisse International and Morgan Stanley & Co International Plc.

Margin is paid or received on futures contracts to cover any exposure by the counterparty or the Funds to each other. The "Margin cash account" on the condensed balance sheet consists of margin receivable from or payable to the Company's clearing brokers and various counterparties.

#### ii) Over-the-Counter ("OTC") financial derivative instruments

The Funds' holdings in OTC financial derivative instruments (including CFDs) exposes the Funds to counterparty credit risk.

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\* (continued)

### b) Counterparty credit risk (continued)

#### ii) Over-the-Counter (“OTC”) financial derivative instruments (continued)

Counterparty credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Funds exposure to counterparty credit risk is limited to the contracts in which it currently has a financial asset position reduced by the cash collateral received from the counterparty or to counterparties who have received collateral from the Funds.

All OTC derivative transactions (including CFDs) are entered into by the Funds under an International Swaps and Derivatives Associations, Inc. Master Agreement (“ISDA Master Agreement”) or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Funds and a counterparty that governs OTC derivative transactions (including CFDs) entered into by the parties.

The parties’ exposures under the ISDA Master agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC derivative transactions entered into by the Funds under the ISDA Master agreement, not just CFDs. All non-cash collateral received/posted by the Funds under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

The carrying value of financial assets together with cash held with counterparties best represents the Funds’ gross maximum exposure to counterparty credit risk at the reporting date, before including the effect of ISDA master agreements and close-out netting, which reduces the overall counterparty credit risk exposure. Cash held as security by the counterparty to derivative contracts is subject to the credit risk of the counterparty.

The Funds’ maximum exposure to counterparty credit risk from holding forward currency contracts will be equal to the notional amount of the currency and any net unrealised gains as disclosed in the relevant schedules of investments.

#### Management of counterparty credit risk related to OTC financial derivative instruments

Forward currency contracts do not require variation margins and thus the counterparty credit risk is monitored through the BlackRock RQA Counterparty & Concentration Risk Team who monitor the creditworthiness of the counterparty. State Street Bank and Trust Company is the counterparty for forward currency contracts and has a credit rating of AA- (S&P rating) (31 October 2016: AA-).

The risk is further mitigated as contracts are reset on a monthly basis (1 year rolling maturity at each monthly reset) with the gain or loss being realised in the relevant Fund. The Fund is required to maintain collateral with the counterparties to secure these financial instruments.

#### iii) Depositary

The Funds’ Depositary is State Street Custodial Services (Ireland) Limited (the “Depositary”). The majority of the investments are held by same at financial period end. Investments are segregated from the assets of the Depositary, with ownership rights remaining with the Funds.

Bankruptcy or insolvency of the Depositary may cause the Funds’ rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk is the amount of long investments disclosed in the schedules of investments.

The Depositary has appointed State Street Bank and Trust Company (the “Sub-Custodian”) as its global Sub-Custodian. Substantially all of the cash of the Company is held with the Sub-Custodian. The Funds’ cash balances are held by the Sub-Custodian in its account together with its own cash balances and with those cash balances that are held on behalf of other clients. The Funds’ cash balances are separately identifiable within the records of the Sub-Custodian.

In respect of the cash held by the Sub-Custodian or other depositaries it appoints, the Funds will be exposed to counterparty credit risk of the Sub-Custodian or those depositaries. In the event of the insolvency or bankruptcy of the Sub-Custodian or other depositaries, the Funds will be treated as a general creditor of the Sub-Custodian or the depositaries.

#### Management of counterparty credit risk related to the Depositary

To mitigate the Funds’ exposure to the Depositary, the Investment Manager employs specific procedures to ensure that the Depositary is a reputable institution and that the counterparty credit risk is acceptable to the Funds. The Funds only transact with Depositaries that are regulated entities subject to prudential supervision, or with “high credit ratings” assigned by international credit rating agencies.

The long term credit rating of the parent company of the Depositary and Sub-Custodian, State Street Corporation, as at 30 April 2017 is A (31 October 2016: A) (Standard and Poor’s rating).

In order to further mitigate the Funds’ counterparty credit risk exposure to the Sub-Custodian or depositary banks, the Funds may enter into additional arrangements such as the placing of residual cash in a money market Collective Investment Scheme (“CIS”), for example Institutional Cash Series Plc (“ICS”) shown as a cash equivalent on the condensed balance sheet.

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.



# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\* (continued)

### b) Counterparty credit risk (continued)

#### iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

**Management of counterparty credit risk related to Counterparties**  
RQA monitors the credit rating and financial position of the brokers used to further mitigate this risk.

#### v) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Funds. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating.

Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated. A number of the Funds invest into sovereign and corporate debt. This exposes the Funds to the risk that the issuer of the bonds may default on interest or principal payments.

#### Management of issuer credit risk related to debt securities

To manage this risk, the Investment Manager invests in a wide range of debt securities, subject to the investment objectives of each Fund and monitors the credit ratings of the investments as disclosed in the schedules of investments. The ratings of the debt securities are continually monitored by the BlackRock Portfolio Management Group ("PMG").

#### vi) Securities lending

The Funds engage in securities lending activities which expose the Funds to counterparty credit risk. The maximum exposure to each Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Funds are subject to a written legal agreement between the Funds and the Securities Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Company, and separately between the Securities Lending Agent and

the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of the Depositary on behalf of the Funds.

Collateral received is segregated from the assets belonging to the Funds' Depositary or the Lending Agent.

#### Management of counterparty credit risk related to securities lending

To mitigate this risk, the Funds receive cash and securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The investment manager monitors the fair value of the securities loaned and additional collateral is obtained if necessary.

As at the balance sheet date, all non-cash collateral received consists of securities admitted to or dealt on a regulated market.

The Funds also benefit from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

#### vii) Collateral

The Funds engage in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

#### Management of counterparty credit risk related to collateral

The Funds use inbound collateral received from a counterparty to reduce the credit risk associated with any trading activity the Funds have engaged in.

### c) Liquidity risk

#### Exposure to liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulties in meeting their obligations associated with financial liabilities.

