

BlackRock Inc.  
Form 10-Q  
November 07, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number 001-33099

**BlackRock, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of

32-0174431  
(I.R.S. Employer Identification No.)

Incorporation or Organization)

**55 East 52nd Street, New York, NY 10055**

(Address of Principal Executive Offices)

(Zip Code)

(212) 810-5300

(Registrant's Telephone Number, Including Area Code)

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(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or, a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of October 31, 2014, there were 165,213,996 shares of the registrant's common stock outstanding.

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**BlackRock, Inc.**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition**

(unaudited)

<i>(in millions, except share data)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,149	\$ 4,390
Accounts receivable	2,631	2,247
Investments	1,951	2,151
Assets of consolidated variable interest entities:		
Cash and cash equivalents	175	161
Bank loans, other investments and other assets	2,883	2,325
Separate account assets	156,479	155,113
Separate account collateral held under securities lending agreements	20,966	21,788
Property and equipment (net of accumulated depreciation of \$680 and \$611 at September 30, 2014 and December 31, 2013, respectively)	468	525
Intangible assets (net of accumulated amortization of \$1,176 and \$1,057 at September 30, 2014 and December 31, 2013, respectively)	17,378	17,501
Goodwill	12,966	12,980
Other assets	766	692
<b>Total assets</b>	<b>\$222,812</b>	<b>\$219,873</b>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 1,487	\$ 1,747
Accounts payable and accrued liabilities	1,576	1,084
Liabilities of consolidated variable interest entities:		
Borrowings	2,889	2,369
Other liabilities	167	74
Borrowings	5,937	4,939
Separate account liabilities	156,479	155,113
Separate account collateral liabilities under securities lending agreements	20,966	21,788
Deferred income tax liabilities	5,056	5,085
Other liabilities	971	1,004
<b>Total liabilities</b>	<b>195,528</b>	<b>193,203</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Temporary equity</b>		
Redeemable noncontrolling interests	49	54
<b>Permanent Equity</b>		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2
Shares authorized: 500,000,000 at September 30, 2014 and December 31, 2013;		
Shares issued: 171,252,185 at September 30, 2014 and December 31, 2013;		
Shares outstanding: 165,475,182 and 166,589,688 at September 30, 2014 and December 31, 2013, respectively		
Preferred stock (Note 16)	-	-
Additional paid-in capital	19,270	19,473
Retained earnings	9,673	8,208

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Appropriated retained earnings	(13)	22
Accumulated other comprehensive loss	(169)	(35)
Treasury stock, common, at cost (5,777,003 and 4,662,497 shares held at September 30, 2014 and December 31, 2013, respectively)	(1,657)	(1,210)
Total BlackRock, Inc. stockholders' equity	27,106	26,460
Nonredeemable noncontrolling interests	114	135
Nonredeemable noncontrolling interests of consolidated variable interest entities	15	21
Total permanent equity	27,235	26,616
Total liabilities, temporary equity and permanent equity	\$222,812	\$219,873

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents****BlackRock, Inc.****Condensed Consolidated Statements of Income**

(unaudited)

(in millions, except shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Revenue</b>				
Investment advisory, administration fees and securities lending revenue:				
Related parties	\$1,744	\$1,478	\$5,044	\$4,403
Other third parties	724	675	2,149	2,056
Total investment advisory, administration fees and securities lending revenue				
	2,468	2,153	7,193	6,459
Investment advisory performance fees	133	96	406	293
<i>BlackRock Solutions</i> and advisory	165	156	465	420
Distribution fees	17	19	54	54
Other revenue	66	48	179	177
Total revenue				
	2,849	2,472	8,297	7,403
<b>Expense</b>				
Employee compensation and benefits	973	866	2,903	2,635
Distribution and servicing costs	90	85	268	266
Amortization of deferred sales commissions	14	14	43	38
Direct fund expense	199	167	565	490
General and administration	376	334	1,066	1,130
Amortization of intangible assets	40	40	122	120
Total expense				
	1,692	1,506	4,967	4,679
Operating income				
	1,157	966	3,330	2,724
<b>Nonoperating income (expense)</b>				
Net gain (loss) on investments	46	32	167	235
Net gain (loss) on consolidated variable interest entities	(47)	(6)	(35)	(2)
Interest and dividend income	10	8	23	18
Interest expense	(61)	(52)	(174)	(159)
Total nonoperating income (expense)				
	(52)	(18)	(19)	92
Income before income taxes				
	1,105	948	3,311	2,816
Income tax expense	232	219	853	715
Net income				
	873	729	2,458	2,101
Less:				
Net income (loss) attributable to redeemable noncontrolling interests	-	-	2	(1)
Net income (loss) attributable to nonredeemable noncontrolling interests	(44)	(1)	(25)	11
Net income attributable to BlackRock, Inc.				
	\$917	\$730	\$2,481	\$2,091
<b>Earnings per share attributable to BlackRock, Inc. common stockholders:</b>				

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Basic	\$5.46	\$4.30	\$14.72	\$12.26
Diluted	\$5.37	\$4.21	\$14.48	\$12.02
<b>Cash dividends declared and paid per share</b>	\$1.93	\$1.68	\$5.79	\$5.04
<b>Weighted-average common shares outstanding:</b>				
Basic	167,933,040	169,811,633	168,571,354	170,581,930
Diluted	170,778,766	173,371,508	171,351,276	174,012,876

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents****BlackRock, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(unaudited)

<i>(in millions)</i>	<b>Three Months Ended September 30, 2014</b>		<b>Nine Months Ended September 30, 2014</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Net income</b>	\$ 873	\$ 729	\$ 2,458	\$ 2,101
Other comprehensive income:				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:				
Unrealized holding gains (losses), net of tax <sup>(1)</sup>	(1)	2	3	3
Less: reclassification adjustment included in net income <sup>(1)</sup>	2	1	8	10
Net change from available-for-sale investments, net of tax	(3)	1	(5)	(7)
Foreign currency translation adjustments	(167)	118	(129)	(13)
Other comprehensive income (loss)	(170)	119	(134)	(20)
<b>Comprehensive income</b>	<b>703</b>	<b>848</b>	<b>2,324</b>	<b>2,081</b>
Less: Comprehensive income (loss) attributable to noncontrolling interests	(44)	(1)	(23)	10
<b>Comprehensive income attributable to BlackRock, Inc.</b>	<b>\$ 747</b>	<b>\$ 849</b>	<b>\$ 2,347</b>	<b>\$ 2,071</b>

<sup>(1)</sup> The tax benefit (expense) was not material for the three and nine months ended September 30, 2014 and 2013.  
See accompanying notes to condensed consolidated financial statements.



**Table of Contents****BlackRock, Inc.****Condensed Consolidated Statements of Changes in Equity**

(unaudited)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Accumulated Other Comprehensive Retained Earnings	Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders Equity	Nonredeemable Interests	Noncontrolling Interests of VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
<i>(in millions)</i>										
December 31, 2013	\$19,475	\$8,208	\$22	(\$35)	(\$1,210)	\$26,460	\$135	\$21	\$26,616	\$54
Net income	-	2,481	-	-	-	2,481	10	(35)	2,456	2
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	(35)	-	-	(35)	-	35	-	-
Dividends paid	-	(1,016)	-	-	-	(1,016)	-	-	(1,016)	-
Stock-based compensation	336	-	-	-	-	336	-	-	336	-
Issuance of common shares related to employee stock transactions	(632)	-	-	-	641	9	-	-	9	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(338)	(338)	-	-	(338)	-
Shares repurchased	-	-	-	-	(750)	(750)	-	-	(750)	-
Net tax benefit (shortfall) from stock-based compensation	93	-	-	-	-	93	-	-	93	-
Subscriptions (redemptions/ distributions)-noncontrolling interest holders	-	-	-	-	-	-	(31)	(6)	(37)	247
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	(254)
Other comprehensive income (loss)	-	-	-	(134)	-	(134)	-	-	(134)	-
<b>September 30, 2014</b>	<b>\$19,272</b>	<b>\$9,673</b>	<b>(\$13)</b>	<b>(\$169)</b>	<b>(\$1,657)</b>	<b>\$27,106</b>	<b>\$114</b>	<b>\$15</b>	<b>\$27,235</b>	<b>\$49</b>

<sup>(1)</sup> Amounts include \$2 million of common stock at both September 30, 2014 and December 31, 2013.  
See accompanying notes to condensed consolidated financial statements.

**Table of Contents****BlackRock, Inc.****Condensed Consolidated Statements of Changes in Equity**

(unaudited)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholder Equity	Nonredeemable Noncontrolling Interests	Nonredeemable of VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests /	Temporary Equity
<i>(in millions)</i>										
December 31, 2012	\$19,421	\$6,444	\$29	(\$59)	(\$432)	\$25,403	\$155	\$27	\$25,585	\$32
Net income	-	2,091	-	-	-	2,091	13	(2)	2,102	(1)
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	(4)	-	-	(4)	-	4	-	-
Dividends paid	-	(882)	-	-	-	(882)	-	-	(882)	-
Stock-based compensation	339	-	-	-	1	340	-	-	340	-
Issuance of common shares related to employee stock transactions	(402)	-	-	-	422	20	-	-	20	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(234)	(234)	-	-	(234)	-
Shares repurchased	-	-	-	-	(750)	(750)	-	-	(750)	-
Net tax benefit (shortfall) from stock-based compensation	35	-	-	-	-	35	-	-	35	-
Subscriptions (redemptions/distributions)-noncontrolling interest holders	-	-	-	-	-	-	(41)	124	83	104
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	(134)	(134)	(94)
Other comprehensive income (loss)	-	-	-	(20)	-	(20)	-	-	(20)	-
September 30, 2013	\$19,393	\$7,653	\$25	(\$79)	(\$993)	\$25,999	\$127	\$19	\$26,145	\$41

<sup>(1)</sup> Amounts include \$2 million of common stock at both September 30, 2013 and December 31, 2012. See accompanying notes to condensed consolidated financial statements.

**Table of Contents****BlackRock, Inc.****Condensed Consolidated Statements of Cash Flows**

(unaudited)

<i>(in millions)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Net income	\$2,458	\$2,101
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	215	215
Amortization of deferred sales commissions	43	38
Stock-based compensation	336	340
Deferred income tax expense (benefit)	(31)	(44)
Net (gains) losses on nontrading investments	(53)	(46)
Purchases of investments within consolidated sponsored investment funds	(151)	(45)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	113	112
Gain related to PennyMac initial public offering	-	(39)
Gain related to the charitable contribution	-	(80)
Charitable contribution	-	124
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	10	204
Net (gains) losses within consolidated VIEs	35	2
Net (purchases) proceeds and distributions within consolidated VIEs	(540)	15
(Earnings) losses from equity method investees	(133)	(110)
Distributions of earnings from equity method investees	44	39
Other adjustments	7	-
Changes in operating assets and liabilities:		
Accounts receivable	(426)	(2,061)
Investments, trading	(189)	(205)
Other assets	(139)	(139)
Accrued compensation and benefits	(272)	(225)
Accounts payable and accrued liabilities	473	2,264
Other liabilities	10	16
Cash flows from operating activities	1,810	2,476
<b>Cash flows from investing activities</b>		
Purchases of investments	(304)	(188)
Proceeds from sales and maturities of investments	504	225
Distributions of capital from equity method investees	130	51
Net consolidations (deconsolidations) of sponsored investment funds	(33)	(63)
Acquisitions, net of cash acquired	-	(240)
Purchases of property and equipment	(40)	(60)
Cash flows from investing activities	257	(275)
<b>Cash flows from financing activities</b>		
Repayments of short-term borrowings	-	(100)
Repayments of long-term borrowings	-	(750)
Proceeds from long-term borrowings	997	-
Cash dividends paid	(1,016)	(882)
Repurchases of common stock	(1,088)	(984)
Net proceeds from (repayments of) borrowings by consolidated VIEs	536	(343)
Net (redemptions/distributions paid) / subscriptions received from noncontrolling interests holders	210	187
Excess tax benefit from stock-based compensation	93	40
Other financing activities	5	20

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Cash flows from financing activities	(263)	(2,812)
Effect of exchange rate changes on cash and cash equivalents	(45)	(8)
Net increase (decrease) in cash and cash equivalents	1,759	(619)
Cash and cash equivalents, beginning of period	4,390	4,606
Cash and cash equivalents, end of period	\$6,149	\$3,987
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	\$140	\$125
Interest on borrowings of consolidated VIEs	\$112	\$82
Income taxes	\$992	\$746
<b>Supplemental schedule of noncash investing and financing transactions:</b>		
Issuance of common stock	\$632	\$402
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	(\$254)	(\$228)

*See accompanying notes to condensed consolidated financial statements.*

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**BlackRock, Inc.**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

**1. Business Overview**

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, BlackRock or the Company) is a leading publicly traded investment management firm providing a broad range of investment and risk management services to institutional and retail clients worldwide.

BlackRock's diverse platform of active (alpha) and index (beta) investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*<sup>®</sup> exchange-traded funds (ETFs), separate accounts, collective investment funds and other pooled investment vehicles. BlackRock also offers the *BlackRock Solutions*<sup>®</sup> investment and risk management technology platform, *Aladdin*<sup>®</sup>, risk analytics and advisory services and solutions to a broad base of institutional investors.

At September 30, 2014, The PNC Financial Services Group, Inc. (PNC) held 21.0% of the Company's voting common stock and 22.0% of the Company's capital stock, which includes outstanding common and nonvoting preferred stock.

**2. Significant Accounting Policies**

**Basis of Presentation.** These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and include the accounts of the Company and its controlled subsidiaries. Noncontrolling interests on the condensed consolidated statements of financial condition represents the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2014 (2013 Form 10-K).

The interim financial information at September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company's results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

**Fair Value Measurements.**

**Hierarchy of Fair Value Inputs.** The provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurement* (ASC 820), establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1 Inputs:**

Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

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Level 1 assets may include listed mutual funds (including those accounted for under the equity method of accounting as these mutual funds are investment companies that have publicly available net asset values ( NAVs ), which in accordance with GAAP, are calculated under fair value measures and the changes in fair values are equal to the earnings of such funds), ETFs, listed equities and certain exchange-traded derivatives.

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### **Level 2 Inputs:**

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. As a practical expedient, the Company uses the NAV (or its equivalent) of certain investments as their fair value.

Level 2 assets may include debt securities, bank loans, short-term floating-rate notes, asset-backed securities, securities held within consolidated hedge funds, certain equity method limited partnership interests in hedge funds valued based on NAV (or its equivalent) where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

### **Level 3 Inputs:**

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Certain investments that are valued using a NAV (or its equivalent) and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3.

Level 3 assets may include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, funds of hedge funds, direct private equity investments held within consolidated funds, bank loans and bonds.

Level 3 liabilities include borrowings of consolidated collateralized loan obligations ( CLOs ) valued based upon nonbinding single-broker quotes.

Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, opportunistic funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices.

*Significance of Inputs.* The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

*Valuation Techniques.* The fair values of certain Level 3 assets and liabilities were determined using various methodologies as appropriate, including NAVs of underlying investments, third-party pricing vendors, broker quotes and market and income approaches. Such quotes and modeled prices are evaluated for reasonableness through various procedures, including due diligence reviews of third-party pricing vendors, variance analyses, consideration of the current market environment and other analytical procedures.

As a practical expedient, the Company uses NAV as the fair value for certain investments. The inputs to value these investments may include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, opportunistic funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices. The various partnerships generally are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

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A significant number of inputs used to value equity, debt securities and bank loans is sourced from third-party pricing vendors. Generally, prices obtained from pricing vendors are categorized as Level 1 inputs for identical securities traded in active markets and as Level 2 for other similar securities if the vendor uses observable inputs in determining the price. Annually, BlackRock's internal valuation committee or other designated groups review both the valuation methodologies, including the general assumptions and methods used to value various asset classes, and operational processes with these vendors. On a quarterly basis, meetings are held with key vendors to identify any significant changes to the vendors' processes.

In addition, quotes obtained from brokers generally are nonbinding and categorized as Level 3 inputs. However, if the Company is able to determine that market participants have transacted for the asset in an orderly manner near the quoted price or if the Company can determine that the inputs used by the broker are observable, the quote is classified as a Level 2 input.



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**Fair Value Option.** ASC 825-10, *Financial Instruments* ( ASC 825-10 ), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, which must be applied to an entire instrument, and not only specified risks, specific cash flows, or portions of that instrument, and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

The Company applies the fair value option provisions for eligible assets and liabilities, including bank loans and borrowings, held by consolidated CLOs to mitigate accounting mismatches between the carrying value of the assets and liabilities and to achieve operational simplification. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference is reflected as net income (loss) attributable to nonredeemable noncontrolling interests on the condensed consolidated statements of income and offset by a change in appropriated retained earnings on the condensed consolidated statements of financial condition.

**Derivative Instruments and Hedging Activities.** ASC 815-10, *Derivatives and Hedging* ( ASC 815-10 ), establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and for hedging activities. ASC 815-10 generally requires an entity to recognize all derivatives as either assets or liabilities on the condensed consolidated statements of financial condition and to measure those investments at fair value.

The Company does not use derivative financial instruments for trading or speculative purposes. The Company may use derivative financial instruments primarily for purposes of hedging: (i) exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, (ii) market exposures for certain seed investments and (iii) future cash flows on floating-rate notes. The Company may also use derivatives within its separate account assets, which are segregated funds held for purposes of funding individual and group pension contracts. In addition, certain consolidated sponsored investment funds may also invest in derivatives as a part of their investment strategy.

Changes in the fair value of the Company's derivative financial instruments are generally recognized in earnings and, where applicable, are offset by the corresponding gain or loss on the related foreign-denominated assets or liabilities or hedged investments, on the condensed consolidated statements of income.

**Separate Account Assets and Liabilities.** Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The life insurance company does not underwrite any insurance contracts that involve any insurance risk transfer from the insured to the life insurance company. The separate account assets primarily include equity securities, debt securities, money market funds and derivatives. The separate account assets are not subject to general claims of the creditors of BlackRock. These separate account assets and the related equal and offsetting liabilities are recorded as separate account assets and separate account liabilities on the condensed consolidated statements of financial condition in accordance with ASC 944-80, *Financial Services - Separate Accounts*.

The net investment income attributable to separate account assets supporting individual and group pension contracts accrues directly to the contract owner and is not reported on the condensed consolidated statements of income. While BlackRock has no economic interest in these separate account assets and liabilities, BlackRock earns policy administration and management fees associated with these products, which are included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income.

**Separate Account Collateral Assets Held and Liabilities Under Securities Lending Agreements.** The Company facilitates securities lending arrangements whereby securities held by separate account assets maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives collateral with minimum values generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. The required collateral value is calculated on a daily basis. The global master securities lending agreements provide the Company the right to request additional collateral or, in the event of borrower default, the right to liquidate collateral. Under the Company's securities lending arrangements, the Company can resell or repledge the collateral and the borrower can resell or repledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing*.

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As a result of the Company's ability to resell or repledge the collateral, the Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During the nine months ended September 30, 2014 and 2013, the Company had not resold or repledged any of the collateral received under these arrangements. At September 30, 2014 and December 31, 2013, the fair value of loaned securities held by separate account assets was approximately \$19.1 billion and \$19.7 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$21.0 billion and \$21.8 billion, respectively.

**Appropriated Retained Earnings.** Upon the consolidation of CLOs, BlackRock records an adjustment to appropriated retained earnings on the condensed consolidated statements of financial condition equal to the difference between the fair value of the CLOs' assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders ultimately will receive the benefits or absorb the losses associated with the CLOs' assets and liabilities. The net change in the fair value of the CLOs' assets and liabilities is recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as a change to appropriated retained earnings.

### **Accounting Pronouncements Adopted in the Nine Months Ended September 30, 2014**

**Cumulative Translation Adjustment.** In March 2013, the FASB issued ASU 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The adoption of ASU 2013-05 on January 1, 2014 was not material to the condensed consolidated financial statements.

**Investment Company Guidance.** In June 2013, the FASB issued ASU 2013-08, *Financial Services - Investment Companies: Amendments to the Scope, Measurement, and Disclosure Requirements* (ASU 2013-08). ASU 2013-08 amends the current criteria for an entity to qualify as an investment company, creates new disclosure requirements and amends the measurement criteria for certain interests in other investment companies. The adoption of ASU 2013-08 on January 1, 2014 was not material to the condensed consolidated financial statements.

**Presentation of an Unrecognized Tax Benefit.** In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). The adoption of ASU 2013-11 on January 1, 2014 was not material to the condensed consolidated financial statements.

### **Recent Accounting Pronouncements Not Yet Adopted**

**Revenue from Contracts with Customers.** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Company is currently evaluating the impact of adopting ASU 2014-09, which is effective for the Company on January 1, 2017.

**Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity.** In August 2014, the FASB issued ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* (ASU 2014-13). ASU 2014-13 provides an entity that consolidates a collateralized financing entity (CFE) that had elected the fair value option for the financial assets and financial liabilities of such CFE an alternative to current fair value measurement guidance. If elected, the Company could measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The election would effectively eliminate any measurement difference previously recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as an adjustment to appropriated retained earnings. ASU 2014-13 is effective for the Company on January 1, 2016, with retrospective or modified retrospective approach required. The Company currently expects to early adopt ASU 2014-13 and does not expect the adoption to be material to the consolidated financial statements.

