

BlackRock Inc.  
Form 10-Q  
November 06, 2015  
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, 2015

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 32-0174431  
(State or Other Jurisdiction of (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 X 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 X 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	X	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 X

As of October 31, 2015, there were 163,992,541 shares of the registrant’s common stock outstanding.

BlackRock, Inc.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

BlackRock, Inc.

## Condensed Consolidated Statements of Financial Condition

(unaudited)

	September 30,	December 31,
(in millions, except shares and per share data)	2015	2014
Assets		
Cash and cash equivalents	\$ 5,673	\$ 5,723
Accounts receivable	2,542	2,120
Investments	1,372	1,921
Assets of consolidated variable interest entities:		
Cash and cash equivalents	76	278
Investments	916	3,320
Other assets	63	32
Separate account assets	148,969	161,287
Separate account collateral held under securities lending agreements	30,784	33,654
Property and equipment (net of accumulated depreciation of \$624 and \$587 at September 30, 2015 and December 31, 2014, respectively)	543	467
Intangible assets (net of accumulated amortization of \$1,144 and \$1,040 at September 30, 2015 and December 31, 2014, respectively)	17,360	17,344
Goodwill	12,965	12,961
Other assets	953	685
Total assets	\$ 222,216	\$ 239,792
Liabilities		
Accrued compensation and benefits	\$ 1,561	\$ 1,865
Accounts payable and accrued liabilities	1,343	1,035
Liabilities of consolidated variable interest entities:		
Borrowings	-	3,389
Other liabilities	197	245
Borrowings	4,950	4,922
Separate account liabilities	148,969	161,287
Separate account collateral liabilities under securities lending agreements	30,784	33,654
Deferred income tax liabilities	4,921	4,989
Other liabilities	1,010	886
Total liabilities	193,735	212,272
Commitments and contingencies (Note 11)		
Temporary equity		

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Redeemable noncontrolling interests (includes \$159 million of redeemable noncontrolling interests of

consolidated variable interest entities at September 30, 2015)	258	35
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2
Shares authorized: 500,000,000 at September 30, 2015 and December 31, 2014;		
Shares issued: 171,252,185 at September 30, 2015 and December 31, 2014;		
Shares outstanding: 163,922,010 and 164,786,788 at September 30, 2015 and December 31, 2014, respectively		
Preferred stock (Note 15)	-	-
Additional paid-in capital	19,327	19,386
Retained earnings	11,533	10,164
Appropriated retained earnings	-	(19 )
Accumulated other comprehensive loss	(408 )	(273 )
Treasury stock, common, at cost (7,330,175 and 6,465,397 shares held at September 30, 2015 and		
December 31, 2014, respectively)	(2,318 )	(1,894 )
Total BlackRock, Inc. stockholders' equity	28,136	27,366
Nonredeemable noncontrolling interests (includes \$86 million and \$15 million of nonredeemable		
noncontrolling interests of consolidated variable interest entities at September 30, 2015 and		
December 31, 2014, respectively)	87	119
Total permanent equity	28,223	27,485
Total liabilities, temporary equity and permanent equity	\$ 222,216	\$ 239,792

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

## Condensed Consolidated Statements of Income

(unaudited)

	Three Months Ended		Nine Months Ended		
(in millions, except shares and per share data)	September 30,		September 30,		
	2015	2014	2015	2014	
Revenue					
Investment advisory, administration fees and securities lending revenue					
Related parties	\$1,719	\$1,744	\$5,166	\$5,044	
Other third parties	737	724	2,214	2,149	
Total investment advisory, administration fees and securities lending revenue	2,456	2,468	7,380	7,193	
Investment advisory performance fees	208	133	452	406	
BlackRock Solutions and advisory	167	165	475	465	
Distribution fees	14	17	44	54	
Other revenue	65	66	187	179	
Total revenue	2,910	2,849	8,538	8,297	
Expense					
Employee compensation and benefits	1,023	973	3,016	2,903	
Distribution and servicing costs	102	90	306	268	
Amortization of deferred sales commissions	12	14	37	43	
Direct fund expense	198	199	578	565	
General and administration	319	376	970	1,066	
Amortization of intangible assets	34	40	104	122	
Total expense	1,688	1,692	5,011	4,967	
Operating income	1,222	1,157	3,527	3,330	
Nonoperating income (expense)					
Net gain (loss) on investments	4	46	57	167	
Net gain (loss) on consolidated variable interest entities	(14	) (47	) 2	(35	)
Interest and dividend income	12	10	21	23	
Interest expense	(50	) (61	) (153	) (174	)
Total nonoperating income (expense)	(48	) (52	) (73	) (19	)
Income before income taxes	1,174	1,105	3,454	3,311	
Income tax expense	342	232	971	853	
Net income	832	873	2,483	2,458	
Less:					
Net income (loss) attributable to redeemable noncontrolling interests	(11	) -	(4	) 2	
Net income (loss) attributable to nonredeemable noncontrolling interests	-	(44	) 3	(25	)

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Net income attributable to BlackRock, Inc.	\$843	\$917	\$2,484	\$2,481
Earnings per share attributable to BlackRock, Inc.				
common stockholders:				
Basic	\$5.08	\$5.46	\$14.91	\$14.72
Diluted	\$5.00	\$5.37	\$14.68	\$14.48
Cash dividends declared and paid per share	\$2.18	\$1.93	\$6.54	\$5.79
Weighted-average common shares outstanding:				
Basic	166,045,291	167,933,040	166,579,805	168,571,354
Diluted	168,665,303	170,778,766	169,157,188	171,351,276

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

## Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$832	\$873	\$2,483	\$2,458
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>	(2 )	(1 )	(3 )	3
Less: reclassification adjustment				
included in net income <sup>(1)</sup>	-	2	-	8
Net change from available-for-sale investments, net of				
tax	(2 )	(3 )	(3 )	(5 )
Benefit plans, net	-	-	(1 )	-
Foreign currency translation adjustments <sup>(2)</sup>	(67 )	(167 )	(131 )	(129 )
Other comprehensive income (loss)	(69 )	(170 )	(135 )	(134 )
Comprehensive income	763	703	2,348	2,324
Less: Comprehensive income (loss) attributable to				
noncontrolling interests	(11 )	(44 )	(1 )	(23 )
Comprehensive income attributable to BlackRock, Inc.	\$774	\$747	\$2,349	\$2,347

<sup>(1)</sup>The tax benefit (expense) was not material for the three and nine months ended September 30, 2015 and 2014.

<sup>(2)</sup> Amount for the three months ended September 30, 2015 includes losses from a net investment hedge of \$2 million. Amount for the nine months ended September 30, 2015 includes gains from a net investment hedge of \$5 million, net of tax of \$4 million.

See accompanying notes to condensed consolidated financial statements.



BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests <sup>(2)</sup>	Perpetual Equity	Redeemable Noncontrolling Interests / Temporary Equity <sup>(2)</sup>	
(in millions)									
December 31, 2014	\$ 19,388	\$ 10,164	\$ (19 )	\$ (273 )	\$ (1,894 )	\$ 27,366	\$ 119	\$ 27,485	\$ 35
Net income	-	2,484	-	-	2,484	3	2,487	(4 )	
Net consolidation (deconsolidation) of VIEs due to									
adoption of new accounting pronouncement	-	-	19	-	19	(8 )	11	194	
Dividends paid	-	(1,115 )	-	-	(1,115 )	-	(1,115 )	-	
Stock-based compensation	397	-	-	-	397	-	397	-	
Issuance of common shares related to employee stock									
transactions	(542 )	-	-	-	629	87	87	-	
Employee tax withholdings related to employee stock									
transactions	-	-	-	-	(228 )	(228 )	-	(228 )	
Shares repurchased	-	-	-	-	(825 )	(825 )	-	(825 )	
Net tax benefit (shortfall) from stock-based									
compensation	86	-	-	-	86	-	86	-	
Subscriptions (redemptions/ distributions) —	-	-	-	-	-	(21 )	(21 )	298	

noncontrolling  
interest holders  
Net consolidations  
(deconsolidations) of  
sponsored

investment funds	-	-	-	-	-	-	(6 )	(6 )	(265 )
Other comprehensive income (loss)	-	-	-	(135 )	-	(135 )	-	(135 )	-
September 30, 2015	\$ 19,329	\$ 11,533	\$ -	\$ (408 )	\$ (2,318 )	\$ 28,136	\$ 87	\$ 28,223	\$ 258

(1) Amounts include \$2 million of common stock at both September 30, 2015 and December 31, 2014.

(2) Amounts include noncontrolling interests of consolidated variable interest entities (“VIEs”).