Liquidity risk to the Funds arises from the redemption requests of investors and the liquidity of the underlying investments the Funds are invested in. The Funds' shareholders may redeem their shares on the close of any daily dealing deadline for cash equal to a proportionate share of the Funds' NAV.

The Funds are therefore potentially exposed to the liquidity risk of meeting the shareholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands. It is also exposed to the liquidity risk of daily margin calls on derivatives.

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\* (continued)

### c) Liquidity risk (continued)

#### Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. To manage this risk, if redemption requests on any dealing day represent 10% or more of the shares in issue in respect of any Fund, the Manager may, in its discretion, refuse to redeem any shares in excess of 10% (at any time including after the cut-off time on the dealing day).

Any request for redemptions on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all shares to which the original request related have been redeemed.

In any event settlement for redemptions will normally be made within fourteen days of the dealing day.

The Funds' liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage their cash obligations.

### d) Valuation of financial instruments

The Funds are required to classify financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

#### Level 1 - Quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

#### Level 2 - Valuation techniques using observable inputs

This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for similar

instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

#### Level 3 - Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Funds financial assets and financial liabilities measured at fair value at 30 April 2017 and 31 October 2016.

30 April 2017

	Level 1	Level 2	Level 3	Total
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
- Debt securities	-	1,953,826	-	1,953,826
<b>Total</b>	<b>-</b>	<b>1,953,826</b>	<b>-</b>	<b>1,953,826</b>

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

# Half yearly management report

## FINANCIAL INSTRUMENTS AND RISKS\* (continued)

### d) Valuation of financial instruments (continued)

31 October 2016

	Level 1	Level 2	Level 3	Total
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
- Debt securities	-	2,430,013	-	2,430,013
<b>Total</b>	<b>-</b>	<b>2,430,013</b>	<b>-</b>	<b>2,430,013</b>

### e) Leverage

The use of derivatives may expose Funds to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure.

A relatively small market movement may have a potentially larger impact on derivatives than on non-derivative instruments. Leveraged derivative positions can therefore increase Fund volatility.

\* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

# Half yearly management report

## SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or is able to exercise significant influence over the other party, in making financial or operational decisions.

The following entities were related parties to the Company during the financial period ended 30 April 2017.

Board of Directors of the Company	
Manager:	BlackRock Asset Management Ireland Limited
Investment Manager, Promoter and Securities Lending Agent:	BlackRock Advisors (UK) Limited
Sub-Investment Managers:	BlackRock Financial Management Inc. BlackRock (Singapore) Limited
Representative in Switzerland:	BlackRock Asset Management Schweiz AG

The ultimate holding Company of the Manager, Investment Manager Sub-Investment Managers, Promoter, Securities Lending Agent and representative in Switzerland is BlackRock Inc., a company incorporated in Delaware USA.

PNC Financial Services Group, Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Company during the financial period ended 30 April 2017 and the financial year ended 31 October 2016.

When arranging transactions in securities for the Company, affiliates of PNC may provide securities brokerage, foreign exchange, banking and other services, or may act as principal, on their usual terms and may benefit therefrom. Commissions have been paid to brokers and agents in accordance with the relevant market practice and the benefit of any bulk or other commission discounts or cash commissions rebates provided by brokers or agents have been passed on to the Funds.

The services of PNC Group companies could have been used by the Investment Manager where it is considered appropriate to do so provided that their commissions and other terms of business are generally comparable with those available from unassociated brokers and agents in the markets concerned, and this is consistent with the above policy of obtaining best net results.

The Company employs an "all in one" fee structure for its Funds (and Share Classes). Each Fund pays all of its fees, operating costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) out of the TER charged to the Funds.

Fees payable to the Manager and Investment Manager are also paid out of the TER charged to the Funds.

The Investment Manager will discharge the fees and expenses of the Sub-Investment Managers.

Securities lending income is split between the Fund and the securities lending agent in a ratio of 62.5:37.5 in favour of the Fund, with all operational costs borne out of the Securities Lending Agents share. Securities lending income earned by the Funds is disclosed in tables below:

	30 April 2017	30 April 2016
<b>iShares \$ Treasury Bond 7-10yr UCITS ETF</b>	<b>\$'000</b>	<b>\$'000</b>
Income earned during the financial period	1,289	1,439

Details of soft commission arrangements with related parties are disclosed in note 3 of the notes to the financial statements of the Company.

Barry O'Dwyer is a non-executive Director of the Manager.

With the exception of Paul McNaughton and Paul McGowan all Directors are also employees of the BlackRock Group.

The Directors of the Company and the Manager who are employees of the BlackRock Group are not entitled to receive Directors' fees.

Each of the Directors of the Company at the financial period end also serve on the Board of a number of BlackRock Funds.

Investments in Funds managed by BlackRock Asset Management Ireland Limited are marked on the relevant Funds' schedule of investments.

Cash equivalents relate entirely to investments in ICS funds and are managed by BlackRock Asset Management Ireland Limited. No management fees are incurred as a result of any of the investments in ICS.

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments were no more favourable than those received by other investors investing into the same share classes.

# Half yearly management report

## SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### Significant Holdings

The following investors

- i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- ii) are investors (other than those listed in (i) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company.

30 April 2017

Total % of shares held by funds managed by the BlackRock Group or held by affiliates of BlackRock Inc	Number of investors holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc	Total % of shares held by shareholders holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc
Nil	1	100.00*

\* Due to the change in the trade settlement structure, the Company now has a single shareholder which is a nominee of the common depository (Citibank Europe plc). The ultimate beneficial ownership of the Company is passed from the common depository through the ICSD (Euroclear, Clearstream) to the participants of the ICSD."

31 October 2016

Total % of shares held by funds managed by the BlackRock Group or held by affiliates of BlackRock Inc	Number of investors holding 20% or more of the voting shares in issue who are not affiliates of the BlackRock Group or BlackRock Inc	Total % of shares held by shareholders holding 20% or more of the voting shares in issue who are not affiliates of the BlackRock Group or BlackRock Inc
Nil	1	100.00*

\* Due to the change in the trade settlement structure, the Company now has a single shareholder which is a nominee of the common depository (Citibank Europe plc). The ultimate beneficial ownership of the Company is passed from the common depository through the ICSD (Euroclear, Clearstream) to the participants of the ICSD."