**Table of Contents****3. Investments**

A summary of the carrying value of total investments is as follows:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Available-for-sale investments	\$221	\$183
Held-to-maturity investments	64	83
<b>Trading investments:</b>		
Consolidated sponsored investment funds	396	385
Other equity and debt securities	18	43
Deferred compensation plan mutual funds	63	58
<b>Total trading investments</b>	<b>477</b>	<b>486</b>
<b>Other investments:</b>		
Consolidated sponsored investment funds	288	441
Equity method investments	658	697
Deferred compensation plan hedge fund equity method investments	21	39
Cost method investments <sup>(1)</sup>	96	119
Carried interest	126	103
<b>Total other investments</b>	<b>1,189</b>	<b>1,399</b>
<b>Total investments</b>	<b>\$1,951</b>	<b>\$2,151</b>

(1) Amounts primarily include Federal Reserve Bank Stock.

At September 30, 2014, the Company consolidated \$684 million of investments held by consolidated sponsored investment funds (excluding variable interest entities ( VIEs )) of which \$396 million and \$288 million were classified as trading investments and other investments, respectively. At December 31, 2013, the Company consolidated \$826 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which \$385 million and \$441 million were classified as trading investments and other investments, respectively.

**Available-for-Sale Investments**

A summary of the cost and carrying value of investments classified as available-for-sale investments is as follows:

<i>(in millions)</i>	<b>Cost</b>	<b>Gross Unrealized</b>		<b>Carrying</b>
<b>September 30, 2014</b>		<b>Gains</b>	<b>Losses</b>	<b>Value</b>
Equity securities of sponsored investment funds	\$222	\$7	(\$8)	\$221
<b>December 31, 2013</b>				
Equity securities of sponsored investment funds	\$180	\$4	(\$4)	\$180
Other securities	1	2	-	3
<b>Total available-for-sale investments</b>	<b>\$181</b>	<b>\$6</b>	<b>(\$4)</b>	<b>\$183</b>

Available-for-sale investments primarily included seed investments in BlackRock sponsored mutual funds.

***Held-to-Maturity Investments***

The carrying value of held-to-maturity investments was \$64 million and \$83 million at September 30, 2014 and December 31, 2013, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. At September 30, 2014, \$48 million of these investments mature in one year or less, \$2 million mature after one year through five years, and \$14 million mature after 10 years.

**Table of Contents****Trading Investments**

A summary of the cost and carrying value of trading investments is as follows:

<i>(in millions)</i>	<b>September 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Cost</b>	<b>Carrying Value</b>	<b>Cost</b>	<b>Carrying Value</b>
Trading investments:				
Deferred compensation plan mutual funds	\$ 48	\$ 63	\$ 49	\$ 58
Equity securities/multi-asset mutual funds	195	212	174	184
Debt securities/fixed income mutual funds:				
Corporate debt	87	88	128	128
Government debt	97	101	121	116
Asset/mortgage backed debt	13	13	-	-
<b>Total trading investments</b>	<b>\$440</b>	<b>\$477</b>	<b>\$472</b>	<b>\$486</b>

At September 30, 2014, trading investments included \$204 million of equity securities and \$192 million of debt securities held by consolidated sponsored investment funds, \$63 million of certain deferred compensation plan mutual fund investments and \$18 million of other equity and debt securities.

At December 31, 2013, trading investments included \$172 million of equity securities and \$213 million of debt securities held by consolidated sponsored investment funds, \$58 million of certain deferred compensation plan mutual fund investments and \$43 million of other equity and debt securities.

**Other Investments**

A summary of the cost and carrying value of other investments is as follows:

<i>(in millions)</i>	<b>September 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Cost</b>	<b>Carrying Value</b>	<b>Cost</b>	<b>Carrying Value</b>
Other investments:				
Consolidated sponsored investment funds	\$274	\$288	\$420	\$441
Equity method	559	658	613	697
Deferred compensation plan equity method investments	22	21	37	39
Cost method investments:				
Federal Reserve Bank stock	91	91	90	90
Other	5	5	17	29
Total cost method investments	96	96	107	119
Carried interest	-	126	-	103
<b>Total other investments</b>	<b>\$951</b>	<b>\$1,189</b>	<b>\$1,177</b>	<b>\$1,399</b>

Consolidated sponsored investment funds include third-party private equity funds, direct investments in private companies and third-party hedge funds held by BlackRock sponsored investment funds.

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Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds. See Note 10, *Other Assets*, for information on the Company's investment in PennyMac Financial Services, Inc. ( PennyMac ), which is included in other assets on the condensed consolidated statements of financial condition.

Cost method investments include nonmarketable securities, including Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At September 30, 2014 and December 31, 2013, there were no indicators of impairment on these investments.

Carried interest represents allocations to BlackRock's general partner capital accounts from certain funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.

**Table of Contents****4. Consolidated Sponsored Investment Funds**

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such funds. The investments owned by these consolidated sponsored investment funds are classified as trading or other investments. The following table presents the balances related to these consolidated funds that were included on the condensed consolidated statements of financial condition as well as BlackRock's net interest in these funds:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	\$ 127	\$114
Investments:		
Trading investments	396	385
Other investments	288	441
Other assets	17	20
Other liabilities	(11)	(39)
Noncontrolling interests	(163)	(189)
BlackRock's net interests in consolidated sponsored investment funds	\$654	\$732

BlackRock's total exposure to consolidated sponsored investment funds represents the value of its economic ownership interest in these sponsored investment funds. Valuation changes associated with investments held at fair value by these consolidated investment funds are reflected in nonoperating income (expense) and partially offset in net income (loss) attributable to noncontrolling interests for the portion not attributable to BlackRock.

In addition, at September 30, 2014 and December 31, 2013, several consolidated CLOs and one sponsored investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, *Variable Interest Entities*, for further discussion on these consolidated investment products.

The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in the Company's operations.

**Table of Contents****5. Fair Value Disclosures****Fair Value Hierarchy**

Assets and liabilities measured at fair value on a recurring basis and other assets not held at fair value

September 30, 2014 <i>(in millions)</i>	Quoted Prices in  Active  Markets for Identical Assets  (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value <sup>(1)</sup>	September 30, 2014
<b>Assets:</b>					
<u>Investments</u>					
Available-for-sale:					
Equity securities of sponsored investment funds	\$ 218	\$ 3	\$ -	\$ -	\$ 221
Held-to-maturity debt securities	-	-	-	64	64
Trading:					
Deferred compensation plan mutual funds	63	-	-	-	63
Equity/Multi-asset mutual funds	212	-	-	-	212
Debt securities / fixed income mutual funds	10	192	-	-	202
<b>Total trading</b>	<b>285</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>477</b>
Other investments:					
Consolidated sponsored investment funds:					
Private / public equity <sup>(2)</sup>	6	21	258	-	285
Hedge funds / Funds of funds	-	-	3	-	3
<b>Total consolidated sponsored investment funds</b>	<b>6</b>	<b>21</b>	<b>261</b>	<b>-</b>	<b>288</b>
Equity method:					
Hedge funds / Funds of hedge funds	-	241	73	5	319
Private equity investments	-	-	104	-	104
Real estate funds	-	21	92	8	121
Fixed income mutual funds	19	-	-	-	19
Other	95	-	-	-	95
<b>Total equity method</b>	<b>114</b>	<b>262</b>	<b>269</b>	<b>13</b>	<b>658</b>
Deferred compensation plan equity method investments	-	-	21	-	21
Cost method investments	-	-	-	96	96
Carried interest	-	-	-	126	126
<b>Total investments</b>	<b>623</b>	<b>478</b>	<b>551</b>	<b>299</b>	<b>1,951</b>
Separate account assets	111,222	44,460	-	797	156,479
<u>Separate account collateral held under securities lending agreements:</u>					
Equity securities	17,197	-	-	-	17,197
Debt securities	-	3,769	-	-	3,769
<b>Total separate account collateral held under securities lending agreements</b>	<b>17,197</b>	<b>3,769</b>	<b>-</b>	<b>-</b>	<b>20,966</b>
<u>Assets of consolidated VIEs:</u>					



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Bank loans and other assets	-	2,546	204	65	<b>2,815</b>
Bonds	-	33	17	-	<b>50</b>
Private / public equity <sup>(3)</sup>	2	5	11	-	<b>18</b>
<b>Total assets of consolidated VIEs</b>	<b>2</b>	<b>2,584</b>	<b>232</b>	<b>65</b>	<b>2,883</b>
<b>Total</b>	<b>\$ 129,044</b>	<b>\$ 51,291</b>	<b>\$ 783</b>	<b>1,161</b>	<b>\$ 182,279</b>
<b>Liabilities:</b>					
Borrowings of consolidated VIEs	\$ -	\$ -	\$ 2,889	\$ -	<b>\$ 2,889</b>
Separate account collateral liabilities under securities lending agreements	17,197	3,769	-	-	<b>20,966</b>
Other liabilities <sup>(4)</sup>	-	5	39	-	<b>44</b>
<b>Total</b>	<b>\$ 17,197</b>	<b>\$ 3,774</b>	<b>\$ 2,928</b>	<b>\$ -</b>	<b>\$ 23,899</b>

- (1) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
- (2) Level 3 amounts include \$181 million and \$77 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.
- (3) Level 3 amounts include \$11 million of underlying third-party private equity funds held by a consolidated private equity fund of fund.
- (4) Amounts include a derivative (see Note 7, *Derivatives and Hedging*, for more information) and contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA (see Note 12, *Commitments and Contingencies*, for more information).

**Table of Contents**
*Assets and liabilities measured at fair value on a recurring basis and other assets not held at fair value*

December 31, 2013	Quoted Prices in  Active				December 31,
<i>(in millions)</i>	Markets for Identical Assets  (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value <sup>(1)</sup>	2013
<b>Assets:</b>					
<u>Investments</u>					
Available-for-sale:					
Equity securities of sponsored investment funds	\$ 180	\$ -	\$ -	\$ -	\$ 180
Other securities	-	3	-	-	3
<b>Total available-for-sale</b>	<b>180</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>183</b>
Held-to-maturity debt securities	-	-	-	83	83
Trading:					
Deferred compensation plan mutual funds	58	-	-	-	58
Equity/Multi-asset mutual funds	184	-	-	-	184
Debt securities / fixed income mutual funds	31	213	-	-	244
<b>Total trading</b>	<b>273</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>486</b>
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	-	135	24	-	159
Private / public equity <sup>(2)</sup>	5	13	223	41	282
<b>Total consolidated sponsored investment funds</b>	<b>5</b>	<b>148</b>	<b>247</b>	<b>41</b>	<b>441</b>
Equity method:					
Hedge funds / Funds of hedge funds	-	177	99	63	339
Private equity investments	-	-	101	-	101
Real estate funds	-	20	98	7	125
Fixed income mutual funds	113	-	-	-	113
Equity/Multi-asset, alternative mutual funds	19	-	-	-	19
<b>Total equity method</b>	<b>132</b>	<b>197</b>	<b>298</b>	<b>70</b>	<b>697</b>
Deferred compensation plan equity method investments	-	10	29	-	39
Cost method investments	-	-	-	119	119
Carried interest	-	-	-	103	103
<b>Total investments</b>	<b>590</b>	<b>571</b>	<b>574</b>	<b>416</b>	<b>2,151</b>
Separate account assets	113,382	40,841	-	890	155,113
<u>Separate account collateral held under securities lending agreements:</u>					
Equity securities	20,856	-	-	-	20,856
Debt securities	-	932	-	-	932
<b>Total separate account collateral held under securities lending agreements</b>	<b>20,856</b>	<b>932</b>	<b>-</b>	<b>-</b>	<b>21,788</b>
<u>Other assets<sup>(3)</sup></u>	-	39	-	-	39
<u>Assets of consolidated VIEs:</u>					
Bank loans and other assets	-	2,047	129	19	2,195
Bonds	-	71	35	-	106
Private / public equity <sup>(4)</sup>	-	10	14	-	24

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Total assets of consolidated VIEs	-	2,128	178	19	2,325
<b>Total</b>	\$ 134,828	\$ 44,511	\$ 752	\$ 1,325	\$ 181,416
<b>Liabilities:</b>					
Borrowings of consolidated VIEs	\$ -	\$ -	\$ 2,369	\$ -	\$ 2,369
Separate account collateral liabilities under securities lending agreements	20,856	932	-	-	21,788
Other liabilities <sup>(5)</sup>	18	4	42	-	64
<b>Total</b>	\$ 20,874	\$ 936	\$ 2,411	\$ -	\$ 24,221

- (1) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
- (2) Level 3 amounts include \$195 million and \$28 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.
- (3) Amount includes company-owned and split-dollar life insurance policies and unrealized gains on forward foreign currency exchange contracts.
- (4) Level 3 amounts include \$14 million of underlying third-party private equity funds held by a sponsored private equity fund of fund.
- (5) Amounts include a derivative (see Note 7, *Derivatives and Hedging*, for more information), securities sold short within consolidated sponsored investment funds and contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA (see Note 12, *Commitments and Contingencies*, for more information).

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**Level 3 Assets.** Level 3 investments of \$551 million and \$574 million at September 30, 2014 and December 31, 2013, respectively, primarily related to equity method investments and private equity funds held by consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal and third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled \$77 million and \$28 million at September 30, 2014 and December 31, 2013, respectively. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization ( EBITDA ) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For investments utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

Level 3 assets of consolidated VIEs include bank loans and bonds valued based on single-broker nonbinding quotes and direct private equity investments and private equity funds valued based upon internal as well as third-party fund managers, which may be adjusted by using the returns of certain market indices.

**Level 3 Liabilities.** Level 3 borrowings of consolidated VIEs include CLO borrowings valued based upon single-broker nonbinding quotes.

Level 3 other liabilities include contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA, which were valued based upon discounted cash flow analyses using unobservable market data inputs.

**Table of Contents****Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2014**

<i>(in millions)</i>	June 30, 2014	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements <sup>(1)</sup>	Transfers into Level 3	Transfers out of Level 3	September 30, 2014	Total net unrealized gains (losses) included in earnings <sup>(2)</sup>
<b>Assets:</b>									
<u>Investments</u>									
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	\$5	\$-	\$-	(\$2)	\$-	\$-	\$-	<b>\$3</b>	\$1
Private equity	272	1	12	(26)	(1)	-	-	<b>258</b>	(3)
Equity method:									
Hedge funds / Funds of hedge funds	84	2	5	(4)	(14)	-	-	<b>73</b>	-
Private equity investments	106	1	4	-	(7)	-	-	<b>104</b>	2
Real estate funds	96	3	1	(2)	(6)	-	-	<b>92</b>	1
Deferred compensation plan equity method investments	27	(3)	-	-	(3)	-	-	<b>21</b>	(2)
<b>Total Level 3 investments</b>	<b>590</b>	<b>4</b>	<b>22</b>	<b>(34)</b>	<b>(31)</b>	<b>-</b>	<b>-</b>	<b>551</b>	<b>(1)</b>
<u>Assets of consolidated VIEs:</u>									
Bank loans	153	(3)	63	(36)	-	87	(60)	<b>204</b>	
Bonds	25	-	-	(8)	-	-	-	<b>17</b>	
Private equity	13	-	-	(2)	-	-	-	<b>11</b>	
<b>Total Level 3 assets of consolidated VIEs</b>	<b>191</b>	<b>(3)</b>	<b>63</b>	<b>(46)</b>	<b>-</b>	<b>87</b>	<b>(60)</b>	<b>232</b>	n/a <sup>(3)</sup>
<b>Total Level 3 assets</b>	<b>\$781</b>	<b>\$1</b>	<b>\$85</b>	<b>(\$80)</b>	<b>(\$31)</b>	<b>\$87</b>	<b>(\$60)</b>	<b>\$783</b>	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$2,699	\$26	\$-	\$-	\$216	\$-	\$-	<b>\$2,889</b>	n/a <sup>(3)</sup>
Other liabilities	43	-	-	-	(4)	-	-	<b>39</b>	-
<b>Total Level 3 liabilities</b>	<b>\$2,742</b>	<b>\$26</b>	<b>\$-</b>	<b>\$-</b>	<b>\$212</b>	<b>\$-</b>	<b>\$-</b>	<b>\$2,928</b>	

n/a not applicable

(1) Amount primarily includes distributions from equity method investees and net proceeds from (repayments of) borrowings by consolidated VIEs.

(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(3) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

**Table of Contents****Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2014**

<i>(in millions)</i>	December 31, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements <sup>(1)</sup>	Transfers into Level 3	Transfers out of Level 3	September 30, 2014	Total net unrealized gains (losses) included in earnings <sup>(3)</sup>
<b>Assets:</b>									
<u>Investments</u>									
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	\$24	\$-	\$-	(\$20)	(\$1)	\$-	\$-	\$3	\$-
Private equity	223	14	37	(56)	(1)	41 <sup>(2)</sup>	-	258	9
Equity method:									
Hedge funds / Funds of hedge funds	99	6	13	(11)	(34)	-	-	73	4
Private equity investments	101	10	11	-	(18)	-	-	104	11
Real estate funds	98	12	5	(5)	(18)	-	-	92	10
Deferred compensation plan equity method investments	29	(1)	-	-	(7)	-	-	21	-
<b>Total Level 3 investments</b>	<b>574</b>	<b>41</b>	<b>66</b>	<b>(92)</b>	<b>(79)</b>	<b>41</b>	<b>-</b>	<b>551</b>	<b>34</b>
<u>Assets of consolidated VIEs:</u>									
Bank loans	129	(3)	155	(79)	-	196	(194)	204	
Bonds	35	-	-	(18)	-	-	-	17	
Private equity	14	1	-	(4)	-	-	-	11	
<b>Total Level 3 assets of consolidated VIEs</b>	<b>178</b>	<b>(2)</b>	<b>155</b>	<b>(101)</b>	<b>-</b>	<b>196</b>	<b>(194)</b>	<b>232</b>	<b>n/a<sup>(4)</sup></b>
<b>Total Level 3 assets</b>	<b>\$752</b>	<b>\$39</b>	<b>\$221</b>	<b>(\$193)</b>	<b>(\$79)</b>	<b>\$237</b>	<b>(\$194)</b>	<b>\$783</b>	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$2,369	\$40	\$-	\$-	\$560	\$-	\$-	\$2,889	n/a <sup>(4)</sup>
Other liabilities	42	(1)	-	-	(4)	-	-	39	-
<b>Total Level 3 liabilities</b>	<b>\$2,411</b>	<b>\$39</b>	<b>\$-</b>	<b>\$-</b>	<b>\$556</b>	<b>\$-</b>	<b>\$-</b>	<b>\$2,928</b>	

n/a not applicable

(1) Amount primarily includes distributions from equity method investees and net proceeds from (repayments of) borrowings by consolidated VIEs.

(2) Includes investments previously held at cost.

(3) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

**Table of Contents****Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2013**

<i>(in millions)</i>	June 30, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements <sup>(1)</sup>	Transfers into Level 3	Transfers out of Level 3	September 30, 2013	Total net gains (losses) included in earnings <sup>(2)</sup>
<b>Assets:</b>									
<b>Investments</b>									
Available-for-sale:									
Equity securities (CDOs)	\$1	\$-	\$-	\$-	\$-	\$-	\$-	\$1	\$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	47	2	-	(2)	(2)	-	-	45	-
Private equity	249	10	-	(23)	-	-	(2)	234	7
Equity method:									
Hedge funds / Funds of hedge funds	157	1	1	(1)	(13)	-	-	145	1
Private equity investments	105	4	1	(10)	(2)	-	-	98	4
Real estate funds	97	6	2	-	(2)	-	-	103	6
<b>Total Level 3 investments</b>	<b>656</b>	<b>23</b>	<b>4</b>	<b>(36)</b>	<b>(19)</b>	<b>-</b>	<b>(2)</b>	<b>626</b>	<b>18</b>
<b>Assets of consolidated VIEs:</b>									
Bank loans	93	-	18	(8)	-	40	(46)	97	
Bonds	35	1	-	(1)	-	-	-	35	
Private equity	19	-	-	(2)	-	-	-	17	
<b>Total Level 3 assets of consolidated VIEs</b>	<b>147</b>	<b>1</b>	<b>18</b>	<b>(11)</b>	<b>-</b>	<b>40</b>	<b>(46)</b>	<b>149</b>	<b>n/a<sup>(3)</sup></b>
<b>Total Level 3 assets</b>	<b>\$803</b>	<b>\$24</b>	<b>\$22</b>	<b>(\$47)</b>	<b>(\$19)</b>	<b>\$40</b>	<b>(\$48)</b>	<b>\$775</b>	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$2,145	(\$5)	\$-	\$-	(\$82)	\$-	\$-	\$2,068	n/a <sup>(3)</sup>
Other liabilities	-	-	-	-	33	-	-	33	
<b>Total Level 3 liabilities</b>	<b>\$2,145</b>	<b>(\$5)</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$49)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$2,101</b>	

n/a not applicable

(1) Amounts primarily include distributions from equity method investees, repayments of borrowings of consolidated VIEs and a contingent liability related to the acquisition of Credit Suisse's ETF franchise.