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

	Additional Paid-in Capital		Accumulated Other Comprehensive Income		Treasury Stock	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	
(in millions)	Capital <sup>(1)</sup>	Earnings	Retained Earnings	(Loss)	Common Stock	Equity	GLIC	Permanently Restricted	Temporary	
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)-	-	-	-	-	-	-	(31 )	(6 )	(37 )	247

noncontrolling interest holders Net consolidations (deconsolidations)										
of sponsored investment funds	-	-	-	-	-	-	-	-	-	(254 )
Other comprehensive income (loss)	-	-	-	(134 )	-	(134 )	-	-	(134 )	-
September 30, 2014	\$19,272	\$9,673	\$(13 )	\$(169 )	\$(1,657)	\$27,106	\$114	\$15	\$27,235	\$49

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

BlackRock, Inc.

## Condensed Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended	
(in millions)	September 30, 2015	2014
Cash flows from operating activities		
Net income	\$2,483	\$2,458
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	196	215
Amortization of deferred sales commissions	37	43
Stock-based compensation	397	336
Deferred income tax expense (benefit)	(73 )	(31 )
Other gains	(40 )	-
Net (gains) losses on nontrading investments	10	(53 )
Purchases of investments within consolidated sponsored investment funds	(1 )	(151 )
Proceeds from sales and maturities of investments within consolidated		
sponsored investment funds	1	113
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	(26 )	10
Net (gains) losses within consolidated VIEs	(2 )	35
Net (purchases) proceeds within consolidated VIEs	(169 )	(540 )
(Earnings) losses from equity method investees	(59 )	(133 )
Distributions of earnings from equity method investees	32	44
Other adjustments	(1 )	7
Changes in operating assets and liabilities:		
Accounts receivable	(461 )	(426 )
Investments, trading	(402 )	(189 )
Other assets	(263 )	(133 )
Accrued compensation and benefits	(313 )	(272 )
Accounts payable and accrued liabilities	287	473
Other liabilities	214	10
Cash flows from operating activities	1,847	1,816
Cash flows from investing activities		
Purchases of investments	(329 )	(304 )
Proceeds from sales and maturities of investments	461	504
Distributions of capital from equity method investees	56	130
Net consolidations (deconsolidations) of sponsored investment funds	(82 )	(33 )
Acquisition	(88 )	-
Purchases of property and equipment	(160 )	(40 )
Cash flows from investing activities	(142 )	257
Cash flows from financing activities		
Proceeds from long-term borrowings	787	997

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Repayments of long-term borrowings	(750 )	-
Cash dividends paid	(1,115)	(1,016)
Proceeds from stock options exercised	79	3
Repurchases of common stock	(1,053)	(1,088)
Net proceeds from (repayments of) borrowings by consolidated VIEs	-	536
Net (redemptions/distributions paid) / subscriptions received from noncontrolling interests holders	277	210
Excess tax benefit from stock-based compensation	86	93
Other financing activities	(11 )	(4 )
Cash flows from financing activities	(1,700)	(269 )
Effect of exchange rate changes on cash and cash equivalents	(55 )	(45 )
Net increase (decrease) in cash and cash equivalents	(50 )	1,759
Cash and cash equivalents, beginning of period	5,723	4,390
Cash and cash equivalents, end of period	\$5,673	\$6,149
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$139	\$140
Interest on borrowings of consolidated VIEs	\$-	\$112
Income taxes (net of refunds)	\$1,013	\$992
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	\$542	\$632
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of		
sponsored investment funds	\$(85 )	\$(254 )
Increase (decrease) in borrowings due to deconsolidation of VIEs	\$(3,389)	\$-

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Notes to the 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® exchange-traded funds (“ETFs”), separate accounts, collective investment funds and other pooled investment vehicles. BlackRock also offers the BlackRock Solutions® investment and risk management technology platform, Aladdin®, risk analytics and advisory services and solutions to a broad base of institutional investors.

At September 30, 2015, The PNC Financial Services Group, Inc. (“PNC”) held 21.1% of the Company’s voting common stock and 22.1% 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 normally is 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, 2014, which was filed with the Securities and Exchange Commission (“SEC”) on February 27, 2015 (“2014 Form 10-K”).

The interim financial information at September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 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.

Accounting Pronouncements Adopted in the Nine Months Ended September 30, 2015

Amendments to the Consolidation Analysis. In February 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis, ("ASU 2015-02") that requires companies to reevaluate all legal entities under new consolidation guidance. The revised consolidation rules provide new guidance for evaluating: i) limited partnerships and similar entities for consolidation ii) how decision maker or service provider fees affect the consolidation analysis, iii) how interests held by related parties affect the consolidation analysis, and iv) the consolidation analysis required for certain investment funds. The new consolidation guidance also provides a scope exception for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.



The Company early adopted ASU 2015-02 using the modified retrospective method with an effective adoption date of January 1, 2015. The modified retrospective method did not require the restatement of prior year periods. In connection with the adoption of ASU 2015-02, the Company reevaluated all of its investment products for consolidation. As of January 1, 2015, the Company deconsolidated all of its previously consolidated CLOs as its fee arrangements were no longer deemed to be variable interests and it held no other interests in these entities.

The adoption of the ASU also resulted in the consolidation of certain investment products that were not previously consolidated. Upon adoption, these products became consolidated VIEs as the Company is considered the party with both (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

The impact to the Company's condensed consolidated statement of financial condition upon adoption of ASU 2015-02 was primarily the deconsolidation of approximately \$3.6 billion of assets and \$3.6 billion of liabilities related to the Company's CLOs with an adjustment to appropriated retained earnings/loss of \$19 million. In addition, certain investment products previously accounted for as voting rights entities ("VREs") became VIEs under the new accounting guidance.

**Debt Issuance Costs.** In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The Company early adopted ASU 2015-03 during the quarter ended June 30, 2015 on a retrospective basis, which required the restatement of prior periods. The adoption of ASU 2015-03 was not material to the condensed consolidated financial statements.

**Disclosures for Investments in Certain Entities that Calculate NAV Per Share.** In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share practical expedient. The Company early adopted ASU 2015-07 during the quarter ended June 30, 2015 on a retrospective basis, which required the restatement of prior periods. As a result of the adoption of ASU 2015-07, \$653 million and \$692 million as of September 30, 2015 and December 31, 2014, respectively, of NAV investments are no longer included in Level 2 and 3 within the fair value hierarchy.

#### Fair Value Measurements.

**Hierarchy of Fair Value Inputs.** The Company uses a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. 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.

Level 1 assets may include listed mutual funds, ETFs, listed equities and certain exchange-traded derivatives.

##### 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.

Level 2 assets may include debt securities, bank loans, short-term floating-rate notes, asset-backed securities, securities held within consolidated hedge funds, 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.

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### 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.

Level 3 assets may include direct private equity investments held within consolidated funds, bank loans and bonds. Level 3 liabilities include contingent liabilities related to acquisitions valued based upon discounted cash flow analysis using unobservable market data. Level 3 liabilities at December 31, 2014 also included borrowings of consolidated collateralized loan obligations (“CLOs”) valued based upon nonbinding single-broker quotes. 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 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.

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.

Investments Measured at Net Asset Values. 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.

Derivative Instruments and Hedging Activities. 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 exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, and market exposures for certain seed investments. The Company may also use derivatives within its separate account assets, which are segregated 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 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.

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The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is different from the reporting currency of the parent company. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within accumulated other comprehensive income on the condensed consolidated statements of financial condition. The Company reassesses the effectiveness of its net investment hedge on a quarterly basis.

**Consolidation.** The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity. VREs are typically consolidated if the Company holds the majority voting interest. Upon the occurrence of certain events (such as contributions and redemptions, either by the Company, or third parties, or amendments to the governing documents of the Company's investment products), management reviews and reconsiders its previous conclusion regarding the status of an entity as a VIE or a VRE. Additionally, management continually reconsiders whether the Company is deemed to be a VIE's PB that consolidates such entity.

**Consolidation of Variable Interest Entities.** Certain investment products for which a controlling financial interest is achieved through arrangements that do not involve or are not directly linked to voting interests are deemed VIEs. BlackRock reviews factors, including whether or not i) the entity has equity that is sufficient to permit the entity to finance its activities without additional subordinated support from other parties and ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns, and the right to direct the activities of the entity that most significantly impact the entity's economic performance, to determine if the investment product is a VIE. BlackRock re-evaluates such factors as facts and circumstances change.

Prior to the adoption of ASU 2015-02, the Company used two methods for determining whether it was the PB of a VIE depending on the nature and characteristics of the entity. For CLOs, the Company was deemed to be the PB if it had the power to direct activities of the entity that most significantly impacted the entity's economic performance and had the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. For certain sponsored investment funds, the Company was deemed to be the PB if it absorbed the majority of the entity's expected losses, received a majority of the entity's expected residual returns, or both.