No provisions have been recognised by the Funds against amounts due from related parties at the financial period end date (31 October 2016: Nil).

No amounts have been written off in the financial period in respect of amounts due to or from related parties (31 October 2016: Nil).

No commitments secured or unsecured or guarantees have been entered into with related parties during the financial period (31 October 2016: Nil).

**CONDENSED INCOME STATEMENT (unaudited)**

For the financial period ended 30 April 2017

	Note	Financial period ended 30 April 2017 €'000	Financial period ended 30 April 2016 €'000
Operating income		711,891	624,974
Net gains/(losses) on financial assets/liabilities at fair value through profit or loss		2,060,198	(1,331,228)
<b>Total gains/(losses)</b>		<b>2,772,089</b>	<b>(706,254)</b>
Operating expenses		(78,711)	(68,494)
Negative yield on financial assets		(841)	-
<b>Net operating profit/(loss)</b>		<b>2,692,537</b>	<b>(774,748)</b>
<b>Finance costs:</b>			
CFD interest paid		-	(133)
Distributions to redeemable participating shareholders	6	(498,837)	(411,324)
Interest expense		(359)	(220)
<b>Total finance costs</b>		<b>(499,196)</b>	<b>(411,677)</b>
<b>Net profit/(loss) for the financial period before tax</b>		<b>2,193,341</b>	<b>(1,186,425)</b>
Taxation	7	(32,914)	(25,931)
<b>Net profit/(loss) for the financial period after tax</b>		<b>2,160,427</b>	<b>(1,212,356)</b>
Adjustment to align to the valuation methodology as set out in the prospectus		(8,628)	(10,125)
<b>Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations</b>		<b>2,151,799</b>	<b>(1,222,481)</b>

There are no recognised gains or losses arising in the financial period other than those dealt with in the condensed income statement. In arriving at the results of the financial period, all amounts relate to continuing operations.

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS (unaudited)**

For the financial period ended 30 April 2017

	Financial period ended 30 April 2017 €'000	Financial period ended 30 April 2016 €'000
Net assets attributable to redeemable participating shareholders at the beginning of the financial period	40,174,879	36,665,243
Notional foreign exchange adjustment*	352,937	(1,047,869)
Increase/(decrease) net assets attributable to redeemable participating shareholders from operations	2,151,799	(1,222,481)
<b>Share transactions:</b>		
Proceeds from issue of redeemable participating shares	10,670,067	8,992,796
Payments on redemption of redeemable participating shares	(9,644,286)	(5,975,637)
<b>Increase in net assets resulting from share transactions</b>	<b>1,025,781</b>	<b>3,017,159</b>
<b>Net assets attributable to redeemable participating shareholders at the end of the financial period</b>	<b>43,705,396</b>	<b>37,412,052</b>

\* The notional foreign exchange adjustment arises from the retranslation of the net assets at the beginning of the financial period using the exchange rate as at 30 April 2017. The average rate for the financial period is applied to the income statement items and share transactions. (See note 5).

The accompanying notes form an integral part of these financial statements.

**CONDENSED BALANCE SHEET (unaudited)**

As at 30 April 2017

	Note	30 April 2017 €'000	31 October 2016 €'000
<b>CURRENT ASSETS</b>			
Cash		277,215	266,264
Cash equivalents		215,142	257,922
Margin cash account		6,237	6,739
Cash collateral		-	360
Receivables		520,984	450,621
Financial assets at fair value through profit or loss	9	43,099,671	39,694,437
<b>Total current assets</b>		<b>44,119,249</b>	<b>40,676,343</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		(25,836)	(251)
Margin cash account		(350)	-
Cash collateral payable		(4,110)	(1,561)
Payables		(378,187)	(501,774)
Provision for deferred capital gains tax	7	(4,954)	(5,308)
Financial liabilities at fair value through profit or loss	9	(416)	(1,198)
<b>Total current liabilities excluding net assets attributable to redeemable participating shareholders</b>		<b>(413,853)</b>	<b>(510,092)</b>
<b>Net assets attributable to redeemable participating shareholders</b>		<b>43,705,396</b>	<b>40,166,251</b>
Adjustment to align to the valuation methodology as set out in the prospectus		-	8,628
<b>Net asset value attributable to redeemable participating shareholders at the end of the financial period/year</b>		<b>43,705,396</b>	<b>40,174,879</b>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY

For the financial period ended 30 April 2017

### 1. COMPANY DETAILS

iShares II public limited company is organised as an open-ended investment company with variable capital. The Company was incorporated in Ireland on 16 December 1999 with limited liability and segregated liability between its Funds and is organised under the laws of Ireland as a Public Limited Company ("plc") pursuant to the Companies Act 2014 and the UCITS Regulations and is regulated by the CBI.

The registered office of the Company is J.P. Morgan House, International Financial Services Centre, Dublin 1, Ireland.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The financial statements of the Company are prepared in accordance with Financial Reporting Standard 104 Interim Financial Reporting ("FRS 104") and Irish statute pursuant to the Companies Act 2014 and the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) (the "UCITS Regulations"). Accounting standards generally accepted in Ireland in preparing financial statements which present a true and fair view are those published by the Institute of Chartered Accountants in Ireland (the "Institute") and issued by the Financial Reporting Council ("FRC").

Due to the special nature of the Company's business, the Directors have adapted the arrangement and headings and sub-headings of the financial statements otherwise required by Schedule 3 to the Companies Act 2014.

The principal accounting policies and estimation techniques are consistent with those applied to the previous annual financial statements with the exception of the following:

#### Unclaimed dividends

In accordance with the prospectus, any dividend which has remained unclaimed for twelve years from the date of its declaration shall be forfeited and cease to remain owing by the Company to investors and become the property of the relevant Fund.

#### Changes in accounting estimate

##### Nature of change in accounting estimate

The Company has changed its valuation inputs for measuring fair value for listed financial assets and liabilities, for financial statements purposes, to be in line with the valuation methodology outlined in the prospectus for the purpose of determining net asset

value, as a practical expedient for measuring fair value. The change in valuation inputs is considered to be a change in estimate in accordance with FRS 102.