(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(3) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

**Table of Contents****Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2013**

<i>(in millions)</i>	December 31, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements <sup>(1)</sup>	Transfers into Level 3	Transfers out of Level 3	September 30, 2013	Total net gains (losses) included in earnings <sup>(2)</sup>
<b>Assets:</b>									
<b>Investments</b>									
Available-for-sale:									
Equity securities (CDOs)	\$1	\$-	\$-	\$-	\$-	\$-	\$-	\$1	\$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of hedge funds	73	8	12	(11)	(30)	-	(7)	45	6
Private equity	266	26	12	(62)	-	-	(8)	234	21
Equity method:									
Hedge funds / Funds of hedge funds	161	10	2	(1)	(27)	-	-	145	10
Private equity investments	90	14	10	(10)	(6)	-	-	98	14
Real estate funds	88	14	5	-	(4)	-	-	103	14
Total Level 3 investments	679	72	41	(84)	(67)	-	(15)	626	65
Separate account assets	2	-	-	(2)	-	-	-	-	n/a <sup>(3)</sup>
<b>Assets of consolidated VIEs:</b>									
Bank loans	106	(1)	91	(48)	-	71	(122)	97	
Bonds	46	-	4	(15)	-	-	-	35	
Private equity	22	1	-	(6)	-	-	-	17	
Fund of hedge funds	-	-	134	-	(134)	-	-	-	
Total Level 3 assets of consolidated VIEs	174	-	229	(69)	(134)	71	(122)	149	n/a <sup>(4)</sup>
Total Level 3 assets	\$855	\$72	\$270	(\$155)	(\$201)	\$71	(\$137)	\$775	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$2,402	(\$9)	\$-	\$-	(\$343)	\$-	\$-	\$2,068	n/a <sup>(4)</sup>
Other liabilities	-	-	-	-	33	-	-	33	
Total Level 3 liabilities	\$2,402	(\$9)	\$-	\$-	(\$310)	\$-	\$-	\$2,101	

n/a not applicable

(1) Amounts primarily include distributions from equity method investees, repayments of borrowings of consolidated VIEs, elimination of investment related to a deconsolidation of a consolidated VIE, a reclassification of an investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage and a contingent liability related to the acquisition of Credit Suisse's ETF franchise.

(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(3) The net investment income attributable to separate account assets accrues directly to the contract owners and is not reported on the condensed consolidated statements of income.

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.



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**Realized and Unrealized Gains (Losses) for Level 3 Assets and Liabilities.** Realized and unrealized gains (losses) recorded for Level 3 assets and liabilities are reported in nonoperating income (expense) on the condensed consolidated statements of income. A portion of net income (loss) for consolidated investments and all of the net income (loss) for consolidated VIEs are allocated to noncontrolling interests to reflect net income (loss) not attributable to the Company.

**Transfers in and/or out of Levels.** Transfers in and/or out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the Company determines it has the ability, or no longer has the ability, to redeem, in the near term, certain investments that the Company values using a NAV (or a capital account), or when the carrying value of certain equity method investments no longer represents fair value as determined under valuation methodologies.

**Assets of Consolidated VIEs.** During the three and nine months ended September 30, 2014, there were \$60 million and \$194 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three and nine months ended September 30, 2014, there were \$87 million and \$196 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

During the three and nine months ended September 30, 2013, there were \$46 million and \$122 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three and nine months ended September 30, 2013, there were \$40 million and \$71 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of Levels 2 and 3 were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

**Significant Issuances and Other Settlements.** During the three and nine months ended September 30, 2014, other settlements included \$409 million and \$1,021 million, respectively, of borrowings due to a consolidation of CLOs. In addition, during the three and nine months ended September 30, 2014, other settlements included \$193 million and \$461 million, respectively, of repayments of borrowings of consolidated CLOs.

During the three and nine months ended September 30, 2014, there were \$30 million and \$77 million, respectively, of distributions from equity method investees categorized in Level 3.

During the three and nine months ended September 30, 2013, there were \$17 million and \$37 million, respectively, of distributions from equity method investees categorized in Level 3.

During the nine months ended September 30, 2013, other settlements included \$134 million related to a deconsolidation of a consolidated fund of hedge funds, which was previously classified as a VIE. This fund was deconsolidated during the second quarter of 2013 due to the granting of additional substantive rights to unaffiliated investors of the fund.

In addition, during the nine months ended September 30, 2013, there was a \$28 million reclassification of a Level 3 investment from a consolidated sponsored investment fund to an equity method investment due to a change in BlackRock's ownership percentage.

**Disclosures of Fair Value for Financial Instruments Not Held at Fair Value.** At September 30, 2014 and December 31, 2013, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

(in millions)	September 30, 2014		December 31, 2013		Fair Value Hierarchy
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 6,149	\$ 6,149	\$ 4,390	\$ 4,390	Level 1 <sup>(1)(2)</sup>
Accounts receivable	2,631	2,631	2,247	2,247	Level 1 <sup>(3)</sup>
Cash and cash equivalents of consolidated VIEs	175	175	161	161	Level 1 <sup>(1)</sup>
<b>Financial Liabilities:</b>					
Accounts payable and accrued liabilities	1,576	1,576	1,084	1,084	Level 1 <sup>(3)</sup>
Long-term borrowings	5,937	6,295	4,939	5,284	Level 2 <sup>(4)</sup>

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- (1) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.
- (2) At September 30, 2014 and December 31, 2013, approximately \$94 million and \$64 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or \$1.00 per share, which generally is the NAV of the fund. At September 30, 2014 and December 31, 2013, approximately \$127 million and \$114 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds.
- (3) The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature.

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(4) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of September 2014 and December 2013, respectively. See Note 11, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

**Investments in Certain Entities that Calculate Net Asset Value Per Share.**

As a practical expedient to value certain investments that do not have a readily determinable fair value and have attributes of an investment company, the Company uses NAV as the fair value. The following tables list information regarding all investments that use a fair value measurement to account for both their financial assets and financial liabilities in their calculation of a NAV per share (or its equivalent).

**September 30, 2014**

<i>(in millions)</i>	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Consolidated sponsored investment funds:</b>					
Private equity funds/funds of funds	(a)	\$181	\$ 24	n/r	n/r
Other funds of hedge funds	(b)	2	-	Quarterly(100%)	60 90 days
<b>Equity method:<sup>(1)</sup></b>				Monthly(31%)	
				Quarterly(47%)	
Hedge funds/funds of hedge funds	(c)	314	43	n/r(22%)	15 90 days
Private equity funds	(d)	104	67	n/r	n/r
				Quarterly(19%)	
Real estate funds	(e)	113	9	n/r(81%)	60 days
Deferred compensation plan investments	(f)	21	5	n/r	n/r
<b>Consolidated VIEs:</b>					
Private equity fund	(g)	11	1	n/r	n/r
Total		\$746	\$149		

**December 31, 2013**

<i>(in millions)</i>	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Consolidated sponsored investment funds:</b>					
Private equity funds of funds	(a)	\$195	\$23	n/r	n/r
Other funds of hedge funds	(b)	155	-	Monthly(13%)	30 90 days

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				Quarterly(78%)	
				n/r(9%)	
<b>Equity method:</b> <sup>(1)</sup>					
				Monthly(55%)	
				Quarterly(11%)	
Hedge funds/funds of hedge funds	(c)	276	84	n/r(34%)	15 90 days
Private equity funds	(d)	101	62	n/r	n/r
				Quarterly(17%)	
Real estate funds	(e)	118	12	n/r(83%)	60 days
				Monthly(8%)	
				Quarterly(18%)	
Deferred compensation plan investments	(f)	39	7	n/r(74%)	60 90 days
<b>Consolidated VIEs:</b>					
Private equity fund	(g)	14	1	n/r	n/r
<b>Total</b>		<b>\$898</b>	<b>\$189</b>		

n/r not redeemable

<sup>(1)</sup> Comprised of equity method investments, which include investment companies, which account for their financial assets and most financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees approximates fair value.

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- (a) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately six years and seven years at September 30, 2014 and December 31, 2013. The total remaining unfunded commitments to other third-party funds were \$24 million and \$23 million at September 30, 2014 and December 31, 2013, respectively. The Company had contractual obligations to the consolidated funds of \$33 million and \$30 million at September 30, 2014 and December 31, 2013, respectively.
- (b) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments have been estimated using the NAV of the fund's ownership interest in partners' capital of each fund in the portfolio. Certain of the underlying funds can be redeemed as long as there are no restrictions in place.
- (c) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately two years and three years at September 30, 2014 and December 31, 2013, respectively.
- (d) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately four years and five years at September 30, 2014 and December 31, 2013, respectively.
- (e) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. A majority of the Company's investments are not subject to redemption or are not currently redeemable and are normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at both September 30, 2014 and December 31, 2013.
- (f) This category includes investments in several real estate funds and certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using capital accounts representing the Company's ownership interest in partners' capital as well as performance inputs. The investments in hedge funds will be redeemed upon settlement of certain deferred compensation liabilities. The real estate investments are not subject to redemption; however, distributions as a result of the liquidation of the underlying assets will be used to settle certain deferred compensation liabilities over time.
- (g) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately one and two years at September 30, 2014 and December 31, 2013, respectively. Total remaining unfunded commitments to other third-party funds were not material at both September 30, 2014 and December 31, 2013, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

**Fair Value Option.**

The following table summarizes information at September 30, 2014 and December 31, 2013 related to those assets and liabilities for which the fair value option was elected:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>CLO Bank Loans:</b>		
Aggregate principal amounts outstanding	\$2,799	\$2,181
Fair value	2,750	2,176
Aggregate unpaid principal balance in excess of (less than) fair value	\$49	\$5
Unpaid principal balance of loans more than 90 days past due	\$6	\$14
Aggregate fair value of loans more than 90 days past due	2	9
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	\$4	\$5

**CLO Borrowings:**

Aggregate principal amounts outstanding	\$2,970	\$2,455
Fair value	\$2,889	\$2,369

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At September 30, 2014, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2026.

During the three and nine months ended September 30, 2014, the change in fair value of the bank loans and bonds held by the CLOs resulted in a \$6 million loss and a \$73 million gain, respectively, which were offset by a \$23 million and a \$73 million loss, respectively, from the change in fair value of the CLO borrowings.

During the three and nine months ended September 30, 2013, the change in fair value of the bank loans and bonds held by the CLOs resulted in a \$25 million and \$104 million gain, respectively. The gains were offset by a \$28 million and \$92 million loss during the three and nine months ended September 30, 2013, respectively, from the change in fair value of the CLO borrowings.

The net gains (losses) were recorded in net gain (loss) on consolidated VIEs on the condensed consolidated statements of income.

The change in fair value of the assets and liabilities included interest income and expense, respectively.

## **6. Variable Interest Entities**

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including CDOs/CLOs and sponsored investment funds, which may be considered VIEs. The Company receives advisory fees and/or other incentive-related fees for its services and may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company enters into these variable interests principally to address client needs through the launch of such investment vehicles. The VIEs are primarily financed via capital contributed by equity and debt holders. The Company's involvement in financing the operations of the VIEs is generally limited to its equity interests.

The primary beneficiary ( PB ) of a VIE that is an investment fund that meets the conditions of ASU 2010-10, *Amendments to Statement 167 for Certain Investment Funds* ( ASU 2010-10 ), is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns or both. In order to determine whether the Company is the PB of a VIE, management must make significant estimates and assumptions of probable future cash flows of the VIEs. Assumptions made in such analyses may include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, prepayments, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

The PB of a CDO/CLO or other entity that is a VIE that does not meet the conditions of ASU 2010-10 is the enterprise that has the power to direct activities of the entity that most significantly impact the entity's economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the entity.

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**Consolidated VIEs.** Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund because it absorbed the majority of the variability due to its de facto related-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At September 30, 2014 and December 31, 2013, the following balances related to VIEs were consolidated on the condensed consolidated statements of financial condition:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets of consolidated VIEs:</b>		
Cash and cash equivalents	\$175	\$161
Bank loans	2,750	2,176
Bonds	50	106
Other investments and other assets	83	43
Total bank loans, bonds, other investments and other assets	2,883	2,325
<b>Liabilities of consolidated VIEs:</b>		
Borrowings	(2,889)	(2,369)
Other liabilities	(167)	(74)
Appropriated retained earnings	13	(22)
Noncontrolling interests of consolidated VIEs	(15)	(21)
Total BlackRock net interests in consolidated VIEs	\$-	\$-

For the three and nine months ended September 30, 2014, the Company recorded nonoperating expense of \$47 million and \$35 million, respectively, offset by a \$47 million and a \$35 million net expense attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

For the three and nine months ended September 30, 2013, the Company recorded nonoperating expense of \$6 million and \$2 million, respectively, offset by a \$6 million and \$2 million net expense attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

At September 30, 2014 and December 31, 2013, the weighted-average maturity of the bank loans and bonds were approximately 4.9 and 4.7 years, respectively.



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**Nonconsolidated VIEs.** At September 30, 2014 and December 31, 2013, the Company's carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it was the sponsor or in which it held a variable interest, but for which it was not the PB, was as follows:

<i>(in millions)</i>	<b>Variable Interests on the Condensed Consolidated Statement of Financial Condition</b>			
	<b>Investments</b>	<b>Advisory Fee Receivables</b>	<b>Other Net Assets (Liabilities)</b>	<b>Maximum Risk of Loss<sup>(1)</sup></b>
<b>At September 30, 2014</b>				
CDOs/CLOs	\$-	\$1	(\$5)	\$18
Other sponsored investment funds:				
Collective trusts	-	209	-	209
Other	34	179	(4)	213
<b>Total</b>	<b>\$34</b>	<b>\$389</b>	<b>(\$9)</b>	<b>\$440</b>
<b>At December 31, 2013</b>				
CDOs/CLOs	\$-	\$1	(\$4)	\$18
Other sponsored investment funds:				
Collective trusts	-	184	-	184
Other	37	137	(6)	174
<b>Total</b>	<b>\$37</b>	<b>\$322</b>	<b>(\$10)</b>	<b>\$376</b>

<sup>(1)</sup> At both September 30, 2014 and December 31, 2013, BlackRock's maximum risk of loss associated with these VIEs primarily related to advisory fee receivables and BlackRock's investments.

The net assets related to the above CDOs/CLOs that the Company does not consolidate were as follows:

<i>(in billions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Assets at fair value	\$1	\$1
Liabilities <sup>(1)</sup>	2	2
<b>Net assets</b>	<b>(\$1)</b>	<b>(\$1)</b>

<sup>(1)</sup> Amounts primarily comprised of unpaid principal debt obligations to CDO/CLO debt holders.

The net assets of other sponsored investment funds that are nonconsolidated VIEs approximated \$1.7 trillion to \$1.8 trillion at September 30, 2014 and \$1.6 trillion to \$1.7 trillion at December 31, 2013. Net assets included \$1.4 trillion of collective trusts at both September 30, 2014 and at December 31, 2013. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments, partially offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

**7. Derivatives and Hedging**

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At September 30, 2014, the Company had outstanding total return swaps and interest rate swaps

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with an aggregate notional value of approximately \$176 million and \$79 million, respectively. At December 31, 2013, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately \$117 million and \$71 million, respectively.

The Company has entered into a derivative, providing credit protection to a counterparty of approximately \$17 million, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company carries the derivative at fair value based on the expected future cash flows under the arrangement.

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The fair values of the outstanding derivatives were not material to the condensed consolidated statements of financial condition at both September 30, 2014 and December 31, 2013.

The Company executes forward foreign currency exchange contracts to mitigate the risk of foreign exchange movements. At September 30, 2014, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$180 million. The fair value of the forward foreign currency exchange contracts at September 30, 2014 was not material to the condensed consolidated statements of financial condition. At December 31, 2013, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$792 million and a fair value of approximately \$26 million.

Gains (losses) on the derivatives were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2014 and 2013.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The fair value of such derivatives at September 30, 2014 and December 31, 2013 was not material. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for the three and nine months ended September 30, 2014 and 2013.

**8. Goodwill**

Goodwill activity during the nine months ended September 30, 2014 was as follows:

<i>(in millions)</i>	
December 31, 2013	\$12,980
Goodwill adjustment related to Quellos <sup>(1)</sup>	(14)
September 30, 2014	<b>\$12,966</b>

<sup>(1)</sup> The decrease in goodwill during the nine months ended September 30, 2014 resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately \$269 million and \$293 million at September 30, 2014 and December 31, 2013, respectively.

**9. Intangible Assets**

The carrying amounts of identifiable intangible assets are summarized as follows:

<i>(in millions)</i>	<b>Indefinite-lived intangible assets</b>	<b>Finite-lived intangible assets</b>	<b>Total intangible assets</b>
December 31, 2013	\$16,991	\$510	\$17,501
Amortization expense	-	(122)	(122)
Other	(1)	-	(1)
September 30, 2014	<b>\$16,990</b>	<b>\$388</b>	<b>\$17,378</b>

**10. Other Assets**

At March 31, 2013, BlackRock held an approximately one-third economic equity interest in Private National Mortgage Acceptance Company, LLC ("PNMAC"), which is accounted for as an equity method investment and is included in other assets on the condensed consolidated statements of financial condition. On May 8, 2013, PennyMac became the sole managing member of PNMAC in connection with an initial public offering

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of PennyMac (the PennyMac IPO ). As a result of the PennyMac IPO, BlackRock recorded a noncash, nonoperating pre-tax gain of \$39 million related to the carrying value of its equity method investment.

Subsequent to the PennyMac IPO, the Company contributed 6.1 million units of its PennyMac investment to a new donor advised fund (the Charitable Contribution ). The fair value of the Charitable Contribution was \$124 million and is included in general and administration expense on the condensed consolidated statements of income for the nine months ended September 30, 2013. In connection with the Charitable Contribution, the Company also recorded a noncash, nonoperating pre-tax gain of \$80 million related to the contributed investment and a tax benefit of approximately \$57 million in the second quarter of 2013.

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The carrying value and fair value of the Company's interest (approximately 20% or 16 million shares and units) was approximately \$155 million and \$228 million, respectively, at September 30, 2014 and approximately \$127 million and \$273 million, respectively, at December 31, 2013. The fair value of the Company's interest reflected the PennyMac stock price at September 30, 2014 and December 31, 2013, respectively (a Level 1 input).

See Note 11, *Other Assets*, in the 2013 Form 10-K for more information.

**11. Borrowings****Short-Term Borrowings**

**2014 Revolving Credit Facility.** In March 2014, the Company's credit facility was amended to extend the maturity date by one year to March 2019. The amount of the aggregate commitment is \$3.990 billion (the 2014 credit facility). The 2014 credit facility permits the Company to request up to an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2014 credit facility to an aggregate principal amount not to exceed \$4.990 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2014 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at September 30, 2014. At September 30, 2014, the Company had no amount outstanding under the 2014 credit facility.

**Commercial Paper Program.** In April 2013, BlackRock increased the maximum aggregate amount for which the Company could issue unsecured commercial paper notes (the CP Notes) on a private-placement basis up to a maximum aggregate amount outstanding at any time of \$3.990 billion. The commercial paper program is currently supported by the 2014 credit facility. At September 30, 2014 and December 31, 2013, BlackRock had no CP Notes outstanding.

**Long-Term Borrowings**

The carrying value and fair value of long-term borrowings determined using market prices at the end of September 2014 included the following:

<i>(in millions)</i>	Unamortized			
	Maturity Amount	Discount	Carrying Value	Fair Value
3.50% Notes due 2014	\$1,000	\$-	\$1,000	\$1,005
1.375% Notes due 2015	750	-	750	755
6.25% Notes due 2017	700	(1)	699	793
5.00% Notes due 2019	1,000	(2)	998	1,150
4.25% Notes due 2021	750	(3)	747	814
3.375% Notes due 2022	750	(4)	746	765
3.50% Notes due 2024	1,000	(3)	997	1,013
<b>Total Long-term Borrowings</b>	<b>\$5,950</b>	<b>(\$13)</b>	<b>\$5,937</b>	<b>\$6,295</b>

Long-term borrowings at December 31, 2013 had a carrying value of \$4.939 billion and a fair value of \$5.284 billion determined using market prices at the end of December 2013.

**2024 Notes.** In March 2014, the Company issued \$1.0 billion in aggregate principal amount of 3.50% senior unsecured and unsubordinated notes maturing on March 18, 2024 (the 2024 Notes). The net proceeds of the 2024 Notes are intended to be used for general corporate purposes, including refinancing of certain indebtedness which matures in the fourth quarter of 2014. Interest is payable semi-annually in arrears on March 18 and September 18 of each year, or approximately \$35 million per year. The 2024 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole redemption price. The 2024 Notes were issued at a discount of \$3 million that is being amortized over the term of the notes. The Company incurred approximately \$6 million of debt issuance costs, which are being amortized over the term of the 2024 Notes.

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See Note 12, *Borrowings*, in the 2013 Form 10-K for more information regarding the Company's borrowings.

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**Table of Contents****12. Commitments and Contingencies**

**Investment Commitments.** At September 30, 2014, the Company had \$210 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds, infrastructure funds, opportunistic funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. In addition to the capital commitments of \$210 million, the Company had approximately \$35 million of contingent commitments for certain funds which have investment periods that have expired. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

**Contingencies**

**Contingent Payments.** The Company acts as the portfolio manager in a series of derivative transactions and has a maximum potential exposure of \$17 million under a derivative between the Company and counterparty. See Note 7, *Derivatives and Hedging*, for further discussion.

**Contingent Payments Related to Business Acquisitions.** In connection with the Credit Suisse ETF Transaction, BlackRock is required to make contingent payments annually to Credit Suisse, subject to achieving specified thresholds during a seven-year period, subsequent to the 2013 acquisition date. In addition, BlackRock is required to make contingent payments related to the MGPA Transaction during a five-year period, subject to achieving specified thresholds, subsequent to the 2013 acquisition date. The fair value of the remaining contingent payments at September 30, 2014 is not significant to the condensed consolidated statement of financial condition and is included in other liabilities.

**Legal Proceedings.** From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and domestic and international regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock's policy to cooperate fully with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's activities. Additionally, certain BlackRock-sponsored investment funds that the Company manages are subject to lawsuits, any of which potentially could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits, will have a material effect on BlackRock's results of operations, financial position, or cash flows. However, there is no assurance as to whether any such pending or threatened matters will have a material effect on BlackRock's results of operations, financial position or cash flows in any future reporting period. Due to uncertainties surrounding the outcome of these matters, management cannot reasonably estimate the possible loss or range of loss that may arise from these matters.

**Indemnifications.** In the ordinary course of business or in connection with certain acquisition agreements, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined or the likelihood of any liability is considered remote. Consequently, no liability has been recorded on the condensed consolidated statements of financial condition.