Following the adoption of ASU 2015-02, all VIEs are evaluated for consolidation under a single method. The PB of a VIE is defined as the variable interest holder that has a controlling financial interest in the VIE. A controlling financial interest is defined as (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that potentially could be significant to the VIE. The consolidation analysis can generally be performed qualitatively, however, if it is not readily apparent that the Company is not the PB, a quantitative analysis may also be performed.

**Consolidation of Voting Rights Entities.** BlackRock is required to consolidate an investee to the extent that BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a greater than 50% voting equity interest.

**Retention of Specialized Investment Company Accounting Principles.** Upon consolidation of sponsored investment funds, the Company retains the specialized investment company accounting principles of the underlying funds. All of the underlying investments held by such consolidated sponsored investment funds are carried at fair value with corresponding changes in the investments' fair values reflected in nonoperating income (expense) on the condensed consolidated statements of income. When the Company no longer controls these funds due to reduced ownership percentage or other reasons, the funds are deconsolidated and accounted for under another accounting method if the Company still maintains an investment.

Money Market Fee Waivers. The Company is currently voluntarily waiving a portion of its management fees on certain money market funds to ensure that they maintain a minimum level of daily net investment income (the “Yield Support waivers”). During the three and nine months ended September 30, 2015, these waivers resulted in a reduction of management fees of approximately \$32 million and \$112 million, respectively. Approximately 45% of year-to-date Yield Support waivers were offset by a reduction of BlackRock’s distribution and servicing costs paid to a financial intermediary. BlackRock has provided Yield Support waivers in prior periods and may increase or decrease the level of fee waivers in future periods.

**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.

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 accounts maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives legal title to the 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. 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.

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During the three months ended September 30, 2015 and 2014, the Company had not resold or repledged any of the collateral received under these arrangements. At September 30, 2015 and December 31, 2014, the fair value of loaned securities held by separate accounts was approximately \$28.3 billion and \$30.6 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$30.8 billion and \$33.7 billion, respectively.

#### 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, 2018.

**Accounting for Measurement-Period Adjustments.** In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). Under ASU 2015-16, an acquirer must recognize, upon determination, adjustments to the original amounts recorded for a business acquisition that are identified during the one-year period following the acquisition date. Previously prior period information was required to be revised. The Company is required to adopt the ASU prospectively on January 1, 2016. Upon adoption, the Company will apply the new ASU to any adjustments related to business acquisitions.





## 3. Investments

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

	September 30,	December 31,
(in millions)	2015	2014
Available-for-sale investments	\$ 34	\$ 201
Held-to-maturity investments	111	79
Trading investments:		
Consolidated sponsored investment funds	548	443
Other equity and debt securities	17	29
Deferred compensation plan mutual funds	63	64
Total trading investments	628	536
Other investments:		
Consolidated sponsored investment funds	-	270
Equity method investments	469	633
Deferred compensation plan equity method		
investments	16	21
Cost method investments <sup>(1)</sup>	95	96
Carried interest	19	85
Total other investments	599	1,105
Total investments	\$ 1,372	\$ 1,921

<sup>(1)</sup> Amounts primarily include Federal Reserve Bank (“FRB”) Stock.

At September 30, 2015, the Company consolidated \$548 million of investments held by consolidated sponsored investment funds accounted for as VREs, which were classified as trading investments. At December 31, 2014, the Company consolidated \$713 million of investments held by consolidated sponsored investment funds accounted for as VREs of which \$443 million and \$270 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:

(in millions)		Gross		
	Cost	Unrealized Gains	Losses	Carrying Value
September 30, 2015				
Equity securities of sponsored investment funds	\$35	\$ 2	\$ (3 )	\$ 34
December 31, 2014				
Equity securities of sponsored investment funds	\$205	\$ 5	\$ (9 )	\$ 201

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 \$111 million and \$79 million at September 30, 2015 and December 31, 2014, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes. The amortized cost (carrying value) of these investments approximated fair value. At September 30, 2015, \$98 million of these investments mature within one year and \$13 million mature after five years through ten years.

## Trading Investments

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

(in millions)	September 30, 2015		December 31, 2014	
	Carrying		Carrying	
	Cost	Value	Cost	Value
Trading investments:				
Deferred compensation plan mutual funds	\$48	\$ 63	\$48	\$ 64
Equity securities/multi-asset mutual funds	167	155	210	239
Debt securities/fixed income mutual funds:				
Corporate debt	197	194	109	110
Government debt	167	170	100	103
Asset/mortgage backed debt	46	46	20	20
Total trading investments	\$625	\$ 628	\$487	\$ 536

At September 30, 2015, trading investments included \$408 million of debt securities and \$140 million of equity securities held by consolidated sponsored investment funds accounted for as VREs, \$63 million of certain deferred compensation plan mutual fund investments and \$17 million of other equity and debt securities.

At December 31, 2014, trading investments included \$223 million of debt securities and \$220 million of equity securities held by consolidated sponsored investment funds accounted for as VREs, \$64 million of certain deferred compensation plan mutual fund investments and \$29 million of other equity and debt securities.

## Other Investments

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

(in millions)	September 30, 2015		December 31, 2014	
	Carrying		Carrying	
	Cost	Value	Cost	Value
Other investments:				
Consolidated sponsored investment funds				
accounted for as VREs	\$-	\$ -	\$268	\$ 270
Equity method investments	387	469	518	633
Deferred compensation plan equity method				
investments	15	16	21	21
Cost method investments:				
Federal Reserve Bank stock	93	93	92	92
Other	2	2	4	4

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Total cost method investments	95	95	96	96
Carried interest <sup>(1)</sup>	-	19	-	85
Total other investments	\$497	\$ 599	\$903	\$ 1,105

<sup>(1)</sup> Carried interest related to VREs.

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

Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds.

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At September 30, 2015 and December 31, 2014 the Company's investment in PennyMac was excluded from the balances in the table above and included in other assets on the condensed consolidated statements of financial condition. The carrying value and fair value of the Company's interest (approximately 20% or 16 million shares and units) was approximately \$207 million and \$249 million, respectively, at September 30, 2015 and

approximately \$167 million and \$269 million, respectively, at December 31, 2014. The fair value of the Company's interest reflected the PennyMac stock price at September 30, 2015 and December 31, 2014, respectively (a Level 1 input).

Cost method investments include nonmarketable securities, primarily including FRB stock, which is held for regulatory purposes and is restricted from sale. At September 30, 2015 and December 31, 2014, 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.

#### 4. Consolidated Voting Rights Entities

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

	September 30,	December 31,
(in millions)	2015	2014
Cash and cash equivalents	\$ 126	\$ 120
Investments:		
Trading investments	548	443
Other investments	-	270
Other assets	21	20
Other liabilities	(75 )	(18 )
Noncontrolling interests	(100 )	(139 )
BlackRock's net interests in consolidated		
VREs	\$ 520	\$ 696

BlackRock's total exposure to consolidated VREs 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 VREs 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, 2015 and December 31, 2014, certain consolidated sponsored investment funds, which were accounted for as 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 5, Variable Interest Entities, for further discussion on these consolidated investment products. See Note 2, Significant Accounting Policies, for the Company's consolidation policy and for further information on the adoption of ASU 2015-02.

The Company cannot readily access cash and cash equivalents held by consolidated VREs to use in its operating activities. In addition, the Company cannot readily sell investments held by consolidated VREs to obtain cash for use in the Company's operations.

#### 5. Variable Interest Entities

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, which may be considered VIEs. The Company 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's involvement in financing the operations of the VIEs is generally limited to its investments in the entity. The Company consolidates entities when it is determined to be the PB. See Note 2, Significant Accounting Policies, for further information on the Company's accounting policy on consolidation.

As a result of the adoption of ASU 2015-02, the Company deconsolidated all previously consolidated CLOs effective January 1, 2015 as its fees are no longer deemed variable interests. The Company also consolidated certain investment products that were not previously consolidated as a result of the adoption of ASU 2015-02. See Note 2,

Significant Accounting Policies – Accounting Pronouncements Adopted in the Nine Months ended September 30, 2015, for further information on ASU 2015-02.

Consolidated VIEs. The Company's consolidated VIEs as of September 30, 2015 include certain sponsored investment funds in which BlackRock has an investment and as the investment manager, is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment funds. 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.

The Company's consolidated VIEs under previous accounting guidance as of December 31, 2014 primarily included CLOs in which BlackRock did not have an investment; however, as the collateral manager, BlackRock was deemed to have both the power to direct the most significant activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs.