### 3. SOFT COMMISSIONS

There were no soft commissions arrangements entered into by the Investment Manager on behalf of the Company during the financial period ended 30 April 2017 (30 April 2016: Nil).

### 4. COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant commitments or contingent liabilities at the financial period ended 30 April 2017 or financial year ended 31 October 2016 other than those disclosed in the financial statements of the Funds.

### 5. EXCHANGE RATES

The rates of exchange ruling as at the 30 April 2017 and 31 October 2016 were:

		30 April 2017	31 October 2016
EUR1=	CHF	1.0840	1.0840
	DKK	7.4373	7.4390
	GBP	0.8417	0.8979
	JPY	121.3852	115.1942
	KRW	1,239.1159	1,254.3273
	NOK	9.3285	9.0452
	SEK	9.6424	9.8894
	USD	1.0889	1.0962
GBP1=	EUR	1.1881	1.1138
	USD	1.2937	1.2209
USD1=	AED	3.6730	3.6731
	AUD	1.3372	1.3141
	BRL	3.1988	3.1659
	CAD	1.3673	1.3403
	CHF	0.9955	0.9889
	CLP	666.8050	653.3200
	CNY	6.8974	6.7708
	COP	2,952.9400	2,996.1050
	CZK	24.6453	24.6534



## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY (continued)

For the financial period ended 30 April 2017

## 5. EXCHANGE RATES (continued)

		30 April 2017	31 October 2016
USD1=	DKK	6.8298	6.7862
	EGP	18.0500	8.8800
	EUR	0.9183	0.9122
	GBP	0.7729	0.8191
	HKD	7.7776	7.7549
	HUF	287.3824	281.0436
	IDR	13,329.0000	13,048.0000
	ILS	3.6198	3.8407
	INR	64.3300	66.7865
	JPY	111.4700	105.0850
	KRW	1,137.9000	1,144.2500
	MXN	18.9778	18.8075
	MYR	4.3410	4.1950
	NOK	8.5665	8.2515
	NZD	1.4566	1.3978
	PHP	49.965	48.4225
	PLN	3.8812	3.9359
	QAR	3.6413	3.6416
	RUB	56.9932	63.2894
	SEK	8.8548	9.0215
	SGD	1.3977	1.3919
	THB	34.5900	34.9975
	TRY	3.5538	3.0966
	TWD	30.1710	31.5575
	ZAR	13.3838	13.4825

The average daily rates of exchange at each financial period/year end were:

		30 April 2017	31 October 2016
EUR1=	GBP	0.8569	0.7962
	USD	1.0669	1.1091

## 6. DISTRIBUTION TO REDEEMABLE PARTICIPATING SHAREHOLDERS

The Company may declare and pay dividends on any distributing class of shares in the Company.

Distributions declared during the financial period were as follows:

	Financial period ended 30 April 2017 €'000	Financial period ended 30 April 2016 €'000
November	305,769	275,035
December	25,423	15,752
January	24,004	17,764
February	95,172	86,266
March	27,196	15,649
April	30,908	18,932
	<b>508,472</b>	<b>429,398</b>
Equalisation income	(51,863)	(41,991)
Equalisation expense	42,228	23,917
	<b>498,837</b>	<b>411,324</b>

## 7. TAXATION

Below is an analysis of the tax charge for the financial period:

	Financial period ended 30 April 2017 €'000	Financial period ended 30 April 2016 €'000
<b>Current tax</b>		
Non-reclaimable overseas income withholding tax	27,632	25,931
Non-reclaimable overseas capital gains tax	226	-
<b>Deferred tax</b>		
Provision for overseas capital gains tax payable	5,056	-
<b>Total tax</b>	<b>32,914</b>	<b>25,931</b>

## Irish tax

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event". A chargeable event includes any distribution payments to shareholders or any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY (continued)

For the financial period ended 30 April 2017

## 7. TAXATION (continued)

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a) A shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company; or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- b) Certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed annual declarations; and
- c) Any transaction (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners (such as CREST) will not constitute a chargeable event. It is the current intention of the Directors that all the shares in the Company will be held in Crest or another recognised clearing system.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

## Overseas tax

In September 2016, the Brazilian Tax Authorities issued Normative Instruction 1658/16 amending the list of countries considered to be 'low tax jurisdictions' to include Curacao, Saint Martin and Ireland and exclude the Netherlands Antilles and Saint Kitts and Nevis. The changes were effective from 1 October 2016 onwards. As a consequence, Brazilian Capital Gains Tax (CGT) and increased income withholding tax rates on interest on capital distributions apply to the Company.

For financial reporting purposes, and in accordance with FRS 102, this change in Brazilian CGT has resulted in the recognition of a provision for deferred tax payable arising from material timing difference between the taxation of unrealised gains in the financial statements and actual realisable taxable profits.

## 8. SHARE CAPITAL

The issued and fully paid redeemable participating share capital is at all times equal to the net asset value of the Company. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

## Redeemable Participating Shares - issued and fully paid

Number of redeemable participating shares	No. of Shares
As at 30 April 2017	1,345,290,773
As at 31 October 2016	1,292,397,946
As at 30 April 2016	1,289,640,593

## Authorised

The authorised share capital of the Company is £40,000 divided into 40,000 Subscriber Shares of par value of £1 each and 500 billion participating shares of No Par Value ("NPV").

## Subscriber shares

The subscriber shares have been issued to the Manager and nominees of the Manager at 30 April 2017. They do not form part of the net asset value of the Company. They are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors this disclosure reflects the nature of the Company's investment business.

## 9. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 April 2017 €'000	31 October 2016 €'000
<b>Financial assets:</b>		
Investment in equities	20,673,487	18,196,094
Investment in bonds	22,137,046	21,063,533
Investments in rights	333	783
Investment in warrants*	-	-
Investment in MBSs	162,238	210,106
Investment in TBA contracts	117,708	220,272
Unrealised gains on CFDs	4,958	787
Unrealised gains on forward currency contracts	579	202
Unrealised gains on futures contracts	3,322	2,660
	<b>43,099,671</b>	<b>39,694,437</b>

\* Investments which are less than €500 are rounded to zero.