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At September 30, 2014, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$128.1 billion. The Company held as agent, cash and securities totaling \$135.4 billion as collateral for indemnified securities on loan at September 30, 2014. The fair value of these indemnifications was not material at September 30, 2014.

**Table of Contents****13. Stock-Based Compensation**

Restricted stock and restricted stock units ( RSUs ) activity for the nine months ended September 30, 2014 is summarized below:

<b>Outstanding at</b>	<b>Restricted Stock and RSUs</b>	<b>Weighted- Average Grant Date Fair Value</b>
December 31, 2013	4,612,813	\$207.94
Granted	1,379,236	\$318.67
Converted	(2,540,301)	\$205.26
Forfeited	(83,302)	\$238.97
<b>September 30, 2014<sup>(1)</sup></b>	<b>3,368,446</b>	<b>\$254.53</b>

<sup>(1)</sup> At September 30, 2014, approximately 3.2 million awards are expected to vest and 0.2 million awards have vested but have not been converted. The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. In January 2014, the Company granted 1,022,295 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant and 287,963 RSUs to employees that cliff vest 100% on January 31, 2017.

At September 30, 2014, the intrinsic value of outstanding RSUs was \$1.1 billion reflecting a stock price of \$328.32 at September 30, 2014.

At September 30, 2014, total unrecognized stock-based compensation expense related to unvested RSUs was \$367 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.1 years.

**Market Performance-based RSUs.**

Market performance-based RSU activity for the nine months ended September 30, 2014 is summarized below:

<b>Outstanding at</b>	<b>Market Performance- Based RSUs</b>	<b>Weighted- Average Grant Date Fair Value</b>
December 31, 2013	1,132,113	\$120.80
Granted	315,961	\$195.30
Forfeited	(22,755)	\$121.13
<b>September 30, 2014<sup>(1)</sup></b>	<b>1,425,319</b>	<b>\$ 137.31</b>

<sup>(1)</sup> At September 30, 2014, approximately 1.4 million awards are expected to vest and an immaterial amount of awards have vested and have not been converted. In January 2014, the Company granted 315,961 market performance-based RSUs.

See Note 14, *Stock-Based Compensation*, in the 2013 Form 10-K for more information on market performance-based RSUs.

At September 30, 2014, total unrecognized stock-based compensation expense related to unvested market performance-based awards was \$113 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 2.2 years.



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***Long-Term Incentive Plans Funded by PNC.*** Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans ( LTIP ). The current share surrender agreement commits PNC to provide BlackRock series C nonvoting participating preferred stock to fund the remaining committed shares. As of September 30, 2014, 2.7 million shares had been surrendered by PNC.

At September 30, 2014, the remaining shares committed by PNC of 1.3 million were available to fund certain future long-term incentive awards.

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**Stock Options.** Stock option activity for the nine months ended September 30, 2014 is summarized below:

<b>Outstanding at</b>	<b>Shares Under Option</b>	<b>Weighted- Average Exercise Price</b>
December 31, 2013	931,758	\$ 167.76
Exercised <sup>(1)</sup>	(15,032)	\$ 167.76
September 30, 2014 <sup>(1)</sup>	916,726	\$ 167.76

<sup>(1)</sup> The aggregate intrinsic value of options exercised during the nine months ended September 30, 2014 was \$2.1 million. At September 30, 2014, all options were vested.

The remaining average life of stock options outstanding at September 30, 2014 is approximately two years.

**14. Net Capital Requirements**

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers.

**Capital Requirements.** At September 30, 2014, the Company was required to maintain approximately \$1.0 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a chartered national bank whose powers are limited to trust activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom and the Company's broker-dealers. At such date, the Company was in compliance with all applicable regulatory net capital requirements.

**Table of Contents****15. Accumulated Other Comprehensive Income (Loss)**

Changes in AOCI by component for the three and nine months ended September 30, 2014 were as follows (*in millions*):

	Unrealized gains (losses) on available-for-sale investments	Benefit plans	Foreign currency translation adjustments	Total <sup>(1)</sup>
<b>For the Three Months Ended September 30, 2014</b>				
June 30, 2014	\$ 5	\$ 6	(\$ 10)	\$ 1
Other comprehensive income (loss) before reclassifications <sup>(2)</sup>	(1)	-	(167)	(168)
Amount reclassified from AOCI <sup>(3)</sup>	(2)	-	-	(2)
Net other comprehensive income (loss) for the three months ended September 30, 2014	(3)	-	(167)	(170)
<b>September 30, 2014</b>	<b>\$ 2</b>	<b>\$ 6</b>	<b>(\$ 177)</b>	<b>(\$ 169)</b>
<b>For the Nine Months Ended September 30, 2014</b>				
December 31, 2013	\$ 7	\$ 6	(\$ 48)	(\$ 35)
Other comprehensive income (loss) before reclassifications <sup>(2)</sup>	3	-	(129)	(126)
Amount reclassified from AOCI <sup>(3)</sup>	(8)	-	-	(8)
Net other comprehensive income (loss) for the nine months ended September 30, 2014	(5)	-	(129)	(134)
<b>September 30, 2014</b>	<b>\$ 2</b>	<b>\$ 6</b>	<b>(\$ 177)</b>	<b>(\$ 169)</b>

<sup>(1)</sup> All amounts are net of tax.

<sup>(2)</sup> The tax benefit (expense) was not material for the three and nine months ended September 30, 2014.

<sup>(3)</sup> The tax benefit (expense) was not material for the three and nine months ended September 30, 2014. The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

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Changes in AOCI by component for the three and nine months ended September 30, 2013 were as follows (*in millions*):

	Unrealized gains (losses) on available-for-sale investments	Benefit plans	Foreign currency translation adjustments	Total <sup>(1)</sup>
<b>For the Three Months Ended September 30, 2013</b>				
June 30, 2013	\$ 8	(\$ 4)	(\$ 202)	(\$ 198)
Other comprehensive income (loss) before reclassifications <sup>(2)</sup>	2	-	118	120
Amount reclassified from AOCI <sup>(3)</sup>	(1)	-	-	(1)
Net other comprehensive income (loss) for the three months ended September 30, 2013	1	-	118	119
September 30, 2013	\$ 9	(\$ 4)	(\$ 84)	(\$ 79)
<b>For the Nine Months Ended September 30, 2013</b>				
December 31, 2012	\$ 16	(\$ 4)	(\$ 71)	(\$ 59)
Other comprehensive income (loss) before reclassifications <sup>(2)</sup>	3	-	(13)	(10)
Amount reclassified from AOCI <sup>(3)</sup>	(10)	-	-	(10)
Net other comprehensive income (loss) for the nine months ended September 30, 2013	(7)	-	(13)	(20)
September 30, 2013	\$ 9	(\$ 4)	(\$ 84)	(\$ 79)

(1) All amounts are net of tax.

(2) The tax benefit (expense) was not material for the three and nine months ended September 30, 2013.

(3) The tax benefit (expense) was not material for the three and nine months ended September 30, 2013. The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

**16. Capital Stock**

**Nonvoting Participating Preferred Stock.** The Company's preferred shares authorized, issued and outstanding consisted of the following:

	September 30, 2014	December 31, 2013
<b>Series A</b>		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	-	-
<b>Series B</b>		
Shares authorized, \$0.01 par value	150,000,000	150,000,000
Shares issued and outstanding	823,188	823,188
<b>Series C</b>		
Shares authorized, \$0.01 par value	6,000,000	6,000,000
Shares issued and outstanding	1,311,887	1,311,887
<b>Series D</b>		
Shares authorized, \$0.01 par value	20,000,000	20,000,000

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Shares issued and outstanding

*Share Repurchase Approvals.* In January 2013, the Board of Directors approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock. The Company repurchased 2.4 million common shares in open market-transactions under the share repurchase program for approximately \$750 million during the nine months ended September 30, 2014. At September 30, 2014, there were 4.1 million shares still authorized to be repurchased.

**Table of Contents****17. Earnings Per Share**

Due to the similarities in terms between BlackRock nonvoting participating preferred stock and the Company's common stock, the Company considers its participating preferred stock to be a common stock equivalent for purposes of EPS calculations. As such, the Company has included the outstanding nonvoting participating preferred stock in the calculation of average basic and diluted shares outstanding.

The following table sets forth the computation of basic and diluted EPS for the three and nine months ended September 30, 2014 and 2013 under the treasury stock method:

<i>(in millions, except per share data)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income attributable to BlackRock	\$917	\$730	\$2,481	\$2,091
Basic weighted-average shares outstanding	167,933,040	169,811,633	168,571,354	170,581,930
Dilutive effect of:				
Nonparticipating RSUs and stock options	2,845,726	3,559,875	2,779,922	3,430,946
<b>Total diluted weighted-average shares outstanding</b>	<b>170,778,766</b>	<b>173,371,508</b>	<b>171,351,276</b>	<b>174,012,876</b>
Basic earnings per share	\$5.46	\$4.30	\$14.72	\$12.26
Diluted earnings per share	\$5.37	\$4.21	\$14.48	\$12.02

**18. Income Taxes**

The third quarter of 2014 included a \$32 million noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill as a result of domestic state and local tax changes.

In addition, the third quarter of 2014 included a \$94 million tax benefit, primarily due to the resolution of certain outstanding tax matters related to the acquisition of Barclays Global Investors. In connection with the acquisition, BlackRock recorded a \$50 million indemnification asset for unrecognized tax benefits. Due to the resolution of such tax matters in the current quarter, BlackRock recorded \$50 million of general and administration expense to reflect the reduction of the indemnification asset and an offsetting \$50 million tax benefit.

The nine months ended September 30, 2014 included a \$23 million net noncash expense, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill arising from the state and local tax effect of changes in the Company's organizational structure. In addition, the nine months ended September 30, 2014 benefited from an improvement in the geographic mix of earnings and included a \$34 million net tax benefit related to several favorable nonrecurring items.

The three and nine months ended September 30, 2013 included a \$64 million net noncash benefit primarily related to the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill, including legislation enacted in the United Kingdom and domestic state and local income tax changes. In addition, the nine months ended September 30, 2013 included the approximately \$57 million tax benefit recognized in connection with the Charitable Contribution (see Note 10, *Other Assets*, for more information) and a tax benefit of approximately \$29 million, primarily due to the realization of tax loss carryforwards.

**Table of Contents****19. Segment Information**

The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company operates in one business segment in accordance with ASC 280-10, *Segment Reporting*.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions* and advisory revenue, distribution fees and other revenue for the three and nine months ended September 30, 2014 and 2013, respectively.

<i>(in millions)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Equity	\$ 1,359	\$ 1,170	\$ 4,005	\$ 3,525
Fixed income	554	490	1,601	1,488
Multi-asset	323	266	922	777
Alternatives	293	248	852	718
Cash management	72	75	219	244
Total investment advisory, administration fees, securities lending revenue and performance fees	2,601	2,249	7,599	6,752
<i>BlackRock Solutions</i> and advisory	165	156	465	420
Distribution fees	17	19	54	54
Other revenue	66	48	179	177
Total revenue	\$ 2,849	\$ 2,472	\$ 8,297	\$ 7,403

The following table illustrates total revenue for the three and nine months ended September 30, 2014 and 2013, respectively, by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

<i>(in millions)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>				
Americas	\$ 1,877	\$ 1,632	\$ 5,425	\$ 4,967
Europe	832	726	2,470	2,060
Asia-Pacific	140	114	402	376
Total revenue	\$ 2,849	\$ 2,472	\$ 8,297	\$ 7,403

The following table illustrates long-lived assets that consist of goodwill and property and equipment at September 30, 2014 and December 31, 2013 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Long-lived Assets</b>		
Americas	\$ 13,151	\$ 13,204
Europe	198	214
Asia-Pacific	85	87
Total long-lived assets	\$ 13,434	\$ 13,505

Americas primarily is comprised of the United States, Canada, Brazil, Chile and Mexico, while Europe primarily is comprised of the United Kingdom. Asia-Pacific is comprised of Japan, Australia, Singapore, Hong Kong, Taiwan, Korea, India, Malaysia and China.

**20. Subsequent Events**

The Company conducted a review for subsequent events and determined that no subsequent events had occurred that would require accrual or disclosure.



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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**FORWARD-LOOKING STATEMENTS**

This report, and other statements that BlackRock may make, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act, with respect to BlackRock's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as trend, potential, opportunity, pipeline, believe, comfortable, expect, anticipate, current, intention, estimate, position, assume, outlook, continue, remain, maintain, sustain, seek, expressions, or future or conditional verbs such as will, would, should, could, may and similar expressions.

BlackRock cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and BlackRock assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to risk factors previously disclosed in BlackRock's Securities and Exchange Commission (SEC) reports and those identified elsewhere in this report, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management (AUM); (3) the relative and absolute investment performance of BlackRock's investment products; (4) the impact of increased competition; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the extent and timing of any share repurchases; (8) the impact, extent and timing of technological changes and the adequacy of intellectual property, information and cyber security protection; (9) the impact of legislative and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock or The PNC Financial Services Group, Inc. (PNC); (10) terrorist activities, international hostilities and natural disasters, which may adversely affect the general economy, domestic and local financial and capital markets, specific industries or BlackRock; (11) the ability to attract and retain highly talented professionals; (12) fluctuations in the carrying value of BlackRock's economic investments; (13) the impact of changes to tax legislation, including income, payroll and transaction taxes, and taxation on products or transactions, which could affect the value proposition to clients and, generally, the tax position of the Company; (14) BlackRock's success in maintaining the distribution of its products; (15) the impact of BlackRock electing to provide support to its products from time to time and any potential liabilities related to securities lending or other indemnification obligations; and (16) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

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### **OVERVIEW**

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, BlackRock or the Company) is a leading publicly traded investment management firm with \$4.525 trillion of assets under management (AUM) at September 30, 2014. With approximately 12,100 employees in more than 30 countries, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

BlackRock's diverse platform of active (alpha) and index (beta) investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*<sup>®</sup> exchange-traded funds (ETFs), separate accounts, collective investment funds and other pooled investment vehicles. BlackRock also offers the *BlackRock Solutions*<sup>®</sup> investment and risk management technology platform, *Aladdin*<sup>®</sup>, risk analytics and advisory services and solutions to a broad base of institutional investors.

BlackRock serves a diverse mix of institutional and retail clients across the globe. Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supnationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors.

BlackRock maintains a significant global sales and marketing presence that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to investors directly and through financial professionals and pension consultants, and establishing third-party distribution relationships.

At September 30, 2014, The PNC Financial Services Group, Inc. (PNC) held 21.0% of the Company's voting common stock and 22.0% of the Company's capital stock, which includes outstanding common and nonvoting preferred stock.

**Table of Contents****EXECUTIVE SUMMARY**

<i>(in millions, except per share data)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>GAAP basis:</b>				
Total revenue	\$ 2,849	\$ 2,472	\$ 8,297	\$ 7,403
Total expense	1,692	1,506	4,967	4,679
Operating income	\$ 1,157	\$ 966	\$ 3,330	\$ 2,724
<i>Operating margin</i>	40.6%	39.1%	40.1%	36.8%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(8)	(17)	4	82
Income tax expense	(232)	(219)	(853)	(715)
Net income attributable to BlackRock	\$ 917	\$ 730	\$ 2,481	\$ 2,091
Diluted earnings per common share	\$ 5.37	\$ 4.21	\$ 14.48	\$ 12.02
Effective tax rate	20.2%	23.1%	25.6%	25.5%
<b>As adjusted<sup>(2):</sup></b>				
Total revenue	\$ 2,849	\$ 2,472	\$ 8,297	\$ 7,403
Total expense	1,635	1,494	4,888	4,522
Operating income	\$ 1,214	\$ 978	\$ 3,409	\$ 2,881
<i>Operating margin</i>	44.2%	41.2%	42.7%	40.8%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(8)	(21)	(2)	(6)
Income tax expense	(316)	(285)	(918)	(844)
Net income attributable to BlackRock	\$ 890	\$ 672	\$ 2,489	\$ 2,031
Diluted earnings per common share	\$ 5.21	\$ 3.88	\$ 14.53	\$ 11.67
Effective tax rate	26.2%	29.9%	26.9%	29.4%
<b>Other:</b>				
Assets under management (end of period)	\$ 4,524,575	\$ 4,096,356	\$ 4,524,575	\$ 4,096,356
Diluted weighted-average common shares outstanding <sup>(3)</sup>	170.8	173.4	171.4	174.0
Shares outstanding (end of period)	167.6	169.4	167.6	169.4
Book value per share <sup>(4)</sup>	\$ 161.80	\$ 153.32	\$ 161.80	\$ 153.32
Cash dividends declared and paid per share	\$ 1.93	\$ 1.68	\$ 5.79	\$ 5.04

(1) Net of net income (loss) attributable to noncontrolling interests ( NCI ) (redeemable and nonredeemable).

(2) As adjusted items are described in more detail in *Non-GAAP Financial Measures*.

(3) Nonvoting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.

(4) Total BlackRock stockholders' equity, excluding appropriated retained deficit of \$13 million and appropriated retained earnings of \$25 million, divided by total common and preferred shares outstanding at September 30, 2014 and 2013, respectively.

**Table of Contents****THREE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2013**

*GAAP.* Operating income of \$1,157 million and operating margin of 40.6% increased \$191 million and 150 bps, respectively, from the third quarter of 2013. Operating income reflected growth in base fees and performance fees, partially offset by higher expense. Expense reflected higher revenue-related expense, including compensation and direct fund expense in the three months ended September 30, 2014. Expense for the three months ended September 30, 2014 also included a \$50 million reduction of an indemnification asset recorded in general and administration expense (offset by a \$50 million tax benefit see *Income Tax Expense within Discussion of Financial Results* for more information).

Income tax expense of \$232 million included a \$32 million noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill as a result of domestic state and local tax changes. In addition, the current quarter income tax expense included a \$94 million tax benefit, including the \$50 million tax benefit mentioned above, primarily due to the resolution of certain outstanding tax matters related to the acquisition of Barclays Global Investors ( BGI ). See *Income Tax Expense within Discussion of Financial Results* for more information. The third quarter of 2013 income tax expense included a \$64 million net noncash benefit primarily related to the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill, including legislation enacted in the United Kingdom and domestic state and local income tax changes.

Earnings per diluted common share rose \$1.16, or 28%, from the third quarter of 2013 due to higher net income and the benefit of share repurchases.

*As Adjusted.* Operating income of \$1,214 million and operating margin of 44.2% increased \$236 million and 300 bps, respectively, from the third quarter of 2013. Earnings per diluted common share rose \$1.33, or 34%, from the third quarter of 2013. General and administration expense excluded \$50 million related to the reduction of an indemnification asset. Income tax expense for the current quarter excluded a \$50 million tax benefit associated with the reduction of the same indemnification asset. In addition, the current quarter and prior year quarter excluded \$32 million and \$64 million of noncash benefits, respectively.

**NINE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2013**

*GAAP.* Operating income of \$3,330 million increased \$606 million from the nine months ended September 30, 2013, reflecting growth in base fees, performance fees and *BlackRock Solutions* and advisory revenue, partially offset by higher expense. Expense for the nine months ended September 30, 2014 reflected higher revenue-related expense, including compensation and direct fund expense, and also included the previously mentioned \$50 million general and administration expenses related to the reduction of an indemnification asset. The nine months ended September 30, 2013 included the \$124 million expense related to the charitable contribution described below and \$18 million of closed-end fund launch costs.

Nonoperating income (expense), less net income (loss) attributable to NCI decreased \$78 million from the nine months ended September 30, 2013. The prior year period included a \$39 million noncash, nonoperating pre-tax gain related to the carrying value of the Company's equity method investment as a result of an initial public offering of PennyMac Financial Services, Inc. (the PennyMac IPO). In addition, in the nine months ended September 30, 2013, the Company made a charitable contribution of approximately six million units of the Company's equity method investment in PennyMac to a donor advised fund (the Charitable Contribution). In connection with the Charitable Contribution, the Company also recorded a noncash, nonoperating pre-tax gain of \$80 million related to the contributed investment. The decrease in nonoperating income (expense) was partially offset by the positive impact of the monetization of a non-strategic, opportunistic private equity investment during the nine months ended September 30, 2014.

Income tax expense for the nine months ended September 30, 2014 reflected the \$94 million tax benefit, described above, a \$9 million net noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill as a result of domestic state and local tax changes, a \$34 million net tax benefit related to several favorable nonrecurring items and an improvement in the geographic mix of earnings. The nine months ended September 30, 2013 tax expense included the \$64 million net noncash benefit described above. In addition, the nine months ended September 30, 2013 included a net tax benefit of approximately \$57 million recognized in connection with the Charitable Contribution and a tax benefit of approximately \$29 million, primarily due to the realization of loss carryforwards.

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Earnings per diluted common share rose \$2.46, or 20%, compared with the prior year period due to higher net income and the benefit of share repurchases.

*As Adjusted.* Operating income of \$3,409 million and operating margin of 42.7% increased \$528 million and 190 bps, respectively, from the nine months ended September 30, 2013. General and administration expense for the nine months ended September 30, 2014 excluded \$50 million related to the reduction of an indemnification asset. Income tax expense for the nine months ended September 30, 2014 excluded a \$50 million tax benefit associated with the reduction of the same indemnification asset and \$9 million of net noncash benefits. Income tax expense for the nine months ended September 30, 2013 excluded \$64 million of net noncash benefits. The 2013 results excluded the financial impact of the Charitable Contribution, but included closed-end fund launch costs of \$18 million and the \$39 million pre-tax nonoperating gain related to the PennyMac IPO.

Earnings per diluted common share rose \$2.86, or 25%, from the nine months ended September 30, 2013.