Consolidated VIE assets and liabilities are presented after intercompany eliminations at September 30, 2015 and December 31, 2014 in the following table:

	September 30,	December 31,
(in millions)	2015	2014
Assets of consolidated VIEs:		
Cash and cash equivalents	\$ 76	\$ 278
Investments	916	3,320
Other assets	63	32
Total investments and other assets	979	3,352
Liabilities of consolidated VIEs:		
Borrowings	-	(3,389 )
Other liabilities	(197 )	(245 )
Appropriated retained earnings	-	19
Noncontrolling interests of consolidated VIEs	(245 )	(15 )
Total BlackRock net interests in consolidated VIEs	\$ 613	\$ -

The Company recorded a \$14 million nonoperating net loss and a \$2 million nonoperating net gain, respectively, during the three and nine months ended September 30, 2015 related to consolidated VIEs. Net loss attributable to noncontrolling interests related to consolidated VIEs during the three and nine months ended September 30, 2015 was \$9 million and \$2 million, respectively.

The Company recorded \$47 million and \$35 million of nonoperating loss and an equal and offsetting net loss attributable to nonredeemable noncontrolling interests related to consolidated VIEs during the three and nine months ended September 30, 2014, respectively.

Non-consolidated VIEs. At September 30, 2015 and December 31, 2014, the Company's carrying value of assets and liabilities included on the condensed consolidated statement of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)	Advisory		Other Net	
	Investment	Fee	Assets	Maximum
At September 30, 2015	Receivables		(Liabilities)	Risk of Loss <sup>(1)</sup>
Sponsored investment products	\$36	\$ 3	\$ (6 )	\$ 56
At December 31, 2014				
CDOs/CLOs	\$-	\$ 2	\$ (5 )	\$ 19
Other sponsored investment funds:				
Collective trusts	-	191	-	191
Other	57	177	(3 )	234
Total	\$57	\$ 370	\$ (8 )	\$ 444

<sup>(1)</sup>At both September 30, 2015 and December 31, 2014, BlackRock's maximum risk of loss associated with these VIEs primarily related to collecting advisory fee receivables and BlackRock's investments.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated \$2 billion at September 30, 2015. Net assets of other sponsored investment funds approximated \$1.7 trillion to \$1.8 trillion at December 31, 2014 and included approximately \$1.4 trillion of collective trusts at December 31, 2014. Upon the adoption of ASU 2015-02, BlackRock no longer has a variable interest in collective trusts as BlackRock does not have any economic interest and earns at-market fees from these products.



## 6. 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

	Quoted		Prices in			Investments Measured at NAV <sup>(1)</sup>	Other Assets Not Held at September 30, Fair Value <sup>(2)</sup> 2015
	Active	Significant	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
September 30, 2015							
(in millions)							
Assets:							
Investments							
Available-for-sale:							
Equity securities of sponsored investment funds	\$ 32	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 34
Held-to-maturity debt securities	-	-	-	-	-	111	111
Trading:							
Deferred compensation plan mutual funds	63	-	-	-	-	-	63
Equity/Multi-asset mutual funds	155	-	-	-	-	-	155
Debt securities / fixed income mutual funds	2	408	-	-	-	-	410
Total trading	220	408	-	-	-	-	628
Other investments:							
Equity method:							
Equity and fixed income mutual funds	62	-	-	-	-	-	62
Other	-	-	-	399	8	8	407
Total equity method	62	-	-	399	8	8	469
Deferred compensation plan equity method investments	-	-	-	16	-	-	16
Cost method investments	-	-	-	-	95	95	95
Carried interest	-	-	-	-	19	19	19
Total investments	314	410	-	415	233	233	1,372
Separate account assets	104,665	43,035	-	-	1,269	1,269	148,969
Separate account collateral held under securities lending							
agreements:							
Equity securities	20,650	-	-	-	-	-	20,650
Debt securities	-	10,134	-	-	-	-	10,134
	20,650	10,134	-	-	-	-	30,784

Total separate account collateral held  
under securities

lending agreements						
Assets of consolidated VIEs:						
Private / public equity <sup>(3)</sup>	10	9	172	159	-	350
Equity securities	180	-	-	-	-	180
Debt securities	-	219	-	-	-	219
Other	-	-	-	79	-	79
Carried interest	-	-	-	-	88	88
Total assets of consolidated VIEs	190	228	172	238	88	916
Total	\$ 125,819	\$ 53,807	\$ 172	\$ 653	\$ 1,590	\$ 182,041
Liabilities:						
Separate account collateral liabilities under securities						
lending agreements	\$ 20,650	\$ 10,134	\$ -	\$ -	\$ -	\$ 30,784
Other liabilities <sup>(4)</sup>	-	6	37	-	-	43
Total	\$ 20,650	\$ 10,140	\$ 37	\$ -	\$ -	\$ 30,827

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy (see Note 2, Significant Accounting Policies, for more information on the adoption of ASU 2015-07).

(2) 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 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.

(3) Level 3 amounts include direct investments in private equity companies held by private equity funds.

(4) Amounts include a derivative (see Note 7, Derivatives and Hedging, for more information) and recorded contingent liabilities related to certain acquisitions (see Note 11, Commitments and Contingencies, for more information).

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

	Quoted		Prices in		Active		Significant	
	Markets for	Other	Significant	Markets for	Other	Significant	Markets for	Other
	Identical	Observable	Unobservable	Identical	Observable	Unobservable	Identical	Observable
	Assets	Inputs	Inputs	Assets	Inputs	Inputs	Assets	Inputs
December 31, 2014	(Level 1)	(Level 2)	(Level 3)	NAV <sup>(1)</sup>	Fair Value <sup>(2)</sup>	NAV <sup>(1)</sup>	Fair Value <sup>(2)</sup>	Fair Value <sup>(2)</sup>
(in millions)								
Assets:								
Investments								
Available-for-sale:								
Equity securities of sponsored investment funds	\$ 198	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 201	\$ 201
Held-to-maturity debt securities	-	-	-	-	79	-	79	79
Trading:								
Deferred compensation plan mutual funds	64	-	-	-	-	-	64	64
Equity/Multi-asset mutual funds	239	-	-	-	-	-	239	239
Debt securities / fixed income mutual funds	11	222	-	-	-	-	233	233
Total trading	314	222	-	-	-	-	536	536
Other investments:								
Consolidated sponsored investment funds private /								
public equity <sup>(3)</sup>	11	11	80	168	-	-	270	270
Equity method:								
Fixed income mutual funds	29	-	-	-	-	-	29	29
Other	98	-	-	493	13	-	604	604
Total equity method	127	-	-	493	13	-	633	633
Deferred compensation plan								
equity method investments	-	-	-	21	-	-	21	21
Cost method investments	-	-	-	-	96	-	96	96
Carried interest	-	-	-	-	85	-	85	85
Total investments	650	236	80	682	273	-	1,921	1,921
Separate account assets	113,566	46,866	-	-	855	-	161,287	161,287
Separate account collateral held under securities lending								
agreements:								
Equity securities	30,387	-	-	-	-	-	30,387	30,387
Debt securities	-	3,267	-	-	-	-	3,267	3,267

Total separate account collateral held  
under securities

lending agreements	30,387	3,267	-	-	-	33,654
Assets of consolidated VIEs:						
Bank loans and other assets	-	2,958	302	-	32	3,292
Bonds	-	29	18	-	-	47
Private / public equity	-	3	-	10	-	13
Total assets of consolidated VIEs	-	2,990	320	10	32	3,352
Total	\$ 144,603	\$ 53,359	\$ 400	\$ 692	\$ 1,160	\$ 200,214
Liabilities:						
Borrowings of consolidated VIEs	\$ -	\$ -	\$ 3,389	\$ -	\$ -	\$ 3,389
Separate account collateral liabilities under securities						
lending agreements	30,387	3,267	-	-	-	33,654
Other liabilities <sup>(4)</sup>	-	5	39	-	-	44
Total	\$ 30,387	\$ 3,272	\$ 3,428	\$ -	\$ -	\$ 37,087

- (1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy (see Note 2, Significant Accounting Policies, for more information on the adoption of ASU 2015-07).
- (2) 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 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.
- (3) Level 3 amounts include direct investments in private equity companies held by private equity funds.
- (4) Amounts include a derivative (see Note 7, Derivatives and Hedging, for more information) and contingent liabilities related to certain acquisitions (see Note 11, Commitments and Contingencies, for more information).

Level 3 Assets. Level 3 assets of consolidated VIEs of \$172 million at September 30, 2015 related to direct investments in private equity companies held by private equity funds. Level 3 investments of \$80 million at December 31, 2014, related to direct investments in private equity companies held by private equity funds. 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 may include bank loans and bonds valued based on single-broker nonbinding quotes and direct private equity investments valued using the market approach or the income approach as described above.