	30 April 2017 €'000	31 October 2016 €'000
<b>Financial liabilities:</b>		
Unrealised losses on CFDs	-	(400)
Unrealised losses on futures contracts	(389)	(798)
Unrealised losses on forward currency contracts	(27)	-
	<b>(416)</b>	<b>(1,198)</b>

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY (continued)**

For the financial period ended 30 April 2017

**10. SUBSEQUENT EVENTS**

The ex-date and pay date of the below Funds occurred during May 2017.

<b>Fund</b>	<b>Distribution Amount ('000)</b>
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$18,807

Other than the above, there have been no events subsequent to the financial period end, which, in the opinion of the Directors of the Company, may have had an impact on the financial statements for the financial period ended 30 April 2017.

**11. APPROVAL DATE**

The financial statements were approved by the Directors on 28 June 2017.

## iShares \$ Treasury Bond 7-10yr UCITS ETF

**CONDENSED INCOME STATEMENT (unaudited)**

For the financial period ended 30 April 2017

	Financial period ended 30 April 2017 \$'000	Financial period ended 30 April 2016 \$'000
Operating income	20,825	22,277
Net (losses)/gains on financial assets/liabilities at fair value through profit or loss	(71,536)	52,703
<b>Total (losses)/gains</b>	<b>(50,711)</b>	<b>74,980</b>
Operating expenses	(1,963)	(2,042)
<b>Net operating (loss)/profit</b>	<b>(52,674)</b>	<b>72,938</b>
<b>Finance costs:</b>		
Distributions to redeemable participating shareholders	(22,099)	(17,619)
Interest expense	(7)	(1)
<b>Total finance costs</b>	<b>(22,106)</b>	<b>(17,620)</b>
<b>Net (loss)/profit for the financial period before tax</b>	<b>(74,780)</b>	<b>55,318</b>
Taxation	(11)	-
<b>Net (loss)/profit for the financial period after tax</b>	<b>(74,791)</b>	<b>55,318</b>
Adjustment to align to the valuation methodology as set out in the prospectus	-	3,465
<b>(Decrease)/increase in net assets attributable to redeemable participating shareholders from operations</b>	<b>(74,791)</b>	<b>58,783</b>

There are no recognised gains or losses arising in the financial period other than those dealt with in the condensed income statement. In arriving at the results of the financial period, all amounts relate to continuing operations.

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS (unaudited)**

For the financial period ended 30 April 2017

	Financial period ended 30 April 2017 \$'000	Financial period ended 30 April 2016 \$'000
Net assets attributable to redeemable participating shareholders at the beginning of the financial period	2,449,964	1,915,315
(Decrease)/increase in net assets attributable to redeemable participating shareholders from operations	(74,791)	58,783
<b>Share transactions:</b>		
Proceeds from issue of redeemable participating shares	579,970	702,468
Payments on redemption of redeemable participating shares	(984,977)	(487,624)
<b>(Decrease)/increase in net assets resulting from share transactions</b>	<b>(405,007)</b>	<b>214,844</b>
<b>Net assets attributable to redeemable participating shareholders at the end of the financial period</b>	<b>1,970,166</b>	<b>2,188,942</b>

The accompanying notes form an integral part of these financial statements.

## iShares \$ Treasury Bond 7-10yr UCITS ETF

**CONDENSED BALANCE SHEET (unaudited)**

As at 30 April 2017

	Note	30 April 2017 \$'000	31 October 2016 \$'000
<b>CURRENT ASSETS</b>			
Cash		1,442	1,765
Receivables		50,742	26,769
Financial assets at fair value through profit or loss	3	1,953,826	2,430,013
<b>Total current assets</b>		<b>2,006,010</b>	<b>2,458,547</b>
<b>CURRENT LIABILITIES</b>			
Payables		(35,844)	(8,583)
<b>Total current liabilities excluding net assets attributable to redeemable participating shareholders</b>		<b>(35,844)</b>	<b>(8,583)</b>
<b>Net asset value attributable to redeemable participating shareholders at the end of the financial period/year</b>	2	<b>1,970,166</b>	<b>2,449,964</b>

The accompanying notes form an integral part of these financial statements.

## iShares \$ Treasury Bond 7-10yr UCITS ETF

## SCHEDULE OF INVESTMENTS (unaudited)

As at 30 April 2017

Holding	Investment	Fair value \$'000	% of net asset value
<b>Transferable Securities Admitted to an Official Stock Exchange Listing or traded on a Regulated Market (31 October 2016: 99.19%)</b>			
<b>Bonds (31 October 2016: 99.19%)</b>			
<b>United States (31 October 2016: 99.19%)</b>			
<b>Government bonds: AA+ rating</b>			
154,878,000	United States Treasury Note/Bond <sup>^</sup> 1.5% 15/08/2026	144,835	7.35
158,364,000	United States Treasury Note/Bond <sup>^</sup> 1.625% 15/02/2026	150,365	7.63
158,364,000	United States Treasury Note/Bond <sup>^</sup> 1.625% 15/05/2026	150,050	7.62
158,862,000	United States Treasury Note/Bond <sup>^</sup> 2% 15/02/2025	156,820	7.96
162,348,000	United States Treasury Note/Bond <sup>^</sup> 2% 15/08/2025	159,570	8.10
161,850,000	United States Treasury Note/Bond <sup>^</sup> 2% 15/11/2026	157,918	8.01
166,830,000	United States Treasury Note/Bond <sup>^</sup> 2.125% 15/05/2025	165,807	8.42
165,336,000	United States Treasury Note/Bond <sup>^</sup> 2.25% 15/11/2024	166,447	8.45
161,352,000	United States Treasury Note/Bond <sup>^</sup> 2.25% 15/11/2025	161,421	8.19
101,592,000	United States Treasury Note/Bond <sup>^</sup> 2.25% 15/02/2027	101,294	5.14
167,328,000	United States Treasury Note/Bond <sup>^</sup> 2.375% 15/08/2024	170,113	8.63
150,396,000	United States Treasury Note/Bond <sup>^</sup> 2.5% 15/05/2024	154,332	7.83
21,414,000	United States Treasury Note/Bond <sup>^</sup> 6% 15/02/2026	27,883	1.41
12,948,000	United States Treasury Note/Bond 6.5% 15/11/2026	17,653	0.90
8,964,000	United States Treasury Note/Bond 6.625% 15/02/2027	12,392	0.63
9,960,000	United States Treasury Note/Bond 6.75% 15/08/2026	13,729	0.70
10,458,000	United States Treasury Note/Bond 6.875% 15/08/2025	14,199	0.72
10,956,000	United States Treasury Note/Bond 7.5% 15/11/2024	15,090	0.77
9,960,000	United States Treasury Note/Bond 7.625% 15/02/2025	13,908	0.71
<b>Total United States</b>		<b>1,953,826</b>	<b>99.17</b>
<b>Total bonds</b>		<b>1,953,826</b>	<b>99.17</b>
<b>Total value of investments</b>		<b>1,953,826</b>	<b>99.17</b>