See *Non-GAAP Financial Measures* for further information on as adjusted items.

For further discussion of BlackRock's revenue, expense, nonoperating results and income tax expense, see *Discussion of Financial Results* herein.

**Table of Contents****NON-GAAP FINANCIAL MEASURES**

BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States ( GAAP ); however, management believes evaluating the Company's ongoing operating results may be enhanced if investors have additional non-GAAP financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock's financial performance over time. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Computations for all periods are derived from the condensed consolidated statements of income as follows:

**(1) Operating income, as adjusted, and operating margin, as adjusted:**

Operating income, as adjusted, equals operating income, GAAP basis, excluding certain items management deems nonrecurring, recurring infrequently or transactions that ultimately will not impact BlackRock's book value. Management believes operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock's financial performance over time and, therefore, provide useful disclosure to investors.

<i>(in millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>2013</b>	<b>September 30,</b>	<b>2013</b>
<b>Operating income, GAAP basis</b>	<b>\$1,157</b>	<b>\$966</b>	<b>\$3,330</b>	<b>\$2,724</b>
Non-GAAP expense adjustments:				
Reduction of indemnification asset	50	-	50	-
PNC LTIP funding obligation	7	8	23	25
Charitable Contribution	-	-	-	124
Compensation expense related to appreciation (depreciation) on deferred compensation plans	-	4	6	8
<b>Operating income, as adjusted</b>	<b>1,214</b>	<b>978</b>	<b>3,409</b>	<b>2,881</b>
Closed-end fund launch costs	-	-	-	16
Closed-end fund launch commissions	-	-	-	2
Operating income used for operating margin measurement	\$1,214	\$978	\$3,409	\$2,899
Revenue, GAAP basis	\$2,849	\$2,472	\$8,297	\$7,403
Non-GAAP adjustments:				
Distribution and servicing costs	(90)	(85)	(268)	(266)
Amortization of deferred sales commissions	(14)	(14)	(43)	(38)
Revenue used for operating margin measurement	\$2,745	\$2,373	\$7,986	\$7,099
<b>Operating margin, GAAP basis</b>	<b>40.6%</b>	<b>39.1%</b>	<b>40.1%</b>	<b>36.8%</b>
<b>Operating margin, as adjusted</b>	<b>44.2%</b>	<b>41.2%</b>	<b>42.7%</b>	<b>40.8%</b>

**Operating income, as adjusted**, includes non-GAAP expense adjustments. The portion of compensation expense associated with certain long-term incentive plans ( LTIP ) funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately does not impact BlackRock's book value. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in nonoperating income (expense). General

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and administration expense relating to the reduction of an indemnification asset has been excluded since it is directly offset by a tax benefit of the same amount and, consequently, does not impact BlackRock's book value.

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Expense related to the Charitable Contribution has been excluded due to its nonrecurring nature and because the noncash, nonoperating pre-tax gain of \$80 million related to the contributed PennyMac investment is reported in nonoperating income (expense).

Management believes operating income exclusive of these items is a useful measure in evaluating BlackRock's operating performance and helps enhance the comparability of this information for the reporting periods presented.

**Operating margin, as adjusted**, allows the Company to compare performance from period to period by adjusting for items that may not recur, recur infrequently or may have an economic offset in nonoperating income (expense). The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance with other companies. Management uses both GAAP and non-GAAP financial measures in evaluating BlackRock's financial performance. The non-GAAP measure by itself may pose limitations because it does not include all of the Company's revenue and expense.

Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact the Company's results until future periods.

Revenue used for operating margin, as adjusted, excludes distribution and servicing costs paid to related parties and other third parties. Management believes the exclusion of such costs is useful because it creates consistency in the treatment for certain contracts for similar services, which due to the terms of the contracts, are accounted for under GAAP on a net basis within investment advisory, administration fees and securities lending revenue. Amortization of deferred sales commissions is excluded from revenue used for operating margin measurement, as adjusted, because such costs, over time, substantially offset distribution fee revenue the Company earns. For each of these items, BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to each of these items as a proxy for such offsetting revenue.

(2) Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted:

Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, equals nonoperating income (expense), GAAP basis, less net income (loss) attributable to NCI, adjusted for compensation expense associated with (appreciation) depreciation on investments related to certain BlackRock deferred compensation plans. The compensation expense offset is recorded in operating income. This compensation expense has been included in nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, to offset returns on investments set aside for these plans, which are reported in nonoperating income (expense), GAAP basis.

<i>(in millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Nonoperating income (expense), GAAP basis	(\$52)	(\$18)	(\$19)	\$92
Less: Net income (loss) attributable to NCI	(44)	(1)	(23)	10
Nonoperating income (expense), net of NCI	(8)	(17)	4	82
Gain related to Charitable Contribution	-	-	-	(80)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	-	(4)	(6)	(8)
Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted	(\$8)	(\$21)	(\$2)	(\$6)



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Management believes nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, provides comparability of information among reporting periods and is an effective measure for reviewing BlackRock's nonoperating contribution to results. As compensation expense associated with (appreciation) depreciation on investments related to certain deferred compensation plans, which is included in operating income, substantially offsets the gain (loss) on the investments set aside for these plans, management believes nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock's nonoperating results that impact book value. During the nine months ended September 30, 2013, the noncash, nonoperating pre-tax gain of \$80 million related to the contributed PennyMac investment has been excluded from nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted due to its nonrecurring nature and because the more than offsetting associated Charitable Contribution expense of \$124 million is reported in operating income.

***(3) Net income attributable to BlackRock, as adjusted:***

Management believes net income attributable to BlackRock, as adjusted, and diluted earnings per common share, as adjusted, are useful measures of BlackRock's profitability and financial performance. Net income attributable to BlackRock, as adjusted, equals net income attributable to BlackRock, GAAP basis, adjusted for significant nonrecurring items, charges that ultimately will not impact BlackRock's book value or certain tax items that do not impact cash flow.

<i>(in millions, except per share data)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Net income attributable to BlackRock, GAAP basis</b>	<b>\$917</b>	<b>\$730</b>	<b>\$2,481</b>	<b>\$2,091</b>
Non-GAAP adjustment, net of tax:				
PNC LTIP funding obligation	5	6	17	17
Income tax matters	(32)	(64)	(9)	(64)
Amount related to the Charitable Contribution	-	-	-	(13)
<b>Net income attributable to BlackRock, as adjusted</b>	<b>\$890</b>	<b>\$672</b>	<b>\$2,489</b>	<b>\$2,031</b>
Diluted weighted-average common shares outstanding <sup>(4)</sup>	170.8	173.4	171.4	174.0
<b>Diluted earnings per common share, GAAP basis<sup>(4)</sup></b>	<b>\$5.37</b>	<b>\$4.21</b>	<b>\$14.48</b>	<b>\$12.02</b>
<b>Diluted earnings per common share, as adjusted<sup>(4)</sup></b>	<b>\$5.21</b>	<b>\$3.88</b>	<b>\$14.53</b>	<b>\$11.67</b>

The third quarter of 2014 included a \$32 million noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill as a result of domestic state and local tax changes, which has been excluded from the as adjusted results. The nine months ended September 30, 2014 included a \$23 million net noncash tax expense primarily related to the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill. Both the \$32 million noncash benefit and the \$23 million net noncash expense have been excluded from as adjusted results as these items will not have a cash flow impact and to ensure comparability among periods presented.

See note (1) Operating income, as adjusted, and operating margin, as adjusted, for information on the PNC LTIP funding obligation and the Charitable Contribution.

For each period presented, the non-GAAP adjustments related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustments. The nine months ended September 30, 2013 included a tax benefit of approximately \$57 million recognized in connection with the Charitable Contribution. The tax benefit has been excluded from net income attributable to BlackRock, Inc., as adjusted due to the nonrecurring nature of the Charitable Contribution.

(4) Nonvoting participating preferred stock is considered to be a common stock equivalent for purposes of determining basic and diluted earnings per share calculations.

**Table of Contents****Assets Under Management**

AUM for reporting purposes generally is based upon how investment advisory and administration fees are calculated for each portfolio. Net asset values, total assets, committed assets or other measures may be used to determine portfolio AUM.

**AUM and Net Subscriptions (Redemptions) by Client Type**

	AUM				Subscriptions (Redemptions)		
	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014	Twelve Months Ended September 30, 2014
<i>(in millions)</i>							
Retail	\$ 525,479	\$ 534,502	\$ 487,777	\$ 438,449	\$ 4,860	\$ 31,989	\$ 48,577
iShares	974,170	993,832	914,372	856,909	18,209	56,413	75,501
Institutional:							
Active	954,889	970,433	932,410	890,070	135	(11,463)	(3,462)
Index	1,765,875	1,795,938	1,677,650	1,612,337	5,485	16,500	13,298
Institutional subtotal	2,720,764	2,766,371	2,610,060	2,502,407	5,620	5,037	9,836
<b>Long-term</b>	<b>4,220,413</b>	<b>4,294,705</b>	<b>4,012,209</b>	<b>3,797,765</b>	<b>28,689</b>	<b>93,439</b>	<b>133,914</b>
Cash management	280,980	268,388	275,554	260,077	16,809	7,889	22,140
Advisory <sup>(1)</sup>	23,182	30,519	36,325	38,514	(6,467)	(12,258)	(13,665)
<b>Total</b>	<b>\$ 4,524,575</b>	<b>\$ 4,593,612</b>	<b>\$ 4,324,088</b>	<b>\$ 4,096,356</b>	<b>\$ 39,031</b>	<b>\$ 89,070</b>	<b>\$ 142,389</b>

**AUM and Net Subscriptions (Redemptions) by Product Type**

	AUM				Subscriptions (Redemptions)		
	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014	Twelve Months Ended September 30, 2014
<i>(in millions)</i>							
Equity	\$ 2,400,105	\$ 2,462,585	\$ 2,317,695	\$ 2,148,712	\$ 10,234	\$ 23,764	\$ 48,440
Fixed income	1,333,528	1,340,725	1,242,186	1,237,559	11,111	48,008	49,504
Multi-asset	373,054	374,473	341,214	308,117	7,424	19,209	36,564
Alternatives:							
Core	88,280	88,758	85,026	72,758	(327)	1,881	1,279
Currency and commodities <sup>(2)</sup>	25,446	28,164	26,088	30,619	247	577	(1,873)
Subtotal	113,726	116,922	111,114	103,377	(80)	2,458	(594)
<b>Long-term</b>	<b>4,220,413</b>	<b>4,294,705</b>	<b>4,012,209</b>	<b>3,797,765</b>	<b>28,689</b>	<b>93,439</b>	<b>133,914</b>
Cash management	280,980	268,388	275,554	260,077	16,809	7,889	22,140
Advisory <sup>(1)</sup>	23,182	30,519	36,325	38,514	(6,467)	(12,258)	(13,665)
<b>Total</b>	<b>\$ 4,524,575</b>	<b>\$ 4,593,612</b>	<b>\$ 4,324,088</b>	<b>\$ 4,096,356</b>	<b>\$ 39,031</b>	<b>\$ 89,070</b>	<b>\$ 142,389</b>

- (1) Advisory AUM represents long-term portfolio liquidation assignments.
- (2) Amounts include commodity *iShares*.

**Table of Contents****Component Changes in AUM for the Three Months Ended September 30, 2014**

The following table presents the component changes in AUM by client type and product for the three months ended September 30, 2014.

<i>(in millions)</i>	June 30, 2014	Net subscriptions (redemptions)	Market change	FX impact <sup>(1)</sup>	September 30, 2014	Average AUM <sup>(2)</sup>
<b>Retail:</b>						
Equity	\$ 216,469	\$ (3,412)	\$ (4,267)	\$ (4,419)	\$ 204,371	\$ 212,051
Fixed income	172,672	5,396	(303)	(1,517)	176,248	174,454
Multi-asset	126,392	2,534	(2,323)	(704)	125,899	126,485
Alternatives	18,969	342	56	(406)	18,961	19,020
<b>Retail subtotal</b>	<b>534,502</b>	<b>4,860</b>	<b>(6,837)</b>	<b>(7,046)</b>	<b>525,479</b>	<b>532,010</b>
<b>iShares:</b>						
Equity	774,053	13,840	(21,584)	(9,037)	757,272	771,007
Fixed income	200,519	3,747	(1,291)	(3,838)	199,137	201,586
Multi-asset	1,624	93	(42)	(8)	1,667	1,661
Alternatives	17,636	529	(1,953)	(118)	16,094	17,089
<b>iShares subtotal</b>	<b>993,832</b>	<b>18,209</b>	<b>(24,870)</b>	<b>(13,001)</b>	<b>974,170</b>	<b>991,343</b>
<b>Institutional:</b>						
<b>Active:</b>						
Equity	133,780	(646)	578	(3,639)	130,073	132,459
Fixed income	523,665	(3,497)	2,597	(9,425)	513,340	519,669
Multi-asset	239,207	5,232	2,142	(7,816)	238,765	240,583
Alternatives	73,781	(954)	1,022	(1,138)	72,711	73,250
<b>Active subtotal</b>	<b>970,433</b>	<b>135</b>	<b>6,339</b>	<b>(22,018)</b>	<b>954,889</b>	<b>965,961</b>
<b>Index:</b>						
Equity	1,338,283	452	(6,409)	(23,937)	1,308,389	1,331,200
Fixed income	443,869	5,465	12,234	(16,765)	444,803	447,201
Multi-asset	7,250	(435)	358	(450)	6,723	7,408
Alternatives	6,536	3	(403)	(176)	5,960	6,311
<b>Index subtotal</b>	<b>1,795,938</b>	<b>5,485</b>	<b>5,780</b>	<b>(41,328)</b>	<b>1,765,875</b>	<b>1,792,120</b>
<b>Institutional subtotal</b>	<b>2,766,371</b>	<b>5,620</b>	<b>12,119</b>	<b>(63,346)</b>	<b>2,720,764</b>	<b>2,758,081</b>
<b>Long-term</b>	<b>4,294,705</b>	<b>28,689</b>	<b>(19,588)</b>	<b>(83,393)</b>	<b>4,220,413</b>	<b>\$ 4,281,434</b>
Cash management	268,388	16,809	9	(4,226)	280,980	
Advisory <sup>(3)</sup>	30,519	(6,467)	463	(1,333)	23,182	
<b>Total</b>	<b>\$ 4,593,612</b>	<b>\$ 39,031</b>	<b>\$ (19,116)</b>	<b>\$ (88,952)</b>	<b>\$ 4,524,575</b>	

<sup>(1)</sup> Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

<sup>(2)</sup> Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.

<sup>(3)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

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The following table presents component changes in AUM by product for the three months ended September 30, 2014.

<i>(in millions)</i>	June 30, 2014	Net subscriptions (redemptions)	Market change	FX impact <sup>(1)</sup>	September 30, 2014	Average AUM <sup>(2)</sup>
<b>Equity:</b>						
Active	\$ 320,830	(\$ 5,436)	\$ (3,560)	\$ (6,962)	\$ 304,872	\$ 314,300
<i>iShares</i>	774,053	13,840	(21,584)	(9,037)	757,272	771,007
<b>Fixed income:</b>						
Active	689,724	1,904	2,128	(10,586)	683,170	687,568
<i>iShares</i>	200,519	3,747	(1,291)	(3,838)	199,137	201,586
Multi-asset	374,473	7,424	135	(8,978)	373,054	376,137
<b>Alternatives:</b>						
Core	88,758	(327)	1,146	(1,297)	88,280	88,581
Currency and commodities <sup>(3)</sup>	28,164	247	(2,424)	(541)	25,446	27,089
<b>Subtotal</b>	<b>2,476,521</b>	<b>21,399</b>	<b>(25,450)</b>	<b>(41,239)</b>	<b>2,431,231</b>	<b>2,466,268</b>
<b>Non-ETF Index:</b>						
Equity	1,367,702	1,830	(6,538)	(25,033)	1,337,961	1,361,410
Fixed income	450,482	5,460	12,400	(17,121)	451,221	453,756
<b>Subtotal Non-ETF Index</b>	<b>1,818,184</b>	<b>7,290</b>	<b>5,862</b>	<b>(42,154)</b>	<b>1,789,182</b>	<b>1,815,166</b>
<b>Long-term</b>	<b>4,294,705</b>	<b>28,689</b>	<b>(19,588)</b>	<b>(83,393)</b>	<b>4,220,413</b>	<b>\$ 4,281,434</b>
Cash management	268,388	16,809	9	(4,226)	280,980	
Advisory <sup>(4)</sup>	30,519	(6,467)	463	(1,333)	23,182	
<b>Total</b>	<b>\$ 4,593,612</b>	<b>\$39,031</b>	<b>\$ (19,116)</b>	<b>\$ (88,952)</b>	<b>\$ 4,524,575</b>	

(1) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.

(3) Amounts include commodity *iShares*.

(4) Advisory AUM represents long-term portfolio liquidation assignments.

AUM decreased \$69.0 billion, or 2%, to \$4.525 trillion at September 30, 2014 from \$4.594 trillion at June 30, 2014, driven largely by foreign exchange movements and net market depreciation, partially offset by positive net inflows.

Net market depreciation of \$19.1 billion reflected \$31.7 billion of depreciation from equity products due to lower global equity markets, partially offset by net appreciation from fixed income products of \$13.2 billion.

AUM decreased \$89.0 billion from foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar against the pound sterling and euro.

**Net Subscriptions (Redemptions).** Net subscriptions of \$39.0 billion reflected \$28.7 billion of long-term net inflows across all client types, including \$18.2 billion, \$5.6 billion and \$4.9 billion from *iShares*, institutional and retail clients, respectively. Net subscriptions in long-term products of \$28.7 billion reflected the following:

Net Subscriptions

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- *iShares* net inflows of \$18.2 billion, including equity net inflows of \$13.8 billion, driven by flows into the Core Series as well as demand for emerging markets and Asian equity exposures. Fixed income *iShares* net inflows of \$3.7 billion were paced by \$1.3 billion of net inflows into the Core U.S. Aggregate fund;
- Multi-asset net inflows of \$7.4 billion, driven by institutional active net inflows of \$5.2 billion, which reflected ongoing demand for the *LifePath*<sup>®</sup> target-date suite and fiduciary mandates, and retail net inflows of \$2.5 billion led by the Multi-Asset Income fund family, which raised over \$2 billion of net new assets; and
- Non-ETF index fixed income net inflows of \$5.5 billion, primarily reflecting strong demand for local currency mandates.

**Table of Contents**Net Redemptions

Active equity net outflows of \$5.4 billion, including fundamental net outflows of \$8.2 billion, partially offset by scientific net inflows of \$2.8 billion.

*Cash Management Net Subscriptions.* Cash management net inflows of \$16.8 billion were primarily comprised of net inflows from Americas institutional and retail clients in government and prime strategies and European institutional clients concentrated in offshore funds and prime strategies.

*Advisory Net Redemptions.* Advisory net outflows of \$6.5 billion were driven by portfolio liquidations.

**Component Changes in AUM for the Nine Months Ended September 30, 2014**

The following table presents the component changes in AUM by client type and product for the nine months ended September 30, 2014.

<i>(in millions)</i>	December 31, 2013	Net subscriptions (redemptions)	Market change	FX impact <sup>(1)</sup>	September 30, 2014	Average AUM <sup>(2)</sup>
<b>Retail:</b>						
Equity	\$ 203,035	\$ 295	\$ 4,454	\$ (3,413)	\$ 204,371	\$ 208,561
Fixed income	151,475	21,585	4,579	(1,391)	176,248	165,448
Multi-asset	117,054	7,201	2,146	(502)	125,899	122,818
Alternatives	16,213	2,908	245	(405)	18,961	18,330
Retail subtotal	487,777	31,989	11,424	(5,711)	525,479	515,157
<b>iShares:</b>						
Equity	718,135	35,410	12,637	(8,910)	757,272	741,742
Fixed income	178,835	19,845	4,247	(3,790)	199,137	194,190
Multi-asset	1,310	336	29	(8)	1,667	1,520
Alternatives	16,092	822	(697)	(123)	16,094	16,897
iShares subtotal	914,372	56,413	16,216	(12,831)	974,170	954,349
<b>Institutional:</b>						
<b>Active:</b>						
Equity	138,726	(13,194)	6,833	(2,292)	130,073	133,495
Fixed income	505,109	(9,666)	24,176	(6,279)	513,340	514,571
Multi-asset	215,276	13,339	17,087	(6,937)	238,765	230,789
Alternatives	73,299	(1,942)	2,109	(755)	72,711	73,435
Active subtotal	932,410	(11,463)	50,205	(16,263)	954,889	952,290
<b>Index:</b>						
Equity	1,257,799	1,253	65,295	(15,958)	1,308,389	1,295,502
Fixed income	406,767	16,244	30,983	(9,191)	444,803	433,945
Multi-asset	7,574	(1,667)	1,135	(319)	6,723	6,953
Alternatives	5,510	670	(152)	(68)	5,960	6,195
Index subtotal	1,677,650	16,500	97,261	(25,536)	1,765,875	1,742,595
Institutional subtotal	2,610,060	5,037	147,466	(41,799)	2,720,764	2,694,885
<b>Long-term</b>	<b>4,012,209</b>	<b>93,439</b>	<b>175,106</b>	<b>(60,341)</b>	<b>4,220,413</b>	<b>\$ 4,164,391</b>

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Cash management	275,554	7,889	515	(2,978)	280,980
Advisory <sup>(3)</sup>	36,325	(12,258)	869	(1,754)	23,182
<b>Total</b>	<b>\$ 4,324,088</b>	<b>\$ 89,070</b>	<b>\$ 176,490</b>	<b>\$ (65,073)</b>	<b>\$ 4,524,575</b>

(1) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing ten months.