Level 3 Liabilities. Level 3 borrowings of consolidated VIEs at December 31, 2014 include CLO borrowings valued based upon single-broker nonbinding quotes.

Level 3 other liabilities primarily include recorded contingent liabilities related to certain acquisitions, which were valued based upon discounted cash flow analyses using unobservable market data inputs.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2015<sup>(1)</sup>

(in millions)	June 30, 2015	Realized and unrealized gains (losses) in					Transfers into Level 3		September 30, 2015	Total net unrealized gains (losses) included in earnings <sup>(3)</sup>
		earnings and OCI	Purchases	maturities	and other settlements <sup>(2)</sup>	Level 3	Level 3			
Assets:										
Assets of consolidated VIEs:										
Private equity	\$ 166	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172	\$ 6	
Liabilities:										
Other liabilities	\$ 56	\$ 4	\$ -	\$ -	\$ (15)	\$ -	\$ -	\$ 37	-	

(1) Upon adoption of ASU 2015-07, investments measured at NAV are no longer required to be categorized within the fair value hierarchy. See Note 2, Significant Accounting Policies, for further information.

(2) Amount includes payments of contingent liabilities related to certain acquisitions.

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

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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2015<sup>(1)</sup>

(in millions)	December 31, 2014	Realized		and		unrealized		September 30, 2015	Total net unrealized gains (losses) included earnings <sup>(4)</sup>	
		OCI	Purchases	Sales and maturities	Issuances and other settlements <sup>(2)(3)</sup>	Transfers into Level 3	Transfers out of Level 3			
<b>Assets:</b>										
<b>Investments:</b>										
<b>Consolidated sponsored</b>										
investment funds-										
Private equity	\$ 80	\$ -	\$ -	\$ -	\$ (80)	)	\$ -	\$ -	\$ -	\$ -
<b>Assets of consolidated VIEs:</b>										
Private equity	-	13	79	-	80	-	-	172	13	
Bank loans	302	-	-	-	(302)	)	-	-	-	-
Bonds	18	-	-	-	(18)	)	-	-	-	-
<b>Total Level 3 assets of consolidated</b>										
VIEs	320	13	79	-	(240)	)	-	-	172	13
<b>Total Level 3 assets</b>	<b>\$ 400</b>	<b>\$ 13</b>	<b>\$ 79</b>	<b>\$ -</b>	<b>\$ (320)</b>	<b>)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172</b>	<b>\$ 13</b>
<b>Liabilities:</b>										
<b>Borrowings of consolidated VIEs</b>										
consolidated VIEs	\$ 3,389	\$ -	\$ -	\$ -	\$ (3,389)	)	\$ -	\$ -	\$ -	-
Other liabilities	39	1	-	-	(1)	)	-	-	37	-
<b>Total Level 3 liabilities</b>	<b>\$ 3,428</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,390)</b>	<b>)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37</b>	<b>-</b>

(1) Upon adoption of ASU 2015-07, investments measured at NAV are no longer required to be categorized within the fair value hierarchy. See Note 2, Significant Accounting Policies, for further information.

(2) Amounts include the consolidation (deconsolidation) of VIEs due to the adoption of ASU 2015-02 effective January 1, 2015.

(3) Amounts include a contingent liability and payments of contingent liabilities related to certain acquisitions.

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





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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2014<sup>(1)</sup>

(in millions)	June 30, 2014	Realized and unrealized gains (losses) in						September 30, 2014	Total net unrealized gains (losses) included in earnings <sup>(3)</sup>
		earnings and OCI	Purchases and maturities	Sales and settlements	Issuances and other	Transfers into Level 3	Transfers out of Level 3		
<b>Assets:</b>									
<b>Investments</b>									
<b>Consolidated sponsored investment funds:</b>									
Hedge funds	\$1	\$ 1	\$ -	\$ -	\$ (1 )	\$ -	\$ -	\$ 1	\$ 1
Private equity	79	(11 )	9	-	-	-	-	77	(11 )
<b>Assets of consolidated VIEs:</b>									
Bank loans	153	(3 )	63	(36 )	-	87	(60 )	204	
Bonds	25	-	-	(8 )	-	-	-	17	
Total Level 3 assets of consolidated VIEs	178	(3 )	63	(44 )	-	87	(60 )	221	N/A <sup>(4)</sup>
Total Level 3 assets	\$258	\$ (13 )	\$ 72	\$ (44 )	\$ (1 )	\$ 87	\$ (60 )	\$ 299	
<b>Liabilities:</b>									
<b>Borrowings of consolidated VIEs</b>									
Other liabilities	\$2,699	\$ 26	\$ -	\$ -	\$ 216	\$ -	\$ -	\$ 2,889	N/A <sup>(4)</sup>
Total Level 3 liabilities	43	-	-	-	(4 )	-	-	39	-
Total Level 3 liabilities	\$2,742	\$ 26	\$ -	\$ -	\$ 212	\$ -	\$ -	\$ 2,928	

N/A – not applicable

(1) Upon adoption of ASU 2015-07, investments measured at NAV are no longer required to be categorized within the fair value hierarchy. See Note 2, Significant Accounting Policies, for further information.

(2) Amount includes net proceeds from borrowings of consolidated VIEs.

(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.



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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2014<sup>(1)</sup>

(in millions)	December 31, 2013	Realized and unrealized gains (losses) in earnings and OCI					Transfers into Level 3	Transfers out of Level 3	September 30, 2014	Total net unrealized gains (losses) included in earnings <sup>(4)</sup>
		Purchases	Sales and maturities	Issuances and other settlements	Transfers into Level 3	Transfers out of Level 3				
<b>Assets:</b>										
<b>Investments</b>										
<b>Consolidated sponsored investment funds:</b>										
Hedge funds	\$ 2	\$ -	\$ -	\$ -	\$ (1 )	\$ -	\$ -	\$ 1	\$ -	
Private equity	28	(10 )	22	-	-	37	-	77	\$ (10 )	
<b>Assets of consolidated VIEs:</b>										
Bank loans	129	(3 )	155	(79 )	-	196	(194 )	204		
Bonds	35	-	-	(18 )	-	-	-	17		
Total Level 3 assets of consolidated VIEs	164	(3 )	155	(97 )	-	196	(194 )	221	N/A <sup>(5)</sup>	
Total Level 3 assets	\$ 194	\$ (13 )	\$ 177	\$ (97 )	\$ (1 )	\$ 233	\$ (194 )	\$ 299		
<b>Liabilities:</b>										
<b>Borrowings of consolidated VIEs</b>										
consolidated VIEs	\$ 2,369	\$ 40	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ 2,889	N/A <sup>(5)</sup>	
Other liabilities	42	(1 )	-	-	(4 )	-	-	39	-	
Total Level 3 liabilities	\$ 2,411	\$ 39	\$ -	\$ -	\$ 556	\$ -	\$ -	\$ 2,928		

N/A – not applicable

(1) Upon adoption of ASU 2015-07, investments measured at NAV are no longer required to be categorized within the fair value hierarchy. See Note 2, Significant Accounting Policies, for further information.

(2) Amount primarily includes net proceeds from borrowings of consolidated VIEs.

(3) Includes investments previously held at cost.

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

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



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 sponsored investment funds 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 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.

Significant Issuances and Other Settlements. During the nine months ended September 30, 2015, other settlements primarily included the impact of deconsolidating previously consolidated CLOs effective January 1, 2015 as a result of adopting ASU 2015-02. See Note 2, Significant Accounting Policies, for further information on ASU 2015-02.

During the three and nine months ended September 30, 2014, other settlements included \$409 million and \$1,021 million, respectively, of borrowings due to the 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.

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At September 30, 2015 and December 31, 2014, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

(in millions)	September 30, 2015		December 31, 2014		Fair Value Hierarchy	
	Carrying Amount	Estimated	Carrying Amount	Estimated		
		Fair Value		Fair Value		
<b>Financial Assets:</b>						
Cash and cash equivalents	\$5,673	\$ 5,673	\$5,723	\$ 5,723	Level 1	(1)(2)
Accounts receivable	2,542	2,542	2,120	2,120	Level 1	(3)
Cash and cash equivalents of consolidated VIEs	76	76	278	278	Level 1	(1)
<b>Financial Liabilities:</b>						
Accounts payable and accrued liabilities	1,343	1,343	1,035	1,035	Level 1	(3)
Long-term borrowings	4,950	5,258	4,922	5,309	Level 2	(4)

(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, 2015 and December 31, 2014, approximately \$198 million and \$100 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.