Holding	Investment	Fair value \$'000	% of net asset value
<b>Cash<sup>†</sup></b>		<b>1,442</b>	<b>0.07</b>
<b>Other net assets</b>		<b>14,898</b>	<b>0.76</b>
<b>Net asset value attributable to redeemable participating shareholders at the end of the financial period</b>		<b>1,970,166</b>	<b>100.00</b>

<sup>†</sup> Substantially all cash positions are held with State Street Bank and Trust Company.  
<sup>^</sup> These securities are partially or fully transferred as securities lent.

All credit ratings are shown as at 30 April 2017.

Fixed income securities are primarily classified by country of issuer for government type fixed income securities.

Analysis of total current assets gross of all liabilities (unaudited)	Fair value \$'000	% of total current assets
Transferable securities admitted to an official stock exchange listing	1,953,826	97.40
Other assets	52,184	2.60
<b>Total current assets</b>	<b>2,006,010</b>	<b>100.00</b>

## iShares \$ Treasury Bond 7-10yr UCITS ETF

## SCHEDULE OF MATERIAL PURCHASES AND SALES (unaudited)

For the financial period ended 30 April 2017

Holding	Investments	Proceeds \$'000	Holding	Investments	Cost \$'000
<b>Sales</b>			<b>Purchases</b>		
189,950,000	United States Treasury Note/Bond 2.750% 15/02/2024	198,296	197,259,000	United States Treasury Note/Bond 2.000% 15/11/2026	190,209
182,754,000	United States Treasury Note/Bond 2.750% 15/11/2023	190,224	130,430,000	United States Treasury Note/Bond 2.000% 15/08/2025	127,040
167,282,000	United States Treasury Note/Bond 2.000% 15/08/2025	163,304	114,430,000	United States Treasury Note/Bond 2.250% 15/02/2027	113,191
107,404,000	United States Treasury Note/Bond 2.500% 15/05/2024	110,429	100,605,000	United States Treasury Note/Bond 1.500% 15/08/2026	95,519
106,160,000	United States Treasury Note/Bond 2.125% 15/05/2025	106,613	63,400,000	United States Treasury Note/Bond 2.500% 15/05/2024	64,699
100,124,000	United States Treasury Note/Bond 2.250% 15/11/2025	100,419	64,790,000	United States Treasury Note/Bond 2.125% 15/05/2025	63,962
98,214,000	United States Treasury Note/Bond 2.000% 15/02/2025	96,897	61,676,000	United States Treasury Note/Bond 2.250% 15/11/2025	61,302
97,527,000	United States Treasury Note/Bond 1.500% 15/08/2026	91,213	57,876,000	United States Treasury Note/Bond 2.000% 15/02/2025	56,719
84,336,000	United States Treasury Note/Bond 2.375% 15/08/2024	85,964	50,064,000	United States Treasury Note/Bond 2.375% 15/08/2024	50,623
83,332,000	United States Treasury Note/Bond 2.250% 15/11/2024	84,061	49,468,000	United States Treasury Note/Bond 2.250% 15/11/2024	49,492
79,818,000	United States Treasury Note/Bond 1.625% 15/02/2026	75,850	47,382,000	United States Treasury Note/Bond 1.625% 15/02/2026	44,642
79,818,000	United States Treasury Note/Bond 1.625% 15/05/2026	75,708	47,382,000	United States Treasury Note/Bond 1.625% 15/05/2026	44,543
35,409,000	United States Treasury Note/Bond 2.000% 15/11/2026	34,202	20,750,000	United States Treasury Note/Bond 2.750% 15/02/2024	21,609
10,793,000	United States Treasury Note/Bond 6.000% 15/02/2026	14,181	14,924,000	United States Treasury Note/Bond 6.500% 15/11/2026	20,280
12,838,000	United States Treasury Note/Bond 2.250% 15/02/2027	12,733	11,480,000	United States Treasury Note/Bond 6.750% 15/08/2026	15,775
5,522,000	United States Treasury Note/Bond 7.500% 15/11/2024	7,701	10,332,000	United States Treasury Note/Bond 6.625% 15/02/2027	14,236
5,271,000	United States Treasury Note/Bond 6.875% 15/08/2025	7,235	11,154,000	United States Treasury Note/Bond 2.750% 15/11/2023	11,737
5,020,000	United States Treasury Note/Bond 7.625% 15/02/2025	7,092	6,407,000	United States Treasury Note/Bond 6.000% 15/02/2026	8,336
1,976,000	United States Treasury Note/Bond 6.500% 15/11/2026	2,680	3,278,000	United States Treasury Note/Bond 7.500% 15/11/2024	4,527
1,520,000	United States Treasury Note/Bond 6.750% 15/08/2026	2,084	3,129,000	United States Treasury Note/Bond 6.875% 15/08/2025	4,252

The CBI requires a Schedule of material changes in the composition of the portfolio during the financial period. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the financial period and aggregate disposals greater than one per cent of the total value of sales. At a minimum the largest 20 purchases and 20 sales must be given or all purchases and sales if less than 20. A full listing of the portfolio changes for the financial period is available, upon request, at no cost from the Administrator.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE FUNDS

For the financial period ended 30 April 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

Please see Significant accounting policies section in the notes to the financials of the Company on page 53.