(3) Advisory AUM represents long-term portfolio liquidation assignments.



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The following table presents component changes in AUM by product for the nine months ended September 30, 2014.

<i>(in millions)</i>	December 31, 2013	Net subscriptions (redemptions)	Market change	FX impact <sup>(1)</sup>	September 30, 2014	Average AUM <sup>(2)</sup>
<b>Equity:</b>						
Active	\$ 317,262	(\$ 17,695)	\$ 10,392	\$ (5,087)	\$ 304,872	\$ 314,553
<i>iShares</i>	718,135	35,410	12,637	(8,910)	757,272	741,742
<b>Fixed income:</b>						
Active	652,209	10,012	28,407	(7,458)	683,170	674,514
<i>iShares</i>	178,835	19,845	4,247	(3,790)	199,137	194,190
Multi-asset	341,214	19,209	20,397	(7,766)	373,054	362,080
<b>Alternatives:</b>						
Core	85,026	1,881	2,414	(1,041)	88,280	87,711
Currency and commodities <sup>(3)</sup>	26,088	577	(909)	(310)	25,446	27,146
<b>Subtotal</b>	<b>2,318,769</b>	<b>69,239</b>	<b>77,585</b>	<b>(34,362)</b>	<b>2,431,231</b>	<b>2,401,936</b>
<b>Non-ETF Index:</b>						
Equity	1,282,298	6,049	66,190	(16,576)	1,337,961	1,323,005
Fixed income	411,142	18,151	31,331	(9,403)	451,221	439,450
<b>Subtotal Non-ETF Index</b>	<b>1,693,440</b>	<b>24,200</b>	<b>97,521</b>	<b>(25,979)</b>	<b>1,789,182</b>	<b>1,762,455</b>
<b>Long-term</b>	<b>4,012,209</b>	<b>93,439</b>	<b>175,106</b>	<b>(60,341)</b>	<b>4,220,413</b>	<b>\$ 4,164,391</b>
Cash management	275,554	7,889	515	(2,978)	280,980	
Advisory <sup>(4)</sup>	36,325	(12,258)	869	(1,754)	23,182	
<b>Total</b>	<b>\$ 4,324,088</b>	<b>\$89,070</b>	<b>\$ 176,490</b>	<b>\$ (65,073)</b>	<b>\$ 4,524,575</b>	

(1) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing ten months.

(3) Amounts include commodity *iShares*.

(4) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased \$200.5 billion, or 5%, to \$4.525 trillion at September 30, 2014 from \$4.324 trillion at December 31, 2013, driven largely by net market appreciation and positive net inflows, partially offset by foreign exchange movements.

Net market appreciation of \$176.5 billion reflected \$89.2 billion of growth in equity products due to higher U.S. and global equity markets, and appreciation of \$64.0 billion and \$20.4 billion in fixed income and multi-asset products, respectively, across the majority of strategies.

AUM decreased \$65.1 billion from foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar against the euro and pound sterling.

**Net Subscriptions (Redemptions).** Net subscriptions of \$89.1 billion reflected \$93.4 billion of long-term net inflows across all client types, including \$56.4 billion, \$32.0 billion and \$5.0 billion from *iShares*, retail and institutional clients, respectively. Net subscriptions in long-term products of \$93.4 billion reflected the following:

Net Subscriptions

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- *iShares* net inflows of \$56.4 billion, including U.S. and European *iShares* net inflows of \$41.6 billion and \$14.2 billion, respectively. Equity net inflows totaled \$35.4 billion across all strategies. Strong demand for local currency and U.S. and emerging markets strategies drove fixed income net inflows of \$19.8 billion;
- Multi-asset net inflows of \$19.2 billion driven by \$11.7 billion of institutional net inflows, reflecting continued demand for the *LifePath* target-date suite, and \$7.2 billion into retail strategies, concentrated in the flagship Global Allocation and Multi-Asset Income funds;
- Non-ETF index fixed income net inflows of \$18.2 billion, reflecting strong demand for local currency and U.S. targeted duration mandates;
- Active fixed income net inflows of \$10.0 billion, led by retail fixed income net inflows of \$19.7 billion, reflected strong interest in unconstrained fixed income offerings, including \$8.7 billion of net inflows into the Strategic Income Opportunities fund, partially offset by institutional outflows of \$9.7 billion; and

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Non-ETF index equity net inflows of \$6.0 billion, led by retail net inflows into EMEA index mutual funds, partially offset by net outflows from institutional U.S. equity.

**Net Redemptions**

Active equity net outflows of \$17.7 billion, including fundamental net outflows of \$14.1 billion and scientific net outflows of \$3.6 billion.

*Cash Management Net Subscriptions.* Cash management net inflows of \$7.9 billion were primarily comprised of net inflows from EMEA institutional clients in offshore funds and net inflows from Americas institutional clients in government strategies, partially offset by net outflows from Americas institutional clients in prime strategies.

*Advisory Net Redemptions.* Advisory net outflows of \$12.3 billion were driven by portfolio liquidations.

**Component Changes in AUM for the Twelve Months Ended September 30, 2014**

The following table presents the component changes in AUM by client type and product for the twelve months ended September 30, 2014.

(in millions)	September 30, 2013	Net subscriptions (redemptions)	Adjustments <sup>(1)</sup>	Acquisitions <sup>(2)</sup>	Market change	FX impact <sup>(3)</sup>	September 30, 2014	Average AUM <sup>(4)</sup>
<b>Retail:</b>								
Equity	\$174,732	\$ 5,131	\$ 13,066	\$ -	\$ 13,979	\$ (2,537)	\$ 204,371	\$ 202,430
Fixed income	143,186	25,455	3,897	-	4,881	(1,171)	176,248	160,817
Multi-asset	106,017	13,746	2,663	-	3,928	(455)	125,899	119,969
Alternatives	14,514	4,245	-	136	401	(335)	18,961	17,585
<b>Retail subtotal</b>	<b>438,449</b>	<b>48,577</b>	<b>19,626</b>	<b>136</b>	<b>23,189</b>	<b>(4,498)</b>	<b>525,479</b>	<b>500,801</b>
<b>iShares:</b>								
Equity	653,528	59,524	-	-	52,578	(8,358)	757,272	728,306
Fixed income	182,841	16,311	-	-	3,431	(3,446)	199,137	191,448
Multi-asset	1,179	430	-	-	71	(13)	1,667	1,451
Alternatives	19,361	(764)	-	-	(2,386)	(117)	16,094	17,296
<b>iShares subtotal</b>	<b>856,909</b>	<b>75,501</b>	<b>-</b>	<b>-</b>	<b>53,694</b>	<b>(11,934)</b>	<b>974,170</b>	<b>938,501</b>
<b>Institutional:</b>								
<b>Active:</b>								
Equity	130,864	(15,018)	-	-	16,507	(2,280)	130,073	133,812
Fixed income	503,243	(9,106)	-	-	25,845	(6,642)	513,340	512,536
Multi-asset	191,989	25,453	3,335	-	23,708	(5,720)	238,765	222,693
Alternatives	63,974	(4,791)	-	10,836	3,686	(994)	72,711	72,981
<b>Active subtotal</b>	<b>890,070</b>	<b>(3,462)</b>	<b>3,335</b>	<b>10,836</b>	<b>69,746</b>	<b>(15,636)</b>	<b>954,889</b>	<b>942,022</b>
<b>Index:</b>								
Equity	1,189,588	(1,197)	(18,238)	-	155,417	(17,181)	1,308,389	1,279,142
Fixed income	408,289	16,844	(4,723)	-	31,268	(6,875)	444,803	428,983
Multi-asset	8,932	(3,065)	-	-	1,329	(473)	6,723	7,258
Alternatives	5,528	716	-	-	(278)	(6)	5,960	6,046
<b>Index subtotal</b>	<b>1,612,337</b>	<b>13,298</b>	<b>(22,961)</b>	<b>-</b>	<b>187,736</b>	<b>(24,535)</b>	<b>1,765,875</b>	<b>1,721,429</b>
<b>Institutional subtotal</b>	<b>2,502,407</b>	<b>9,836</b>	<b>(19,626)</b>	<b>10,836</b>	<b>257,482</b>	<b>(40,171)</b>	<b>2,720,764</b>	<b>2,663,451</b>
<b>Long-term</b>	<b>3,797,765</b>	<b>133,914</b>	<b>-</b>	<b>10,972</b>	<b>334,365</b>	<b>(56,603)</b>	<b>4,220,413</b>	<b>\$ 4,102,753</b>
Cash management	260,077	22,140	-	-	674	(1,911)	280,980	

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Advisory <sup>(5)</sup>	38,514	(13,665)	-	-	702	(2,369)	23,182
<b>Total</b>	<b>\$4,096,356</b>	<b>\$ 142,389</b>	<b>\$ -</b>	<b>\$ 10,972</b>	<b>\$ 335,741</b>	<b>\$ (60,883)</b>	<b>\$ 4,524,575</b>

(1) Amounts include \$19.6 billion of AUM related to fund ranges reclassified from institutional to retail and \$6.0 billion of AUM reclassified from non-ETF index equity and fixed income to multi-asset during the fourth quarter of 2013.

(2) Amounts represent \$11.0 billion of AUM acquired in the MGPA acquisition in October 2013.

(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(4) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.

(5) Advisory AUM represents long-term portfolio liquidation assignments.

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The following table presents component changes in AUM by product for the twelve months ended September 30, 2014.

<i>(in millions)</i>	September 30, 2013	Net subscriptions (redemptions)	Adjustments <sup>(1)</sup>	Acquisitions <sup>(2)</sup>	Market change	FX impact <sup>(3)</sup>	September 30, 2014	Average AUM <sup>(4)</sup>
Equity:								
Active	\$ 297,484	(\$ 16,802)	\$ -	\$ -	\$ 28,643	\$ (4,453)	\$ 304,872	\$ 312,809
<i>iShares</i>	653,528	59,524	-	-	52,578	(8,358)	757,272	728,306
Fixed income:								
Active	646,193	14,300	-	-	30,373	(7,696)	683,170	669,057
<i>iShares</i>	182,841	16,311	-	-	3,431	(3,446)	199,137	191,448
Multi-asset	308,117	36,564	5,998	-	29,036	(6,661)	373,054	351,371
Alternatives:								
Core	72,758	1,279	-	10,972	4,185	(914)	88,280	86,211
Currency and commodities <sup>(5)</sup>	30,619	(1,873)	-	-	(2,762)	(538)	25,446	27,697
<b>Subtotal</b>	<b>2,191,540</b>	<b>109,303</b>	<b>5,998</b>	<b>10,972</b>	<b>145,484</b>	<b>(32,066)</b>	<b>2,431,231</b>	<b>2,366,899</b>
Non-ETF Index:								
Equity	1,197,700	5,718	(5,172)	-	157,260	(17,545)	1,337,961	1,302,575
Fixed income	408,525	18,893	(826)	-	31,621	(6,992)	451,221	433,279
<b>Subtotal Non-ETF Index</b>	<b>1,606,225</b>	<b>24,611</b>	<b>(5,998)</b>	<b>-</b>	<b>188,881</b>	<b>(24,537)</b>	<b>1,789,182</b>	<b>1,735,854</b>
<b>Long-term</b>	<b>3,797,765</b>	<b>133,914</b>	<b>-</b>	<b>10,972</b>	<b>334,365</b>	<b>(56,603)</b>	<b>4,220,413</b>	<b>\$ 4,102,753</b>
Cash management	260,077	22,140	-	-	674	(1,911)	280,980	
Advisory <sup>(6)</sup>	38,514	(13,665)	-	-	702	(2,369)	23,182	
<b>Total</b>	<b>\$ 4,096,356</b>	<b>\$142,389</b>	<b>\$ -</b>	<b>\$ 10,972</b>	<b>\$ 335,741</b>	<b>\$ (60,883)</b>	<b>\$ 4,524,575</b>	

(1) Amounts include \$6.0 billion of AUM reclassified from non-ETF index equity and fixed income to multi-asset during the fourth quarter of 2013.

(2) Amounts represent \$11.0 billion of AUM acquired in the MGPA acquisition in October 2013.

(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(4) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.

(5) Amounts include commodity *iShares*.

(6) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased approximately \$428.2 billion, or 10%, to \$4.525 trillion at September 30, 2014 from \$4.096 trillion at September 30, 2013, largely driven by market gains, positive net inflows, and acquired AUM related to the MGPA acquisition, partially offset by foreign exchange movements.

Net market appreciation of \$335.7 billion reflected \$238.5 billion of growth from equity products, primarily due to higher U.S. and global equity markets, and appreciation in fixed income and multi-asset products of \$65.4 billion and \$29.0 billion, respectively, across the majority of strategies.

AUM decreased \$60.9 billion from foreign exchange movements resulting from the strengthening of the U.S. dollar, primarily against the euro and yen.

**Net Subscriptions (Redemptions).** Net subscriptions of \$142.4 billion reflected \$133.9 billion of long-term net inflows across all client types, including \$75.5 billion, \$48.6 billion and \$9.8 billion from *iShares*, retail and institutional clients, respectively. Net subscriptions in long-term products of \$133.9 billion reflected the following:

Net Subscriptions

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- *iShares* net inflows of \$75.5 billion including U.S. and European *iShares* net inflows of \$52.6 billion and \$22.5 billion, respectively. Equity *iShares* net inflows totaled \$59.5 billion across all strategies. Fixed income *iShares* net inflows totaled \$16.3 billion concentrated in local currency strategies and U.S. strategies;
- Multi-asset products net inflows of \$36.6 billion, reflecting strong demand for target-date funds, including *LifePath* portfolios, and continued demand for the flagship Global Allocation and Multi-Asset Income funds;
- Non-ETF index fixed income products net inflows of \$18.9 billion, concentrated in local currency strategies and U.S. targeted duration; and
- Active fixed income net inflows of \$14.3 billion, led by retail fixed income net inflows of \$23.4 billion, reflected strong interest in unconstrained fixed income offerings, including \$11.2 billion of net inflows into the Strategic Income Opportunities fund, partially offset by institutional outflows of \$9.1 billion.

**Table of Contents****Net Redemptions**

Active equity net outflows of \$16.8 billion, including fundamental net outflows of \$13.0 billion and scientific net outflows of \$3.8 billion.

*Cash Management Net Subscriptions.* Cash management net inflows of \$22.1 billion were comprised of net inflows from European institutional clients concentrated in offshore funds and net inflows from Americas institutional clients in government strategies partially offset by net outflows from Americas institutional clients in prime strategies.

*Advisory Net Redemptions.* Advisory net outflows of \$13.7 billion were driven by portfolio liquidations.

**DISCUSSION OF FINANCIAL RESULTS**

The Company's results of operations for the three and nine months ended September 30, 2014 and 2013 are discussed below. For a further description of the Company's revenue and expense, see the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K).

**Revenue**

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Investment advisory, administration fees and securities lending revenue:</b>				
Equity:				
Active	\$ 475	\$ 425	\$ 1,416	\$ 1,290
<i>iShares</i>	708	589	2,019	1,744
Fixed income:				
Active	359	314	1,029	948
<i>iShares</i>	123	113	358	349
Multi-asset	315	262	901	763
Alternatives:				
Core	159	142	479	414
Currency and commodities	23	27	68	82
Subtotal	2,162	1,872	6,270	5,590
Non-ETF Index:				
Equity	168	145	509	446
Fixed income	66	61	195	179
Subtotal Non-ETF Index	234	206	704	625
Long-term	2,396	2,078	6,974	6,215
Cash management	72	75	219	244
Total base fees	2,468	2,153	7,193	6,459
Investment advisory performance fees:				
Equity	8	11	61	45
Fixed income	6	2	19	12
Multi-asset	8	4	21	14
Alternatives	111	79	305	222
Total	133	96	406	293

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<i>BlackRock Solutions</i> and advisory	165	156	465	420
Distribution fees	17	19	54	54
Other revenue	66	48	179	177
Total revenue	\$ 2,849	\$ 2,472	\$ 8,297	\$ 7,403



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The table below lists the asset type mix of investment advisory, administration fees and securities lending revenue (collectively base fees) and mix of average AUM by asset class:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Mix of Base Fees		Mix of Average AUM by Asset Class <sup>(1)</sup>		Mix of Base Fees		Mix of Average AUM by Asset Class <sup>(2)</sup>	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Equity:</b>								
Active	19%	20%	7%	7%	19%	20%	7%	7%
iShares	29%	27%	17%	16%	28%	27%	17%	15%
<b>Fixed income:</b>								
Active	15%	15%	15%	15%	14%	15%	15%	17%
iShares	5%	5%	4%	5%	5%	5%	4%	5%
Multi-asset	13%	12%	8%	8%	13%	12%	8%	7%
<b>Alternatives:</b>								
Core	6%	7%	2%	2%	7%	6%	2%	2%
Currency and commodities	1%	1%	1%	1%	1%	1%	1%	1%
<b>Subtotal</b>	<b>88%</b>	<b>87%</b>	<b>54%</b>	<b>54%</b>	<b>87%</b>	<b>86%</b>	<b>54%</b>	<b>54%</b>
<b>Non-ETF Index:</b>								
Equity	6%	7%	30%	29%	7%	7%	30%	29%
Fixed income	3%	3%	10%	10%	3%	3%	10%	10%
<b>Subtotal Non-ETF Index:</b>	<b>9%</b>	<b>10%</b>	<b>40%</b>	<b>39%</b>	<b>10%</b>	<b>10%</b>	<b>40%</b>	<b>39%</b>
<b>Long-term</b>	<b>97%</b>	<b>97%</b>	<b>94%</b>	<b>93%</b>	<b>97%</b>	<b>96%</b>	<b>94%</b>	<b>93%</b>
Cash management	3%	3%	6%	7%	3%	4%	6%	7%
<b>Total excluding Advisory AUM</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.

(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing ten months.

**Three Months Ended September 30, 2014 Compared with Three Months Ended September 30, 2013**

Revenue increased \$377 million, or 15%, from the third quarter of 2013, driven by continued growth in base fees, performance fees and revenue from *BlackRock Solutions*.

Investment advisory, administration fees and securities lending revenue of \$2,468 million in the current quarter increased \$315 million from \$2,153 million in the third quarter of 2013 due to higher long-term average AUM, reflecting organic growth, market appreciation and the acquisition of MGPA. Securities lending fees of \$115 million in the current quarter increased \$16 million from the third quarter of 2013.

Investment advisory performance fees of \$133 million in the current quarter increased \$37 million from the third quarter of 2013, primarily reflecting higher fees from alternative products.

BlackRock Solutions and advisory revenue in the current quarter totaled \$165 million compared with \$156 million in the third quarter of 2013. The current quarter reflected higher revenue from *Aladdin* mandates. *BlackRock Solutions* and advisory revenue included \$119 million in *Aladdin* business revenue in the current quarter compared with \$112 million in the third quarter of 2013.

Other revenue increased \$18 million to \$66 million from \$48 million in the third quarter of 2013, primarily due to higher earnings from certain strategic investments and higher transition management service fees.

**Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013**

Revenue increased \$894 million, or 12%, from the nine months ended September 30, 2013, reflecting growth in markets, long-term net inflows and strength in performance fees and *BlackRock Solutions* and advisory revenue.

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Investment advisory, administration fees and securities lending revenue of \$7,193 million in the nine months ended September 30, 2014 increased \$734 million from \$6,459 million in the nine months ended September 30, 2013 due to higher long-term average AUM, reflecting organic growth, market appreciation and the acquisition of MGPA. Securities lending fees of \$360 million in the nine months ended September 30, 2014 increased \$13 million from the prior year period.

Investment advisory performance fees were \$406 million in the nine months ended September 30, 2014 compared with \$293 million in the prior year period. The nine months ended September 30, 2014 primarily reflected a large performance fee in the first quarter of 2014 associated with the planned final liquidation of a closed-end mortgage fund and higher fees from alternative and equity products.

BlackRock Solutions and advisory revenue totaled \$465 million in the nine months ended September 30, 2014 compared with \$420 million in the nine months ended September 30, 2013. The current period reflected higher revenue from *Aladdin* mandates and higher revenue from advisory assignments. *BlackRock Solutions* and advisory revenue included \$337 million in *Aladdin* business revenue in the nine months ended September 30, 2014 compared with \$309 million in the prior year period.

**Table of Contents****Expense**

<i>(in millions)</i>	<b>Three Months Ended, September 30, 2013</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>		<b>2014</b>	<b>2013</b>
<b>Expense, GAAP:</b>				
Employee compensation and benefits	\$ 973	\$ 866	\$ 2,903	\$ 2,635
Distribution and servicing costs	90	85	268	266
Amortization of deferred sales commissions	14	14	43	38
Direct fund expense	199	167	565	490
General and administration:				
Marketing and promotional	101	96	299	291
Occupancy and office related	69	67	203	194
Portfolio services	52	51	156	148
Technology	40	39	124	117
Professional services	37	30	93	89
Communications	10	9	30	27
Closed-end fund launch costs	-	-	-	16
Charitable Contribution	-	-	-	124
Other general and administration	67	42	161	124
Total general and administration expense	376	334	1,066	1,130
Amortization of intangible assets	40	40	122	120
<b>Total expense, GAAP</b>	<b>\$ 1,692</b>	<b>\$ 1,506</b>	<b>\$ 4,967</b>	<b>\$ 4,679</b>
<b>Less non-GAAP expense adjustments<sup>(1)</sup>:</b>				
Employee compensation and benefits:				
PNC LTIP funding obligation	7	8	23	25
Compensation expense related to appreciation (depreciation) on deferred compensation plans	-	4	6	8
General and administration:				
Reduction of indemnification asset	50	-	50	-
Charitable Contribution	-	-	-	124
<b>Total non-GAAP expense adjustments</b>	<b>57</b>	<b>12</b>	<b>79</b>	<b>157</b>
<b>Expense, as adjusted:</b>				
Employee compensation and benefits	\$ 966	854	\$ 2,874	2,602
Distribution and servicing costs	90	85	268	266
Amortization of deferred sales commissions	14	14	43	38
Direct fund expense	199	167	565	490
General and administration	326	334	1,016	1,006
Amortization of intangible assets	40	40	122	120
<b>Total expense, as adjusted</b>	<b>\$ 1,635</b>	<b>\$ 1,494</b>	<b>\$ 4,888</b>	<b>\$ 4,522</b>

<sup>(1)</sup> See *Non-GAAP Financial Measures* for further information on as adjusted items.