- (3) The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature.
- (4) Long-term borrowings are recorded at amortized cost net of debt issuance costs. 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 2015 and December 2014, respectively. See Note 10, Borrowings, for the fair value of each of the Company's long-term borrowings.

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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 equivalent).

September 30, 2015

(in millions)	Ref	Fair Value	Total		
			Unfunded	Redemption	Redemption
Equity method: <sup>(1)</sup>			Commitments	Frequency	Notice Period
Hedge funds/funds of hedge funds	(b)	\$ 222	\$ 37	Daily/Monthly (21%)	1 – 90 days
				Quarterly (49%)	
Private equity funds	(c)	89	65	N/R (30%)	N/R
Real estate funds	(d)	88	20	N/R	N/R
				Quarterly (25%)	60 days
Deferred compensation plan investments	(e)	16	6	N/R (75%)	N/R
Consolidated VIEs:				N/R	N/R
Private equity funds of funds	(a)	159	19	N/R	N/R
Hedge fund	(b)	79	-	Quarterly	90 days
Total		\$ 653	\$ 147		

December 31, 2014

(in millions)	Ref	Fair Value	Total		
			Unfunded	Redemption	Redemption
Consolidated VREs:			Commitments	Frequency	Notice Period
Private equity funds of funds	(a)	\$ 168	\$ 22	N/R	N/R
Equity method: <sup>(1)</sup>					
Hedge funds/funds of hedge funds	(b)	277	39	Daily/Monthly (29%)	1 – 90 days
				Quarterly (48%)	
Private equity funds	(c)	107	61	N/R (23%)	N/R
				N/R	N/R

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Real estate funds	(d)	109	1	Quarterly (19%)	60 days
				N/R (81%)	
Deferred compensation plan investments	(e)	21	5	N/R	N/R
Consolidated VIEs:					
Private equity fund	(f)	10	1	N/R	N/R
Total		\$ 692	\$ 129		

N/R – not redeemable

- (1) 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.
- (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, 2015 and December 31, 2014. The total remaining unfunded commitments to other third-party funds were \$20 million at September 30, 2015 and \$22 million at December 31, 2014. The Company had contractual obligations to the consolidated funds of \$31 million at both September 30, 2015 and December 31, 2014.
- (b) 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 at both September 30, 2015 and December 31, 2014.



- (c) 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 at both September 30, 2015 and December 31, 2014.
- (d) 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 five years and seven years at September 30, 2015 and December 31, 2014, respectively.
- (e) This category includes investments in several real estate funds. 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 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.
- (f) 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 year at December 31, 2014. Total remaining unfunded commitments to other third-party funds were not material at December 31, 2014, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

## Fair Value Option.

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

	December 31,
(in millions)	2014
CLO Bank Loans:	
Aggregate principal amounts outstanding	\$ 3,338
Fair value	3,260
Aggregate unpaid principal balance in excess of (less than) fair value	\$ 78
Unpaid principal balance of loans more than 90 days past due	\$ 6
Aggregate fair value of loans more than 90 days past due	2
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	\$ 4
CLO Borrowings:	
Aggregate principal amounts outstanding	\$ 3,508

Fair value

\$ 3,389

At December 31, 2014, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2027.

During the three 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, which was partially offset by a \$23 million loss from the change in fair value of the CLO borrowings.

During the nine months ended September 30, 2014, the change in fair value of the bank loans and bonds held by the CLOs resulted in a \$73 million gain, which was offset by a \$73 million loss 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 for the three and nine months ended September 30, 2014. The change in fair value of the assets and liabilities included interest income and expense, respectively.

Effective January 1, 2015, the Company no longer consolidates these CLOs due to the adoption of ASU 2015-02. See Note 2, Significant Accounting Policies, for further information.

## 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, 2015, the Company had outstanding total return swaps and interest rate swaps with aggregate notional values of approximately \$230 million and \$57 million, respectively. At December 31, 2014, the Company had outstanding total return swaps and interest rate swaps with aggregate notional values of approximately \$238 million and \$84 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 discounted future cash flows under the arrangement.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At September 30, 2015 and December 31, 2014, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately \$118 million and \$201 million, respectively.

Gains (losses) on total return swaps are recorded in nonoperating income (expense) and were \$35 million and \$26 million for the three and nine months ended September 30, 2015, respectively. Gains (losses) on total return swaps were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2014.

Gains (losses) on interest rate swaps are recorded in nonoperating income (expense) and were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2015 and 2014.

Gains (losses) on forward foreign currency exchange contracts are recorded in other general and administration expense and were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2015 and 2014.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. Gains (losses) on such derivatives are recorded in nonoperating income (expense) and were not material for the three and nine months ended September 30, 2015 and 2014.

The fair values of the outstanding derivatives at both September 30, 2015 and December 31, 2014 were not material to the condensed consolidated statements of financial condition.

See Note 10, Borrowings, for information on the Company's net investment hedge.

## 8. Goodwill

Goodwill activity during the nine months ended September 30, 2015 was as follows:

(in millions)	
December 31, 2014	\$ 12,961
BKCA acquisition	19
Goodwill adjustment related to Quellos <sup>(1)</sup>	(15 )

- (1) The \$15 million decrease in goodwill during the nine months ended September 30, 2015 resulted from 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 \$239 million and \$263 million at September 30, 2015 and December 31, 2014, respectively.

The \$19 million increase represents goodwill from the Company’s acquisition in March 2015 of certain assets related to BlackRock Kelso Capital Advisors LLC (“BKCA”) that constituted a business for approximately \$100 million, including contingent consideration.

## 9. Intangible Assets

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

	Indefinite-lived	Finite-lived	Total
(in millions)	intangible assets	intangible assets	intangible assets
December 31, 2014	\$ 16,988	\$ 356	\$ 17,344
Amortization expense	-	(104 )	(104 )
BKCA acquisition	120	-	120
September 30, 2015	\$ 17,108	\$ 252	\$ 17,360

### Indefinite-lived Acquired Management Contracts

Indefinite-lived intangible assets increased by \$120 million in the nine months ended September 30, 2015 as a result of the BKCA acquisition.

## 10. Borrowings

### Short-Term Borrowings

**2015 Revolving Credit Facility.** In April 2015, the Company's credit facility was amended to extend the maturity date to March 2020 and to increase the amount of the aggregate commitment to \$4.0 billion (the "2015 credit facility"). The 2015 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 2015 credit facility to an aggregate principal amount not to exceed \$5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2015 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, 2015. The 2015 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At September 30, 2015, the Company had no amount outstanding under the 2015 credit facility.

**Commercial Paper Program.** The maximum aggregate amount for which the Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time is \$4.0 billion. The commercial paper program is currently supported by the 2015 credit facility. At September 30, 2015, BlackRock had no CP Notes outstanding.

### Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices at September 30, 2015 included the following:

Unamortized

Discount

and Debt

(in millions)	Maturity Amount	Issuance Costs	Carrying Value	Fair Value
6.25% Notes due 2017	\$ 700	\$ (1 )	\$ 699	\$ 768
5.00% Notes due 2019	1,000	(3 )	997	1,121
4.25% Notes due 2021	750	(5 )	745	829
3.375% Notes due 2022	750	(6 )	744	777
3.50% Notes due 2024	1,000	(8 )	992	1,030
1.25% Notes due 2025	781	(8 )	773	733
Total Long-term Borrowings	\$ 4,981	\$ (31 )	\$ 4,950	\$ 5,258

Long-term borrowings at December 31, 2014 had a carrying value of \$4.922 billion and a fair value of \$5.309 billion determined using market prices at the end of December 2014.

In June 2015, the Company fully repaid \$750 million of 1.375% notes at maturity.

2025 Notes. In May 2015, the Company issued €700 million of 1.25% senior unsecured notes maturing on May 6, 2025 (the “2025 Notes”). The notes are listed on the New York Stock Exchange. The net proceeds of the 2025 Notes

were used for general corporate purposes, including refinancing of outstanding indebtedness. Interest of approximately \$10 million per year based on current exchange rates is payable annually on May 6 of each year. The 2025 Notes may be redeemed in whole or in part prior to maturity at any time at the option of the Company at a “make-whole” redemption price. The 2025 Notes were issued at a discount of approximately \$3 million that will be amortized over the term of the 2025 Notes.

Upon conversion to U.S. dollars the Company designated the €700 million debt offering as a net investment hedge to offset its currency exposure relating to its net investment in certain euro functional currency operations. A loss of \$2 million and a gain of \$5 million, net of tax, were recognized in other comprehensive income for the three and nine months ended September 30, 2015, respectively. No hedge ineffectiveness was recognized during the three and nine months ended September 30, 2015.

See Note 12, Borrowings, in the 2014 Form 10-K for more information regarding the Company’s borrowings.