### 2. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

	As at 30 April 2017	As at 31 October 2016
<b>iShares \$ Treasury Bond 7-10yr UCITS ETF</b>		
Shares in issue	9,960,000	12,000,000
NAV (\$'000)	1,970,166	2,449,964
NAV per share	\$197.81	\$204.16

### 3. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 April 2017	As at 31 October 2016
<b>iShares \$ Treasury Bond 7-10yr UCITS ETF</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets:		
Investment in bonds	1,953,826	2,430,013
	<b>1,953,826</b>	<b>2,430,013</b>



## GLOSSARY

### Futures contracts

A futures contract is a contract, traded on an exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price. They are entered into for the purposes of gaining exposure to or hedging against changes in interest rates, changes in the value of securities or foreign currencies. Depending on the terms of a particular contract, futures can be settled either through physical delivery of the underlying instrument or by payment of a cash amount on the settlement date. Upon entering into the contract the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the contracts size and risk profile. During the life of the contract the Fund agrees to pay or receive an amount of cash equal to the daily fluctuation in the value of the contract known as variation margin. When the contract is closed, the Fund records a realised gain or loss equal to the difference between the value of the contract at the time it was open and the value at the time it was closed.

### Forward currency contracts

A forward currency contract is an agreement between two parties to buy or sell a currency at a set exchange rate at a certain date in the future. The Fund enters into forward currency contracts as an economic hedge against transactions or financial instruments and to obtain exposure to foreign currencies.

The unrealised gain or loss on open forward currency contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract as at the period end date.

Realised gains or losses are recognised on the maturity of a contract as the difference between the rate that the contract was entered into and the closing spot rate at the settlement date of the contract.

### Contracts for difference

A CFD is an agreement between the Fund and a CFD counterparty to pay or receive the change in the value of an underlying security.

In a long CFD contract, the counterparty agrees to pay the Fund the amount, if any, by which the notional amount of the CFD contract would have increased in value had it been invested in the underlying security or securities, plus any dividends that would have been received on those stocks. The Fund pays the counterparty a floating rate of interest on the notional amount of the CFD. The return to the Fund on a CFD contract will be the gain or loss on the notional amount plus any dividends accrued less the interest paid on the notional amount.

In a short CFD contract, the counterparty agrees to pay the Fund the amount, if any, by which the notional amount of the CFD contract would have decreased in value had it been invested in the underlying security or securities. The Fund must also pay the counterparty the value of any dividends that would have been received on those stocks. The Fund receives from the counterparty a floating rate of interest on the notional amount of the CFD.

At each valuation point the difference in price between the opening price of the CFD and the market price of the underlying equity is recorded as the fair value (unrealised gain or loss) of the CFD in the Balance sheet. Changes in the CFD contract value are settled daily with the CFD counterparty by paying or receiving collateral. Changes in unrealised gains or losses are recognised in the Income statement. When the CFD is closed the difference between the opening price of the CFD and the closing price is recorded as a realised fair value gain or loss in the Statement of comprehensive income. The interest and dividends received or paid are recorded in the Statement of comprehensive income as interest or dividend income/expense.

### Redeemable participating shares

The redeemable participating shares can be redeemed for cash equal to a proportionate share of the NAV calculated in accordance with the Company's prospectus. The redeemable participating share is valued at the redemption amount that is payable at the Balance sheet date if the shareholder exercised their right to put the shares back to the Company.

The fair value of the financial liabilities for the redeemable participating shares is the redemption amount per share, calculated as the NAV per share less any associated duties and charges and any redemption fee which is payable on the shares redeemed. Any potential duties and charges are at the discretion of the Board of Directors.

Any distributions on these shares are recognised in the Income statement as finance costs.

## GLOSSARY (continued)

### Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When a financial asset or financial liability is recognised initially, it is measured at its fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Equalisation on Distributions

Equalisation arrangements are applied in the case of shares in the Company. These arrangements are intended to ensure that the income distribution per share is not affected by changes in the number of shares in issue during the financial period.

To ensure that each shareholder receives the same rate of distribution per share, the buying price of each share contains an amount called equalisation. This is equivalent to the net of distributable income less expenses, accrued in the Company at the time of purchase/sale.

As part of the distribution payment, the average amount of this equalisation is returned to shareholders who subscribed to or redeemed from the Company during the financial period. The equalisation element of the distribution is treated as a repayment of capital.

## SUPPLEMENTARY INFORMATION (unaudited)

## Efficient portfolio management

The Company may, on behalf of each Fund and subject to the conditions and within the limits laid down by the Central Bank of Ireland, employ techniques and instruments relating to transferable securities for efficient portfolio management purposes. Transactions for the purposes of efficient portfolio management may be undertaken with a view to achieving a reduction in risk, a reduction in costs or the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the relevant Fund and the general provisions of the Directive. These techniques and instruments may include investments in FDI such as interest rate and bond futures (which may be used to manage interest rate risk), index futures (which may be used to manage cash flows on a short term basis), options (which may be used to achieve cost efficiencies, for example where the acquisition of the option is more cost effective than purchasing of the underlying asset), swaps (which may be used to manage currency risk) and investments in money market instruments and/or money market collective investment schemes. New techniques and instruments may be developed which may be suitable for use by the Company and the Company (subject to the Central Bank's requirements) may employ such techniques and instruments.

A Fund may enter into securities lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management subject to the conditions and limits set out in the Central Bank UCITS Regulations and in accordance with the requirements of the Central Bank.

## Securities Lending and CFDs

The below table details the value of securities on loan as a proportion of the Funds' total lendable assets and NAV and the value of CFDs as a proportion of the Fund's NAV, as at 30 April 2017 and the returns earned for the financial period ended 30 April 2017. Total lendable assets represents the aggregate value of assets forming part of the Funds' securities lending programme. This excludes any assets held by the Funds that are not considered lendable due to any market, regulatory, investment or other restriction. The value of the CFDs is based on the underlying exposure value on a gross absolute basis as disclosed in the Fund's schedule of investments.