**Three Months Ended September 30, 2014 Compared with Three Months Ended September 30, 2013**

**GAAP.** Expense increased \$186 million, or 12%, from the third quarter of 2013, primarily reflecting higher revenue-related expense, including compensation and direct fund expense. In addition, the three months ended September 30, 2014 included a \$50 million reduction of an

indemnification asset.

Employee compensation and benefits expense increased \$107 million, or 12%, to \$973 million in the current quarter from \$866 million in the third quarter of 2013, reflecting higher headcount and higher incentive compensation driven by higher operating income. Employees at September 30, 2014 totaled approximately 12,100 compared with approximately 11,200 at September 30, 2013.

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Distribution and servicing costs totaled \$90 million in the current quarter compared with \$85 million in the third quarter of 2013. These costs included payments to Bank of America/Merrill Lynch under a global distribution agreement and payments to PNC, as well as other third parties, primarily associated with the distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs included \$45 million in both the third quarters of 2014 and 2013, respectively, attributable to Bank of America/Merrill Lynch.

Direct fund expense increased \$32 million from the third quarter of 2013, reflecting higher average AUM, primarily related to *iShares*, where BlackRock pays certain nonadvisory expense of the funds.

General and administration expense increased \$42 million from the third quarter of 2013, reflecting the previously mentioned \$50 million reduction of an indemnification asset, higher professional services, marketing and promotional, and other general and administration expense, partially offset by foreign currency exchange movements.

*As Adjusted.* Expense increased \$141 million, or 9%, to \$1,635 million in the current quarter from \$1,494 million in the third quarter of 2013. The increase in total expense is primarily attributable to higher employee compensation and benefits expense and direct fund expense. Amounts related to the reduction of the indemnification asset have been excluded from as adjusted results.

### **Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013**

*GAAP.* Expense increased \$288 million, or 6%, from the nine months ended September 30, 2013, primarily reflecting higher revenue-related expense, including compensation and direct fund expense. The nine months ended September 2014 included the previously mentioned \$50 million reduction of an indemnification asset. The nine months ended September 30, 2013 included the \$124 million related to the Charitable Contribution.

Employee compensation and benefits expense increased \$268 million, or 10%, to \$2,903 million in the nine months ended September 30, 2014 from \$2,635 million in the prior year period, reflecting higher headcount and higher incentive compensation driven by higher operating income.

Direct fund expense increased \$75 million from the nine months ended September 30, 2013, reflecting higher average AUM, primarily related to *iShares*, where BlackRock pays certain nonadvisory expense of the funds.

General and administration expense decreased \$64 million from the nine months ended September 30, 2013, primarily due to the \$124 million related to the Charitable Contribution and the impact of closed-end fund launch costs of \$16 million (excluding \$2 million included in employee compensation and benefits expense) incurred in the second quarter of 2013, and foreign currency exchange movements. The decrease was partially offset by the \$50 million reduction of an indemnification asset.

*As Adjusted.* Expense increased \$366 million, or 8%, to \$4,888 million in the nine months ended September 30, 2014 from \$4,522 million in the prior year period. The increase in total expense is primarily attributable to higher employee compensation and benefits, and direct fund expense. Amounts related to the reduction of the indemnification asset and amounts related to the Charitable Contribution have been excluded from as adjusted results.

**Table of Contents****NONOPERATING RESULTS**

Nonoperating income (expense), less net income (loss) attributable to NCI for the three and nine months ended September 30, 2014 and 2013 was as follows:

<i>(in millions)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Nonoperating income (expense), GAAP basis	(\$52)	(\$18)	(\$19)	\$92
Less: Net income (loss) attributable to NCI <sup>(1)</sup>	(44)	(1)	(23)	10
Nonoperating income (expense) <sup>(2)</sup>	(8)	(17)	4	82
Gain related to the Charitable Contribution	-	-	-	(80)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	-	(4)	(6)	(8)
Nonoperating income (expense), as adjusted <sup>(2)</sup>	(\$8)	(\$21)	(\$2)	(\$6)

<sup>(1)</sup> Amounts included losses of \$47 million and \$6 million attributable to consolidated variable interest entities ( VIEs ) for the quarters ended September 30, 2014 and 2013, respectively. Amounts included losses of \$35 million and losses of \$2 million attributable to consolidated VIEs for the nine months ended September 30, 2014 and 2013, respectively.

<sup>(2)</sup> Net of net income (loss) attributable to NCI.

The components of nonoperating income (expense), less net income (loss) attributable to NCI, for the three and nine months ended September 30, 2014 and 2013 were as follows:

<i>(in millions)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net gain (loss) on investments <sup>(1)</sup>				
Private equity	\$10	\$12	\$66	\$35
Real estate	3	7	13	17
Distressed credit/mortgage funds/opportunistic funds	17	5	33	28
Hedge funds/funds of hedge funds	8	(3)	27	5
Other investments <sup>(2)</sup>	5	2	10	11
Subtotal	43	23	149	96
Gain related to PennyMac IPO	-	-	-	39
Gain related to the Charitable Contribution	-	-	-	80
Net gain related to deferred compensation plan investments	-	4	6	8
Total net gain (loss) on investments	43	27	155	223
Interest and dividend income	10	8	23	18
Interest expense	(61)	(52)	(174)	(159)
Net interest expense	(51)	(44)	(151)	(141)
Total nonoperating income (expense) <sup>(1)</sup>	(8)	(17)	4	82
Gain related to the Charitable Contribution	-	-	-	(80)
	-	(4)	(6)	(8)

Compensation expense related to (appreciation) depreciation on deferred compensation plans

Nonoperating income (expense), as adjusted <sup>(1)</sup>	(\$8)	(\$21)	(\$2)	(\$6)
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<sup>(1)</sup> Net of net income (loss) attributable to NCI.

<sup>(2)</sup> Amounts included net gains (losses) related to equity and fixed income investments, and BlackRock's seed capital hedging program.

**Three Months Ended September 30, 2014 Compared with Three Months Ended September 30, 2013**

Net gains on investments of \$43 million in the current quarter increased \$16 million from the third quarter of 2013, reflecting higher net positive marks, primarily on distressed credit/mortgage funds and hedge funds/funds of hedge funds.



**Table of Contents****Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013**

Net gains on investments of \$155 million in the nine months ended September 30, 2014 decreased \$68 million from the prior year period. The nine months ended September 30, 2013 included the noncash, nonoperating pre-tax gain of \$80 million related to the Charitable Contribution and the \$39 million pre-tax gain related to the PennyMac IPO, partially offset by the positive impact of the monetization of a non-strategic, opportunistic private equity investment included in the nine months ended September 30, 2014.

**Income Tax Expense**

<i>(in millions)</i>	GAAP				As Adjusted			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
Income before income taxes <sup>(1)</sup>	\$ 1,149	\$ 949	\$ 3,334	\$ 2,806	\$ 1,206	\$ 957	\$ 3,407	\$ 2,875
Income tax expense	\$ 232	\$ 219	\$ 853	\$ 715	\$ 316	\$ 285	\$ 918	\$ 844
Effective tax rate	20.2%	23.1%	25.6%	25.5%	26.2%	29.9%	26.9%	29.4%

<sup>(1)</sup> Net of net income (loss) attributable to NCI.

The third quarter 2014 GAAP effective tax rate included a \$32 million noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill as a result of domestic state and local tax changes, which has been excluded from the as adjusted results.

In addition, the third quarter 2014 GAAP effective tax rate included a \$94 million tax benefit, primarily due to the resolution of certain outstanding tax matters related to the acquisition of BGI. In connection with the acquisition, BlackRock recorded a \$50 million indemnification asset for unrecognized tax benefits. Due to the resolution of such tax matters in the current quarter, BlackRock recorded \$50 million of general and administration expense to reflect the reduction of the indemnification asset and an offsetting \$50 million tax benefit. The \$50 million general and administrative expense and \$50 million tax benefit have been excluded from as adjusted results as there is no impact on BlackRock's book value.

The nine months ended September 30, 2014 GAAP effective tax rate included a \$23 million net noncash expense, primarily associated with the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill arising from the state and local tax effect of changes in the Company's organizational structure, which has been excluded from as adjusted results. The nine months ended September 30, 2014 also benefited from an improvement in the geographic mix of earnings and included a \$34 million net tax benefit related to several favorable nonrecurring items.

The three and nine months ended September 30, 2013 included a \$64 million net noncash benefit primarily related to the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill, including legislation enacted in the United Kingdom and domestic state and local income tax changes. In addition, the nine months ended September 30, 2013 included a tax benefit of approximately \$57 million recognized in connection with the Charitable Contribution and a tax benefit of approximately \$29 million, primarily due to the realization of tax loss carryforwards. The \$64 million net noncash benefit and the \$57 million tax benefit were excluded from as adjusted results.

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### **BALANCE SHEET OVERVIEW**

#### **As Adjusted Balance Sheet**

The following table presents a reconciliation of the condensed consolidated statement of financial condition presented on a GAAP basis to the condensed consolidated statement of financial condition, excluding the impact of separate account assets and separate account collateral held under securities lending agreements (directly related to lending separate account securities) and separate account liabilities and separate account collateral liabilities under securities lending agreements, consolidated VIEs and consolidated sponsored investment funds.

The Company presents the as adjusted balance sheet as additional information to enable investors to exclude certain assets that have equal and offsetting liabilities or noncontrolling interests that ultimately do not have an impact on stockholders' equity (excluding appropriated retained earnings related to consolidated collateralized loan obligations (CLOs)) or cash flows. Management views the as adjusted balance sheet, a non-GAAP financial measure, as an economic presentation of the Company's total assets and liabilities; however, it does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

#### *Separate Account Assets and Liabilities and Separate Account Collateral Held under Securities Lending Agreements*

Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The Company records equal and offsetting separate account liabilities. The separate account assets are not available to creditors of the Company and the holders of the pension contracts have no recourse to the Company's assets. The net investment income attributable to separate account assets accrues directly to the contract owners and is not reported on the condensed consolidated statements of income. While BlackRock has no economic interest in these assets or liabilities, BlackRock earns an investment advisory fee for the service of managing these assets on behalf of the clients.

In addition, the Company records on its condensed consolidated statements of financial condition the separate account collateral received under securities lending arrangements as its own asset in addition to an equal and offsetting separate account collateral liability for the obligation to return the collateral.

#### *Consolidated VIEs*

At September 30, 2014, BlackRock's consolidated VIEs included multiple CLOs and one private investment fund. The assets of these VIEs are not available to creditors of the Company and the Company has no obligation to settle the liabilities of the VIEs. While BlackRock has no material economic interest in these assets or liabilities, BlackRock earns an investment advisory fee, as well as a potential performance fee, for the service of managing these assets on behalf of clients.

**Table of Contents***Consolidated Sponsored Investment Funds*

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such funds. The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in the Company's operations.

<i>(in millions)</i>	<b>September 30, 2014</b>				
	<b>GAAP Basis</b>	<b>Separate Account Assets/ Collateral</b>	<b>Consolidated VIEs</b>	<b>Consolidated Sponsored Investment Funds</b>	<b>As Adjusted</b>
<b>Segregated client assets generating advisory fees in which BlackRock has no economic interest or liability</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 6,149	\$ -	\$ -	\$ 127	\$ 6,022
Accounts receivable	2,631	-	-	-	2,631
Investments	1,951	-	-	30	1,921
Assets of consolidated VIEs	3,058	-	3,058	-	-
Separate account assets and separate account collateral held under securities lending agreements	177,445	177,445	-	-	-
Other assets <sup>(1)</sup>	1,234	-	-	17	1,217
Subtotal	192,468	177,445	3,058	174	11,791
Goodwill and intangible assets, net	30,344	-	-	-	30,344
<b>Total assets</b>	<b>\$ 222,812</b>	<b>\$ 177,445</b>	<b>\$ 3,058</b>	<b>\$ 174</b>	<b>\$ 42,135</b>
<b>Liabilities</b>					
Accrued compensation and benefits	\$ 1,487	\$ -	\$ -	\$ -	\$ 1,487
Accounts payable and accrued liabilities	1,576	-	-	-	1,576
Liabilities of consolidated VIEs	3,056	-	3,056	-	-
Borrowings	5,937	-	-	-	5,937
Separate account liabilities and separate account collateral liabilities under securities lending agreements	177,445	177,445	-	-	-
Deferred income tax liabilities	5,056	-	-	-	5,056
Other liabilities	971	-	-	11	960
<b>Total liabilities</b>	<b>195,528</b>	<b>177,445</b>	<b>3,056</b>	<b>11</b>	<b>15,016</b>
<b>Equity</b>					
Total stockholders' equity <sup>(2)</sup>	27,106	-	(13)	-	27,119
Noncontrolling interests	178	-	15	163	-
<b>Total equity</b>	<b>27,284</b>	<b>-</b>	<b>2</b>	<b>163</b>	<b>27,119</b>
<b>Total liabilities and equity</b>	<b>\$ 222,812</b>	<b>\$ 177,445</b>	<b>\$ 3,058</b>	<b>\$ 174</b>	<b>\$ 42,135</b>

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(1) Amounts include property and equipment and other assets.

(2) GAAP amount includes (\$13) million of appropriated retained earnings related solely to consolidated CLOs in which the Company has no equity exposure.

The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of September 30, 2014 and December 31, 2013 contained in Part I, Item 1 of this filing. The discussion does not include changes related to assets and liabilities that are equal and offsetting and have no impact on BlackRock's stockholders' equity.

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**Assets.** Cash and cash equivalents at September 30, 2014 and December 31, 2013 included \$127 million and \$114 million, respectively, of cash held by consolidated sponsored investment funds (see *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during the nine months ended September 30, 2014).

Accounts receivable at September 30, 2014 increased \$384 million from December 31, 2013 due to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within accounts payable and accrued liabilities). Investments decreased \$200 million from December 31, 2013 (for more information see *Investments* herein). Goodwill and intangible assets decreased \$137 million from December 31, 2013, primarily due to \$122 million of amortization of intangible assets. Other assets (including property and equipment) increased \$17 million from December 31, 2013, primarily related to an increase in current taxes receivable and higher earnings from certain strategic investments, partially offset by a decrease in property and equipment due to depreciation and the reduction of an indemnification asset.

**Liabilities.** Accrued compensation and benefits at September 30, 2014 decreased \$260 million from December 31, 2013, primarily due to 2013 incentive compensation cash payments in the first quarter of 2014, partially offset by the effect of 2014 incentive compensation accruals. Accounts payable and accrued liabilities at September 30, 2014 increased \$492 million from December 31, 2013 due to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within accounts receivable) and increased accruals, including direct fund expense, partially offset by a decrease in current income taxes payable. Borrowings increased \$998 million from December 31, 2013 resulting from net proceeds from the \$1.0 billion issuance of long-term borrowings in March 2014.

Net deferred income tax liabilities at September 30, 2014 decreased \$29 million, primarily due to the effects of temporary differences associated with stock compensation and investment income. The change also reflected the revaluation of certain deferred income tax liabilities. Other liabilities decreased \$33 million from December 31, 2013, primarily resulting from a decrease in deferred carried interest and uncertain tax positions, partially offset by an increase in other operating liabilities.

**Investments**

Investments totaled \$1,951 million at September 30, 2014 and \$2,151 million at December 31, 2013. Investments include consolidated investments held by sponsored investment funds deemed to be controlled by BlackRock. Management reviews BlackRock's investments on an economic basis, which eliminates the portion of investments that does not impact BlackRock's book value or net income attributable to BlackRock. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

The Company presents total investments, as adjusted, to enable investors to understand the portion of its investments that is owned by the Company, net of NCI, as a gauge to measure the impact of changes in net nonoperating gain (loss) on investments to net income (loss) attributable to BlackRock.

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The Company further presents net economic investment exposure, net of deferred compensation investments and hedged investments, to reflect another gauge for investors as the economic impact of investments held pursuant to deferred compensation arrangements is substantially offset by a change in compensation expense and the impact of hedged investments is substantially mitigated by swap hedges. Carried interest capital allocations are excluded as there is no impact to BlackRock's stockholders' equity until such amounts are realized as performance fees. Finally, the Company's regulatory investment in Federal Reserve Bank stock, which is not subject to market or interest rate risk, is excluded from the Company's net economic investment exposure.

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Total investments, GAAP	\$ 1,951	\$ 2,151
Investments held by consolidated sponsored investment funds <sup>(1)</sup>	(684)	(826)
Net exposure to consolidated investment funds	654	732
Total investments, as adjusted	<b>1,921</b>	<b>2,057</b>
Federal Reserve Bank stock	(91)	(90)
Carried interest	(126)	(103)
Deferred compensation investments	(84)	(97)
Hedged investments	(254)	(184)
Total economic investment exposure	<b>\$ 1,366</b>	<b>\$ 1,583</b>

<sup>(1)</sup> At September 30, 2014 and December 31, 2013, approximately \$684 million and \$826 million, respectively, of BlackRock's total GAAP investments were held in sponsored investment funds that were deemed to be controlled by BlackRock in accordance with GAAP, and, therefore, were consolidated even though BlackRock may not economically own a majority of such funds.

The following table represents the carrying value of the Company's economic investment exposure, by asset type, at September 30, 2014 and December 31, 2013:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Private equity	\$ 323	\$ 328
Real estate	121	125
Distressed credit/mortgage funds/opportunistic funds	66	148
Hedge funds/funds of hedge funds	266	348
Other investments <sup>(1)</sup>	590	634
Total economic investment exposure	<b>\$ 1,366</b>	<b>\$ 1,583</b>

<sup>(1)</sup> Other investments primarily include seed investments in fixed income and equity funds/strategies as well as U.K. government securities held for regulatory purposes.

As adjusted investment activity for the nine months ended September 30, 2014 was as follows:

<i>(in millions)</i>	
<b>Investments, as adjusted, December 31, 2013</b>	<b>\$ 2,057</b>
Purchases/capital contributions	581

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Sales/maturities	(680)
Distributions	(203)
Market valuations/earnings from equity method investments	143
Carried interest capital allocations	23
<b>Investments, as adjusted, September 30, 2014</b>	<b>\$ 1,921</b>

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The following table represents investments, as adjusted at September 30, 2014:

<i>(in millions)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Investments Not Held at Fair Value <sup>(1)</sup>	Investments at September 30, 2014
Total investments, as adjusted <sup>(2)</sup>	\$ 657	\$ 476	\$ 489	\$ 299	\$ 1,921

<sup>(1)</sup> Amount includes investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds, which are not accounted for under a fair value measure. Certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures, therefore, the Company's investment in such equity method investees may not represent fair value.

<sup>(2)</sup> Amounts include cash and cash equivalents, other assets and liabilities that are consolidated from non-VIE sponsored investment funds. See Note 5, *Fair Value Disclosures*, to the condensed consolidated financial statements contained in Part I, Item 1 of this filing, for total GAAP investments.

**LIQUIDITY AND CAPITAL RESOURCES****BlackRock Cash Flows Excluding the Impact of Consolidated Sponsored Investment Funds and VIEs**

BlackRock consolidates certain of its sponsored investment funds and CLOs, notwithstanding the fact BlackRock may only have a minority interest, if any, in these funds or CLOs. As a result, the condensed consolidated statements of cash flows include the cash flows of consolidated sponsored investment funds and CLOs. The Company uses an adjusted cash flow statement, which excludes the impact of consolidated sponsored investment funds and CLOs, as a supplemental non-GAAP measure to assess liquidity and capital requirements. The Company believes that its cash flows, excluding the impact of the consolidated sponsored investment funds and CLOs, provide investors with useful information on the cash flows of BlackRock relating to its ability to fund additional operating, investing and financing activities. BlackRock's management does not advocate that investors consider such non-GAAP measures in isolation from, or as a substitute for, its cash flows presented in accordance with GAAP.

The following table presents a reconciliation of the condensed consolidated statements of cash flows presented on a GAAP basis to the condensed consolidated statements of cash flows, excluding the impact of the cash flows of consolidated sponsored investment funds and consolidated VIEs:

<i>(in millions)</i>	GAAP Basis	Impact on Cash Flows of Consolidated Sponsored Investment Funds	Impact on Cash Flows of Consolidated VIEs	Cash Flows Excluding Impact of Consolidated Sponsored Investment Funds and VIEs
<b>Cash and cash equivalents, December 31, 2013</b>	\$ 4,390	\$ 114	\$ -	\$ 4,276
Cash flows from operating activities	1,810	(129)	(530)	2,469
Cash flows from investing activities	257	(74)	-	331
Cash flows from financing activities	(263)	216	530	(1,009)
Effect of exchange rate changes on cash and cash equivalents	(45)	-	-	(45)
Net change in cash and cash equivalents	1,759	13	-	1,746
<b>Cash and cash equivalents, September 30, 2014</b>	\$ 6,149	\$ 127	\$ -	\$ 6,022



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Sources of BlackRock's operating cash primarily include investment advisory, administration fees and securities lending revenue, performance fees, revenue from *BlackRock Solutions* and advisory products and services, other revenue and distribution fees. BlackRock uses its cash to pay all operating expense, interest and principal on the Company's borrowings, income taxes, dividends on BlackRock's capital stock, repurchases of the Company's stock, capital expenditures and purchases of co-investments and seed investments.