## 11. Commitments and Contingencies

**Investment Commitments.** At September 30, 2015, the Company had \$371 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include 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 \$371 million, the Company had approximately \$29 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 that 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 certain acquisitions, BlackRock is required to make contingent payments, subject to the acquired businesses achieving specified performance targets over a certain period subsequent to the applicable acquisition date. The fair value of the remaining aggregate contingent payments at September 30, 2015 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, BlackRock advised investment portfolios may be subject to lawsuits, any of which potentially could harm the investment returns of the applicable portfolio or result in the Company being liable to the portfolios for any resulting damages.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability 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, 2015, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$160.6 billion. The Company held as agent, cash and securities totaling \$169.5 billion as collateral for indemnified securities on loan at September 30, 2015. The fair value of these indemnifications was not material at September 30, 2015.

## 12. Stock-Based Compensation

Restricted stock and restricted stock units ("RSUs") activity for the nine months ended September 30, 2015 is summarized below:

	Restricted Stock and	Weighted- Average Grant Date	Fair Value
Outstanding at December 31, 2014	RSUs 3,401,909		\$ 257.01
Granted	1,325,840		\$ 344.20
Converted	(1,588,125)		\$ 229.23
Forfeited	(45,486 )		\$ 302.93
September 30, 2015 <sup>(1)</sup>	3,094,138		\$ 307.95

<sup>(1)</sup> At September 30, 2015, approximately 2.8 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 2015, the Company granted 952,329 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant and 303,999 RSUs to employees that cliff vest 100% on January 31, 2018.

At September 30, 2015, the intrinsic value of outstanding RSUs was \$0.9 billion reflecting a closing stock price of \$297.47.

At September 30, 2015, total unrecognized stock-based compensation expense related to unvested RSUs was \$400 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 RSUs outstanding at both September 30, 2015 and December 31, 2014 were 1,425,319 with a weighted average exercise price of \$137.31. At September 30, 2015, approximately 1.3 million awards are expected to vest and 0.1 million awards have vested but have not been converted. No market performance based RSUs were granted during the nine months ended September 30, 2015.

At September 30, 2015, the intrinsic value of outstanding market performance-based RSUs was \$424 million reflecting a closing stock price of \$297.47.

See Note 14, Stock-Based Compensation, in the 2014 Form 10-K for more information on market performance-based RSUs.

At September 30, 2015, total unrecognized stock-based compensation expense related to unvested market performance-based awards was \$61 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.2 years.

## Performance-Based RSUs.

Pursuant to the BlackRock, Inc. Amended and Restated 1999 Stock Award and Incentive Plan, performance-based RSUs may be granted to certain employees. Each performance-based award consists of a “base” number of RSUs granted to the employee. The number of shares that an employee ultimately receives at vesting will be equal to the base number of performance-based RSUs granted, multiplied by a predetermined percentage determined in accordance with the level of attainment of Company performance measures during the performance period and could be higher or lower than the original RSU grant. The awards are generally forfeited if the employee leaves the Company before the vesting date. Performance-based RSUs are not considered participating securities as the dividend equivalents are subject to forfeiture prior to vesting of the award.

In January 2015, the Company granted 262,847 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2018. These awards are amortized over a service period of three years.

Performance-based RSU activity for the nine months ended September 30, 2015 is summarized below:

	Performance-	Weighted- Average Grant Date	Fair Value
Outstanding at December 31, 2014	Based RSUs		\$ -
Granted September 30, 2015	262,847		\$ 343.86
	262,847		\$ 343.86

At September 30, 2015, total unrecognized stock-based compensation expense related to unvested performance-based awards was \$69 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 2.3 years.

The Company values performance-based RSUs at their grant-date fair value as measured by BlackRock’s common stock price. The total grant-date fair market value of performance-based RSUs expected to vest was \$90 million.

At September 30, 2015, the intrinsic value of outstanding performance-based RSUs was \$78.2 million reflecting a closing stock price of \$297.47.

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, 2015, approximately 2.7 million shares had been surrendered by PNC.

At September 30, 2015, the remaining shares committed by PNC of approximately 1.3 million were available to fund certain future long-term incentive awards.

Stock Options. Stock option activity for the nine months ended September 30, 2015 is summarized below:

	Shares	Weighted average price under exercise
Outstanding at December 31, 2014	906,719	\$ 167.76
Exercised <sup>(1)</sup>	(468,378)	\$ 167.76
September 30, 2015 <sup>(1)</sup>	438,341	\$ 167.76

<sup>(1)</sup> The aggregate intrinsic value of options exercised during the nine months ended September 30, 2015 was \$80.0 million. At September 30, 2015, all options were vested.

The remaining average life of stock options outstanding at September 30, 2015 is approximately one year.

## 13. 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, 2015, the Company was required to maintain approximately \$1.1 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. The Company was in compliance with all applicable regulatory net capital requirements.

## 14. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in AOCI by component for the three and nine months ended September 30, 2015 and 2014:

	Unrealized gains (losses) on available-for-sale investments <sup>(1),(2)</sup>	Benefit plans	Foreign currency translation adjustments <sup>(3)</sup>	Total
(in millions)				
For the Three Months Ended September 30,				
2015				
June 30, 2015	\$ 1	\$ 3	\$ (343)	) \$(339)
Other comprehensive income (loss)				
before reclassifications	(2)	-	(67)	) (69)
Amount reclassified from AOCI	-	-	-	-
Net other comprehensive income (loss) for				
the three months ended September 30,				
2015				
September 30, 2015	\$ (1)	\$ 3	\$ (410)	) \$(408)
For the Nine Months Ended September 30,				
2015				
December 31, 2014	\$ 2	\$ 4	\$ (279)	) \$(273)

Other comprehensive income (loss)

before reclassifications	(3	)	(1	)	(131	)	(135)	
Amount reclassified from AOCI	-		-		-		-	
Net other comprehensive income (loss) for								
the nine months ended September 30, 2015	(3	)	(1	)	(131	)	(135)	
September 30, 2015	\$	(1	)	\$	3		\$ (410	) \$(408)

(1) All amounts are net of tax.

(2) The tax benefit (expense) was not material for the three and nine months ended September 30, 2015.

(3) Amount for the three months ended September 30, 2015 include losses from a net investment hedge of \$2 million. Amount for the nine months ended September 30, 2015 include gains from a net investment hedge of \$5 million, net of tax of \$4 million.

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(in millions)	Unrealized gains (losses) on available-for-sale investments <sup>(1) (2)</sup>	Benefit plans	Foreign currency translation adjustments	Total
For the Three Months Ended September 30,				
2014				
June 30, 2014	\$ 5	\$ 6	\$ (10 )	\$1
Other comprehensive income (loss)				
before reclassifications	(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)
September 30, 2014	\$ 2	\$ 6	\$ (177 )	\$(169)
For the Nine Months Ended September 30,				
2014				
December 31, 2013	\$ 7	\$ 6	\$ (48 )	\$(35 )
Other comprehensive income (loss)				
before reclassifications	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)
September 30, 2014	\$ 2	\$ 6	\$ (177 )	\$(169)

(1) All amounts are net of tax.

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

(3) The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

## 15. Capital Stock

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

September 30,	December 31,
2015	2014

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Series A		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	-	-
Series B		
Shares authorized, \$0.01 par value	150,000,000	150,000,000
Shares issued and outstanding <sup>(1)</sup>	823,188	823,188
Series C		
Shares authorized, \$0.01 par value	6,000,000	6,000,000
Shares issued and outstanding <sup>(1)</sup>	1,311,887	1,311,887
Series D		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	-	-

<sup>(1)</sup> Shares held by PNC.

**Share Repurchases.** The Company repurchased 2.3 million common shares in open-market transactions under the share repurchase program for approximately \$825 million during the nine months ended September 30, 2015.

In January 2015, the Board of Directors approved an increase in the availability of shares that may be repurchased under the Company's existing share repurchase program to allow for the repurchase of up to a total of 9.4 million additional shares of BlackRock common stock. At September 30, 2015, there were 7.1 million shares still authorized to be repurchased.



## 16. Income Taxes

The three and nine months ended September 30, 2015 included a \$6 million net noncash tax benefit and \$10 million net noncash expense, respectively, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes. The nine months ended September 30, 2015 also included nonrecurring tax benefits of \$75 million, primarily due to the realization of losses from changes in the Company's organizational tax structure and the resolution of certain outstanding tax matters.

The three and nine months ended September 30, 2014 included a \$32 million and a \$9 million net noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes. 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 and improvement in the geographic mix of earnings.

In addition, the three and nine months ended September 30, 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 third quarter of 2014, BlackRock recorded \$50 million of general and administration expense to reflect the reduction of the indemnification asset and an offsetting \$50 million tax benefit.