Fund	Currency	Securities on loan		CFDs	Total returns earned '000
		% of lendable assets	% of NAV	% of NAV	
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$	90.32	83.95	-	-

The total income earned from securities lending transactions is split between the relevant Fund and the Securities lending Agent. The Funds receive 62.5%, while the Securities lending Agent receives 37.5% of such income, with all operational costs borne out of the Securities lending Agent's share. Income earned during the financial period by the Funds from securities lending transactions is disclosed in the Funds' related parties section to the financial statements.

All returns from CFDs will accrue to the Funds and are not subject to any returns sharing arrangements with the Fund's Manager or any other third parties.

The following tables detail the value of securities on loan and associated collateral received, analysed by borrowing counterparty as at 30 April 2017.

Counterparty*	Amount on loan	Collateral received
<b>iShares \$ Treasury Bond 7-10yr UCITS ETF</b>	<b>\$'000</b>	<b>\$'000</b>
Credit Suisse Securities (Europe) Limited	705,935	780,427
HSBC Bank Plc	350,931	388,278
BNP Paribas Arbitrage SNC	300,941	332,106
Societe Generale SA	186,662	206,084
Deutsche Bank AG	77,178	85,007
Barclays Capital Securities Ltd	32,356	35,794
<b>Total</b>	<b>1,654,003</b>	<b>1,827,696</b>

\* The respective counterparty's country of establishment is detailed on page 408.

All securities on loan have an open maturity tenor as they are callable or terminable on a daily basis.

## SUPPLEMENTARY INFORMATION (unaudited) (continued)

### Collateral

The Funds engage in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

The following table provides an analysis by currency of the underlying non-cash collateral received by way of title transfer collateral arrangement by the Funds, in respect of securities lending transactions, as at 30 April 2017.

Currency	Non-cash Collateral received
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$'000
AUD	7,529
CAD	65,309
CHF	43,416
DKK	1,347
EUR	471,633
GBP	201,609
JPY	215,201
SEK	2,630
USD	819,022
<b>Total</b>	<b>1,827,696</b>

As at 30 April 2017, all cash collateral received by the Funds was re-invested in money market funds managed by the Manager, as disclosed in the Funds' schedule of investments. The Funds are the legal owner of inbound collateral and can sell the assets and withhold the cash in the case of default. All cash received or posted as collateral has an open maturity tenor as it's not subject to a contractual maturity date.

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions and OTC derivative transactions, cannot be sold, re-invested or pledged.

The returns earned by the Funds from the reinvestment of cash collateral in money market funds during the financial period ended 30 April 2017 is summarised below. These returns represent the accumulative total return of the representative money market fund for the financial period ended 30 April 2017. These returns do not take into account any interest payable to the counterparty under the relevant collateral arrangements.

Money market fund	Total return for the financial period %
ICS Institutional USD Liquidity Fund - Agency (Dis) Shares	1.03

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received and posted by the Funds by way of title transfer collateral arrangement in respect of securities lending transactions as at 30 April 2017.

## SUPPLEMENTARY INFORMATION (unaudited) (continued)

## Collateral (continued)

Collateral type and quality	Maturity tenor				Open	Total
	8-30 days	31-90 days	91-365 days	More than 365 days		
iShares \$ Treasury Bond 7-10yr UCITS ETF	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fixed income</b>						
Investment grade	-	-	1,164	24,565	-	25,729
<b>Equities</b>						
Recognised equity index	-	-	-	-	1,760,756	1,760,756
<b>ETFs</b>						
UCITS	-	-	-	-	4,450	4,450
Non-UCITS	-	-	-	-	36,761	36,761
<b>Total</b>	-	-	1,164	24,565	1,801,967	1,827,696

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received or posted as collateral is based on the respective contractual maturity date, while for equity securities, ETFs and money market funds received or posted as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 30 April 2017, all non-cash collateral received by the Funds in respect of securities lending transactions is held by the Funds' Depositary (or through its delegates).

The following table lists the ten largest issuers by value of non-cash collateral received by the Funds by way of title transfer collateral arrangement across securities lending transactions as at 30 April 2017.

Issuer	Value	% of NAV
<b>iShares \$ Treasury Bond 7-10yr UCITS ETF</b>	<b>\$'000</b>	
Shire Plc	40,236	2.04
Intesa Sanpaolo SpA	36,583	1.86
Compass Group Plc	26,358	1.34
Goldman Sachs Group Inc	24,903	1.26
Sky Plc	23,140	1.17
Yum! Brands Inc	22,299	1.13
Johnson & Johnson	22,167	1.13
BASF SE	21,379	1.09
ING Groep NV	20,843	1.06
Intercontinental Exchange Inc	20,109	1.02
Other issuers	1,569,679	79.67
<b>Total</b>	<b>1,827,696</b>	<b>92.77</b>

No securities collateral received from a single issuer, in relation to efficient portfolio management and OTC financial derivative instruments, has exceeded 20% of any of the respective Funds' NAV at the financial period end date.

None of the Funds have been fully collateralised in securities issued or guaranteed by an EU member state at the financial period end date.

## SUPPLEMENTARY INFORMATION (unaudited) (continued)

## Counterparties to securities lending transactions and CFD's.

Counterparty name	Country of establishment
Abbey National Treasury Services Plc	United Kingdom
Barclays Bank Plc	United Kingdom
Barclays Capital Securities Ltd	United Kingdom
BNP Paribas Arbitrage SNC	France
BNP Paribas SA	France
Citigroup Global Markets Ltd	United Kingdom
Citibank NA	United States
Credit Suisse AG Dublin Branch	Ireland
Credit Suisse International	United Kingdom
Credit Suisse Securities (Europe) Limited	United Kingdom
Deutsche Bank AG	Germany
Goldman Sachs International	United States
HSBC Bank Plc	United Kingdom
J.P. Morgan Securities Plc	United Kingdom
Macquarie Bank Limited	Australia
Merrill Lynch International	United Kingdom
Morgan Stanley & Co. International Plc	United Kingdom
Nomura International Plc	United Kingdom
Royal Bank of Scotland Plc	United Kingdom
Societe Generale SA	France
The Bank of Nova Scotia	Canada
UBS AG	Switzerland