Cash flows from operating activities, excluding the impact of consolidated sponsored investment funds and VIEs, primarily include the receipt of investment advisory and administration fees, securities lending revenue and other revenue offset by the payment of operating expense incurred in the normal course of business, including year-end incentive compensation accrued for in the prior year.

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Cash inflows from investing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the nine months ended September 30, 2014 were \$331 million and primarily reflected \$572 million of net proceeds from sales and maturities of certain investments and \$130 million of distributions of capital from equity method investees, partially offset by \$331 million of investment purchases.

Cash outflows from financing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the nine months ended September 30, 2014 were \$1.0 billion, primarily resulting from cash outflows related to \$1,088 million of share repurchases, including \$750 million in open market transactions and \$338 million of employee tax withholdings related to employee stock transactions and \$1.0 billion of cash dividend payments. Cash outflows from financing activities were partially offset by \$1.0 billion of proceeds from issuance of long-term borrowings and \$93 million of excess tax benefits from vested stock-based compensation awards.

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at September 30, 2014 and December 31, 2013 were as follows:

<i>(in millions)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	\$ 6,149	\$ 4,390
Cash and cash equivalents held by consolidated sponsored investment funds <sup>(1)</sup>	(127)	(114)
<b>Subtotal</b>	<b>6,022</b>	<b>4,276</b>
Credit facility undrawn	3,990	3,990
<b>Total liquidity</b>	<b>\$ 10,012</b>	<b>\$ 8,266</b>

<sup>(1)</sup> The Company may not be able to access such cash to use in its operating activities.

Total liquidity increased \$1,746 million during the nine months ended September 30, 2014, primarily reflecting proceeds from long-term debt issuances in March 2014 and cash from operations, partially offset by cash payments of 2013 year-end incentive awards and share repurchases of \$1,088 million.

A significant portion of the Company's \$1,921 million of total investments, as adjusted, is illiquid in nature and, as such, may not be readily convertible to cash.

**Share Repurchase Approvals.** In January 2013, the Board of Directors approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock. The Company repurchased 2.4 million common shares in open market-transactions under the share repurchase program for \$750 million during the nine months ended September 30, 2014. At September 30, 2014, there were 4.1 million shares still authorized to be repurchased.

**Net Capital Requirements.** The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers.

BlackRock Institutional Trust Company, N.A. (BTC) is chartered as a national bank that does not accept client deposits and whose powers are limited to trust activities. BTC provides investment management services, including investment advisory and securities lending agency services, to institutional investors and other clients. BTC is subject to regulatory capital and liquid asset requirements administered by the Office of the Comptroller of the Currency.

At September 30, 2014, the Company was required to maintain approximately \$1.0 billion compared with \$1.1 billion at December 31, 2013 in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom and the Company's broker-dealers. At such date, the Company was in compliance with all applicable

regulatory net capital requirements.

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### Short-Term Borrowings

**2014 Revolving Credit Facility.** In March 2014, the Company's credit facility was amended to extend the maturity date by one year to March 2019. The amount of the aggregate commitment is \$3.990 billion (the 2014 credit facility). The 2014 credit facility permits the Company to request up to an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2014 credit facility to an aggregate principal amount not to exceed \$4.990 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2014 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at September 30, 2014. The 2014 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At September 30, 2014, the Company had no amount outstanding under the 2014 credit facility.

**Commercial Paper Program.** In April 2013, BlackRock increased the maximum aggregate amount for which the Company could issue unsecured commercial paper notes (the CP Notes) on a private-placement basis up to a maximum aggregate amount outstanding at any time of \$3.990 billion. The commercial paper program is currently supported by the 2014 credit facility. At September 30, 2014 and December 31, 2013, BlackRock had no CP Notes outstanding.

### Long-Term Borrowings

**2024 Notes.** In March 2014, the Company issued \$1.0 billion in aggregate principal amount of 3.50% senior unsecured and unsubordinated notes maturing on March 18, 2024 (the 2024 Notes). The net proceeds of the 2024 Notes are intended to be used for general corporate purposes, including refinancing of certain indebtedness which matures in the fourth quarter of 2014. Interest is payable semi-annually in arrears on March 18 and September 18 of each year, or approximately \$35 million per year. The 2024 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole redemption price. The make-whole redemption price represents a price, subject to the specific terms of the 2024 Notes and related indenture, that is the greater of (a) the principal amount of the notes to be redeemed and (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis at the Treasury Rate plus 15 basis points, plus in each case accrued and unpaid interest thereon to the date of redemption. The 2024 Notes were issued at a discount of \$3 million that is being amortized over the term of the notes. The Company incurred approximately \$6 million of debt issuance costs, which are being amortized over the term of the 2024 Notes.

At September 30, 2014, the principal amount of long-term borrowings outstanding was \$5.950 billion. See Note 12, *Borrowings*, in the 2013 Form 10-K for more information on borrowings outstanding as of December 31, 2013. During the nine months ended September 30, 2014, the Company paid approximately \$138 million of interest on long-term borrowings. Future principal repayments and interest requirements at September 30, 2014 were as follows:

(in millions)

Year	Principal	Interest	Total Payments
Remainder of 2014	\$1,000	\$ 76	\$1,076
2015	750	191	941
2016	-	186	186
2017	700	186	886
2018	-	142	142
2019	1,000	142	1,142
Thereafter	2,500	269	2,769
Total	\$5,950	\$1,192	\$7,142

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*Investment Commitments.* At September 30, 2014, the Company had \$210 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds, infrastructure funds, opportunistic funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. In addition to the capital commitments of \$210 million, the Company had approximately \$35 million of contingent commitments for certain funds which have investment periods that have expired. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

*Carried Interest Clawback.* As a general partner in certain investment funds, including private equity partnerships and certain hedge funds, the Company may receive carried interest cash distributions from the partnerships in accordance with distribution provisions of the partnership agreements. The Company may, from time to time, be required to return all or a portion of such distributions to the limited partners in the event the limited partners do not achieve a return as specified in the various partnership agreements. Therefore, BlackRock records carried interest subject to such clawback provisions in investments, or cash to the extent that it is distributed, and as a deferred carried interest liability on its condensed consolidated statements of financial condition. Carried interest is realized and recorded as performance fees on BlackRock's condensed consolidated statements of income upon the earlier of the termination of the investment fund or when the likelihood of clawback is considered mathematically improbable.

*Contingent Payments Related to Business Acquisitions.* In connection with the Credit Suisse ETF Transaction, BlackRock is required to make contingent payments annually to Credit Suisse, subject to achieving specified thresholds during a seven-year period, subsequent to the 2013 acquisition date. In addition, BlackRock is required to make contingent payments related to the MGPA Transaction during a five-year period, subject to achieving specified thresholds, subsequent to the 2013 acquisition date. The fair value of the remaining contingent payments at September 30, 2014 is not significant to the condensed consolidated statement of financial condition and is included in other liabilities.

*Indemnifications.* On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has issued certain indemnifications to certain securities lending clients against potential losses resulting from a borrower's failure to fulfill its obligations should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligations under the securities lending agreement. At September 30, 2014, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$128.1 billion. The Company held, as agent, cash and securities totaling \$135.4 billion as collateral for indemnified securities on loan at September 30, 2014. The fair value of these indemnifications was not material at September 30, 2014.

While the collateral pledged by a borrower is intended to be sufficient to offset the borrower's obligations to return securities borrowed and any other amounts owing to the lender under the relevant securities lending agreement, in the event of a borrower default, the Company can give no assurance that the collateral pledged by the borrower will be sufficient to fulfill such obligations. If the amount of such pledged collateral is not sufficient to fulfill such obligations to a client for whom the Company has provided indemnification, BlackRock would be responsible for the amount of the shortfall. These indemnifications cover only the collateral shortfall described above, and do not in any way guarantee, assume or otherwise insure the investment performance or return of any cash collateral vehicle into which securities lending cash collateral is invested.

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### **Critical Accounting Policies**

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the condensed consolidated financial statements. For a summary of these and additional accounting policies see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements contained in Part I, Item 1 of this filing and *Critical Accounting Policies* in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, *Significant Accounting Policies*, in the 2013 Form 10-K for further information.

**Consolidation of Variable Interest Entities.** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations ( CDOs ) or CLOs and sponsored investment funds, which may be considered VIEs in accordance with GAAP. At September 30, 2014, the Company's consolidated VIEs consisted of the following:

**CLOs.** At September 30, 2014, BlackRock was the manager of over 20 CLOs/CDOs and other securitization entities. BlackRock was determined to be the primary beneficiary ( PB ) for certain of these CLOs, which required BlackRock to consolidate these VIEs. BlackRock was deemed to be the PB because it has the power to direct the activities of the CLOs that most significantly impact the entities' economic performance and has the right to receive benefits that potentially could be significant to the VIE. At September 30, 2014, the Company had \$3,043 million and \$3,056 million in assets and liabilities, respectively, on its condensed consolidated statement of financial condition related to these consolidated CLOs. The Company recorded appropriated retained earnings for the difference between the assets and liabilities of the CLOs recorded on the condensed consolidated statement of financial condition as the CLO noteholders ultimately will receive the benefits or absorb the losses associated with the CLOs' assets and liabilities. Changes in the fair value of the assets and liabilities of these CLOs have no impact on net income attributable to BlackRock or its cash flows. Excluding outstanding management fee receivables, the Company has no risk of loss related to its involvement with these VIEs.

**Sponsored Private Equity Funds of Funds.** At September 30, 2014, BlackRock was determined to be the PB of one investment fund of funds and was deemed to absorb the majority of the variability due to its de facto third-party relationships with other partners in the fund, which limited the ability of the partners to transfer or sell their interests without BlackRock's consent as the general partner of the fund. At September 30, 2014, the Company had recorded \$2 million, \$13 million and \$15 million in cash and cash equivalents, investments and nonredeemable noncontrolling interests related to the consolidated VIE, respectively, on its condensed consolidated statement of financial condition related to this VIE. Changes in the fair value of the assets and liabilities of this VIE recorded on the condensed consolidated statement of financial condition have no impact on net income attributable to BlackRock or its cash flows. Excluding outstanding management fee receivables, the Company has no risk of loss related to its involvement with this VIE.

**Fair Value Measurements.** The provisions of *Fair Value Measurements and Disclosures* ( ASC 820-10 ) establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 3 inputs include the most currently available information, including capital account balances for its partnership interests in various alternative investments, which may be adjusted by using the returns of certain market indices. Certain investments that are valued using net asset values and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3. BlackRock's \$551 million of Level 3 investments, or 28% of total GAAP investments at September 30, 2014, primarily included co-investments in private equity funds of funds and private equity funds, funds of hedge funds as well as alternative hedge funds that invest in distressed credit, opportunistic funds and mortgage securities and real estate equity products. Many of these investees are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund, which could include BlackRock employees. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals from third-party sources. However, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations to value these investments.

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The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. See Note 2, *Significant Accounting Policies*, in the Company's condensed consolidated financial statements contained in Part I, Item 1 of this filing for further information regarding fair value measurements.

**Goodwill and Intangible Assets.** The value of advisory contracts acquired in business acquisitions to manage AUM in proprietary open-end investment funds as well as collective trust funds without a specified termination date are classified as indefinite-lived intangible assets. The assignment of indefinite lives to such investment fund contracts is based upon the assumption there is no foreseeable limit on the contract period to manage these funds due to the likelihood of continued renewal at little or no cost. In addition, trade names/trademarks are considered indefinite-lived intangibles as they are expected to generate cash flows indefinitely. Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. In accordance with the applicable provisions of ASC 350, *Intangibles - Goodwill and Other* (ASC 350), indefinite-lived intangible assets and goodwill are not amortized. Finite-lived management contracts, which relate to acquired separate accounts and funds with a specified termination date, are amortized over their remaining useful lives. The Company performed its annual impairment assessment review for goodwill and indefinite and finite-lived intangible assets on BlackRock's annual impairment test date of July 31st.

**Goodwill.** BlackRock assessed its goodwill for impairment on July 31, 2014 and considered such factors as the book value and the market capitalization of the Company. The impairment assessment indicated no impairment charge was required. The Company continues to monitor its book value per share compared with closing prices of its common stock for potential indicators of impairment. At September 30, 2014, the Company's common stock closed at \$328.32, which exceeded its book value, after excluding appropriated retained earnings, of approximately \$161.80 per share.

**Indefinite-lived and finite-lived intangibles.** BlackRock assessed its indefinite-lived management contracts and trade names for impairment on July 31, 2014. In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than its carrying value, BlackRock performed certain quantitative assessments and assessed various significant qualitative factors including AUM, revenue basis points, projected AUM growth rates, operating margins, tax rates and discount rates. In addition, the Company considered other factors including: (i) macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics, a change in the market for an entity's services, or regulatory, legal or political developments; and (iii) entity-specific events, such as a change in management or key personnel, overall financial performance and litigation that could affect significant inputs.

As of July 31, 2014, the Company determined that the impairment assessment performed indicated no impairment charges were required and the classification was still appropriate.

In addition, for finite-lived intangibles, management determined that no indicators existed which would result in an impairment charge or a change in the remaining useful life of its finite-lived intangible assets.

**Performance Fees / Carried Interest.** The Company receives investment advisory performance fees or incentive allocations from certain actively managed investment funds and certain separately managed accounts. These performance fees are earned upon exceeding specified relative or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period, which varies by product or account, and could be monthly, quarterly, annually or longer.

In addition, the Company receives carried interest from certain alternative investment products upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these funds. Therefore, BlackRock records carried interest subject to such clawback provisions in investments or cash, to the extent that it is distributed, on its condensed consolidated statements of financial condition. Carried interest is recorded as performance fee revenue upon the earlier of the termination of the investment fund or when the likelihood of clawback is considered mathematically improbable.

The Company records a deferred carried interest liability to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At September 30, 2014 and December 31, 2013, the Company had \$100 million and \$108 million, respectively, of deferred carried interest recorded in other liabilities on the condensed consolidated statements of financial condition. The ultimate recognition of performance fee revenue, if any, for these products is unknown.

For the nine months ended September 30, 2014 and 2013, performance fee revenue totaled \$406 million and \$293 million, respectively.





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**Table of Contents****Accounting Developments**

For accounting pronouncements that the Company adopted during the nine months ended September 30, 2014 and for recent accounting pronouncements not yet adopted, see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements contained in Part I, Item 1 of this filing.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**AUM Market Price Risk.** BlackRock's investment advisory and administration fees are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At September 30, 2014, the majority of the Company's investment advisory and administration fees were based on average or period end AUM of the applicable investment funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates or all three could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

**Corporate Investments Portfolio Risks.** As a leading investment management firm, BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analyzing market and operating risks, including the management and oversight of its own investment portfolio. The Board of Directors of the Company has adopted guidelines for the review of investments to be made by the Company, requiring, among other things, that investments be reviewed by certain senior officers of the Company, and that certain investments may be referred to the Audit Committee or the Board of Directors, depending on the circumstances, for approval.

In the normal course of its business, BlackRock is exposed to equity market price risk, interest rate/credit spread risk and foreign exchange rate risk associated with its corporate investments.

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes, including real estate, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record, to hedge exposure to certain deferred compensation plans or for regulatory purposes. Currently, the Company has a seed capital hedging program in which it enters into swaps to hedge market and interest rate exposure to certain investments. At September 30, 2014, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately \$176 million and \$79 million, respectively.

At September 30, 2014, approximately \$684 million of BlackRock's total investments were maintained in sponsored investment funds deemed to be controlled by BlackRock in accordance with GAAP and, therefore, are consolidated even though BlackRock may not own a majority of such funds. Excluding the impact of the Federal Reserve Bank stock, carried interest, investments made to hedge exposure to certain deferred compensation plans and certain investments that are hedged via the seed capital hedging program, the Company's economic exposure to its investment portfolio is \$1,366 million. See *Balance Sheet Overview-Investments* in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company's investments.

**Equity Market Price Risk.** At September 30, 2014, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$948 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real estate investments, hedge funds and funds of funds as well as mutual funds. The Company estimates that a hypothetical 10% adverse change in market prices would result in a decrease of approximately \$94.8 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk.** At September 30, 2014, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$418 million of investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis

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point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately \$2.6 million in the carrying value of such investments.

**Foreign Exchange Rate Risk.** As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the pound sterling and euro, was \$169 million at September 30, 2014. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$16.9 million decline in the carrying value of such investments.

**Other Market Risks.** The Company executes forward foreign currency exchange contracts to mitigate the risk of foreign exchange risk movements. At September 30, 2014, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$180 million.

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**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures.*** Under the direction of BlackRock's Chief Executive Officer and Chief Financial Officer, BlackRock evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at September 30, 2014. Based on this evaluation, BlackRock's Chief Executive Officer and Chief Financial Officer have concluded that BlackRock's disclosure controls and procedures were effective.

***Internal Control over Financial Reporting.*** There have been no changes in internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected or are reasonably likely to materially affect such internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****Item 1. Legal Proceedings**

From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and domestic and international regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock's policy to cooperate fully with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's activities. Additionally, certain BlackRock-sponsored investment funds that the Company manages are subject to lawsuits, any of which potentially could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

*Italian Securities Regulator Proceeding*

The Italian securities regulator, Commissione Nazionale per le Società e la Borsa ( Consob ), initiated a civil proceeding on January 3, 2014 against Nigel Bolton, a portfolio manager and head of BlackRock Investment Management (UK) Limited's European Equity Team ( EET ), in connection with the sale of shares in the Italian oil and gas services company Saipem, SpA in January 2013.

Consob alleges that Mr. Bolton, on behalf of certain BlackRock clients, sold, or influenced the sale of, approximately 10.7 million shares of Saipem using material, non-public information thereby avoiding client losses of over \$14.5 million. The EET's sale of Saipem shares occurred between January 25 and January 29, 2013, and Saipem announced negative news following the market close on January 29, 2013. While BlackRock is not charged in the proceeding, it may be liable for the actions of its employee.

BlackRock conducted a thorough investigation and found no evidence to support the allegations. As a result of the investigation, BlackRock believes that the sale of Saipem shares was made as a fiduciary based on publicly available information that was widely disseminated in the marketplace, including negative publicity and a third-party analyst research report reducing earnings estimates, which was issued to the market before trading on January 25, 2013.

Consob also alleges that BlackRock declined to provide Consob with information and was an obstacle to Consob's investigation. BlackRock believes it has fully cooperated with Consob, and it will continue to do so.

While under Italian law the potential penalty could be greater than the loss actually avoided, BlackRock believes that Mr. Bolton will not be found liable and, as a result, neither Mr. Bolton nor BlackRock will incur any penalty.

*SEC Wells Notice*

In June 2012, BlackRock Advisors, LLC ( BlackRock Advisors ), a subsidiary of BlackRock, announced that its then-employee Daniel J. Rice III would, among other things, no longer serve as a portfolio manager for the BlackRock Energy & Resources Portfolio in order to address any perception of a potential conflict of interest as a result of his personal investments and involvement in a family business, Rice Energy LP and related entities. The Company concluded that there was no improper trading within the portfolios managed by Mr. Rice and that no clients were harmed. BlackRock Advisors further announced that Mr. Rice would retire from BlackRock Advisors, which he did in December 2012. Since 2012, BlackRock Advisors has cooperated with the staff of the SEC in an investigation of this matter.

On June 17, 2014, BlackRock Advisors received a written Wells Notice from the SEC staff indicating the staff's preliminary determination to recommend to the Commission that the SEC file an action against BlackRock Advisors.

The SEC staff has taken the view that BlackRock Advisors' disclosure as it related to Mr. Rice's situation, and its policies and procedures, were inadequate. As a result, we anticipate that the basis of any action against BlackRock Advisors would be violations of Section 206(2) and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder, as well as Rule 38a-1 of the Investment Company Act of 1940. BlackRock Advisors is discussing a possible resolution of this matter with the SEC staff. There can be no assurance that BlackRock Advisors and the staff of the SEC will reach an agreement to settle this matter, or if they do, that the SEC will approve any such agreement. The Company does not expect any resolution of the matter to have a material adverse effect on its financial results or operations.

**Table of Contents***All Legal Proceedings*

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits, will have a material effect on BlackRock's results of operations, financial position, or cash flows. However, there is no assurance as to whether any such pending or threatened matters will have a material effect on BlackRock's results of operations, financial position or cash flows in any future reporting period. Due to uncertainties surrounding the outcome of these matters, management cannot reasonably estimate the possible loss or range of loss that may arise from these matters.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended September 30, 2014, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs<sup>(1)</sup></b>
July 1, 2014 through				
July 31, 2014	258,984 <sup>(2)</sup>	\$316.93	254,628	4,628,028
August 1, 2014 through August 31, 2014	493,501 <sup>(2)</sup>	\$316.69	488,092	4,139,936
September 1, 2014 through				
September 30, 2014	50,707 <sup>(2)</sup>	\$330.22	44,520	4,095,416
Total	803,192	\$317.62	787,240	

<sup>(1)</sup> In January 2013, the Board of Directors approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock with no stated expiration date.

<sup>(2)</sup> Includes purchases made by the Company primarily to satisfy income tax withholding obligations of employees and members of the Company's Board of Directors related to the vesting of certain restricted stock or restricted stock unit awards and purchases made by the Company as part of the publicly announced share repurchase program.

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**Table of Contents****Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKROCK, INC.  
(Registrant)

Date: November 7, 2014

By: /s/ Gary Shedlin  
Gary S. Shedlin  
Senior Managing Director &  
  
Chief Financial Officer

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