## 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 earnings per share ("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, 2015 and 2014 under the treasury stock method:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(in millions, except shares and per share data)	2015	2014	2015	2014
Net income attributable to BlackRock	\$843	\$ 917	\$2,484	\$ 2,481
Basic weighted-average shares outstanding	166,045,291	167,933,040	166,579,805	168,571,354
Dilutive effect of nonparticipating RSUs and stock				
options	2,620,012	2,845,726	2,577,383	2,779,922
Total diluted weighted-average shares outstanding	168,665,303	170,778,766	169,157,188	171,351,276
Basic earnings per share	\$5.08	\$ 5.46	\$14.91	\$ 14.72
Diluted earnings per share	\$5.00	\$ 5.37	\$14.68	\$ 14.48



## 18. 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.

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, 2015 and 2014.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Equity	\$1,281	\$1,359	\$4,013	\$4,005
Fixed income	614	554	1,789	1,601
Multi-asset	325	323	961	922
Alternatives	363	293	839	852
Cash management	81	72	230	219
Total investment advisory, administration fees, securities lending revenue and performance fees	2,664	2,601	7,832	7,599
BlackRock Solutions and advisory	167	165	475	465
Distribution fees	14	17	44	54
Other revenue	65	66	187	179
Total revenue	\$2,910	\$2,849	\$8,538	\$8,297

The following table illustrates total revenue for the three and nine months ended September 30, 2015 and 2014 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	\$1,865	\$1,877	\$5,632	\$5,425
Americas	906	832	2,494	2,470
Europe	139	140	412	402
Asia-Pacific	\$2,910	\$2,849	\$8,538	\$8,297

The following table illustrates long-lived assets that consist of goodwill and property and equipment at September 30, 2015 and December 31, 2014 by geographic region. These amounts are aggregated on a legal entity basis and do not

necessarily reflect where the asset is physically located.

(in millions)	September 30, 2015	December 31, 2014
Long-lived Assets		
Americas	\$ 13,231	\$ 13,151
Europe	190	194
Asia-Pacific	87	83
Total long-lived assets	\$ 13,508	\$ 13,428

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 Hong Kong, Australia, China, India, Japan, Korea, Malaysia, Singapore and Taiwan.

## 19. Subsequent Events

In October 2015, the Company completed the acquisition of Infraestructura Institucional, one of Mexico's leading independently managed infrastructure investment firms, expanding the Company's infrastructure capabilities in Mexico. In October 2015, the Company also completed the acquisition of FutureAdvisor, a leader in digital wealth management. In November 2015, the Company announced that it had entered an agreement to assume investment management responsibilities of approximately \$87 billion of assets under management from BofA<sup>®</sup> Global Capital Management, Bank of America's asset management business. The transaction is expected to close in the first half of 2016, subject to customary regulatory approvals and closing conditions.

These transactions are not expected to be material to the Company's consolidated financial condition or results of operations.

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

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," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar 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.

## 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 \$4.506 trillion of AUM at September 30, 2015. With approximately 12,900 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® exchange-traded funds (“ETFs”), separate accounts, collective investment funds and other pooled investment vehicles. BlackRock also offers the BlackRock Solutions® investment and risk management technology platform, Aladdin®, 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, 2015, PNC held 21.1% of the Company’s voting common stock and 22.1% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

Certain items previously reported have been reclassified to conform to current year presentation.

## EXECUTIVE SUMMARY

(in millions, except shares and per share data)	Three Months Ended		Nine Months Ended			
	September 30, 2015	2014	September 30, 2015	2014		
GAAP basis:						
Total revenue	\$2,910	\$2,849	\$8,538	\$8,297		
Total expense	1,688	1,692	5,011	4,967		
Operating income	\$1,222	\$1,157	\$3,527	\$3,330		
Operating margin	42.0	% 40.6	% 41.3	% 40.1		%
Nonoperating income (expense), less net income (loss)						
attributable to noncontrolling interests <sup>(1)</sup>	(37	) (8	) (72	) 4		
Income tax expense	(342	) (232	) (971	) (853		)
Net income attributable to BlackRock	\$843	\$917	\$2,484	\$2,481		
Diluted earnings per common share	\$5.00	\$5.37	14.68	\$14.48		
Effective tax rate	28.8	% 20.2	% 28.1	% 25.6		%
As adjusted <sup>(2)</sup> :						
Total revenue	\$2,910	\$2,849	\$8,538	\$8,297		
Total expense	1,683	1,635	4,986	4,888		
Operating income	\$1,227	\$1,214	\$3,552	\$3,409		
Operating margin	43.9	% 44.2	% 43.4	% 42.7		%
Nonoperating income (expense), less net income (loss)						
attributable to noncontrolling interests <sup>(1)</sup>	(32	) (8	) (71	) (2		)
Income tax expense	(351	) (316	) (969	) (918		)
Net income attributable to BlackRock	\$844	\$890	\$2,512	\$2,489		
Diluted earnings per common share	\$5.00	\$5.21	\$14.85	\$14.53		
Effective tax rate	29.3	% 26.2	% 27.8	% 26.9		%
Other:						
Assets under management (end of period)	\$4,505,721	\$4,524,575	\$4,505,721	\$4,524,575		
Diluted weighted-average common shares outstanding <sup>(3)</sup>	168.7	170.8	169.2	171.4		
Common and preferred shares outstanding (end of period)	166.1	167.6	166.1	167.6		
Book value per share <sup>(4)</sup>	\$169.44	\$161.80	\$169.44	\$161.80		
Cash dividends declared and paid per share	\$2.18	\$1.93	\$6.54	\$5.79		

(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 at September 30, 2014, divided by total common and preferred shares outstanding at September 30 of the respective period-end.



THREE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2014

GAAP. Operating income of \$1,222 million increased \$65 million and operating margin of 42.0% increased 140 bps from the third quarter of 2014. Operating income reflected the impact of higher performance fees and organic growth, despite negative market performance and the effect of foreign exchange. Expense reflected higher compensation and benefits expense, primarily reflecting higher headcount and higher deferred compensation expense in the three months ended September 30, 2015. Expense for the three months ended September 30, 2014 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). Nonoperating income (expense), less net income (loss) attributable to NCI, decreased \$29 million due to lower net gains on investments in the third quarter of 2015.

Income tax expense increased \$110 million from the third quarter of 2014. Income tax expense for the third quarter of 2015 and the third quarter of 2014 included a \$6 million and a \$32 million net noncash tax benefit, respectively, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes. In addition, income tax expense for the three months ended September 30, 2014 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.

Earnings per diluted common share decreased \$0.37, or 7%, from the third quarter of 2014, reflecting a lower effective tax rate in last year’s third quarter, partially offset by the benefit of share repurchases.

As Adjusted. Operating income of \$1,227 million increased \$13 million from the third quarter of 2014. Earnings per diluted common share decreased \$0.21, or 4%, from the third quarter of 2014. General and administration expense for the three months ended September 30, 2014 excluded \$50 million related to the reduction of an indemnification asset. Income tax expense for the prior year quarter excluded a \$50 million tax benefit associated with the reduction of the same indemnification asset. In addition, the current quarter and prior year’s third quarter excluded \$6 million and \$32 million of noncash benefits, respectively.

NINE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2014

GAAP. Operating income of \$3,527 million increased \$197 million and operating margin of 41.3% increased 120 bps from the nine months ended September 30, 2014. Operating income reflected growth in base fees and performance fees, partially offset by higher expense. Expense reflected higher revenue-related expense, including compensation and distribution and servicing costs, partially offset by lower general and administration expense. The nine months ended September 30, 2014 also included the previously mentioned \$50 million general and administration expense related to the reduction of an indemnification asset. Nonoperating income (expense), less net income (loss) attributable to NCI, decreased \$76 million from the nine months ended September 30, 2014 due to lower net gains on investments during the nine months ended September 30, 2015.

Income tax expense for the nine months ended September 30, 2015 included \$10 million net noncash expense associated with the revaluation of certain deferred income tax liabilities described above and benefited from \$75 million of nonrecurring items. 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 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.

Earnings per diluted common share rose \$0.20, or 1%, compared with the prior year period due the benefit of share repurchases.

As Adjusted. Operating income of \$3,552 million and operating margin of 43.4% increased \$143 million and 70 bps, respectively, from the nine months ended September 30, 2014. Income tax expense on an as adjusted basis for the nine months ended September 30, 2015 excluded the previously described net noncash expense of \$10 million. 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. Earnings per diluted common share rose \$0.32, or 2%, from the nine months ended September 30, 2014.

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.

## 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. Management also uses non-GAAP financial measures as a benchmark to compare its performance with other companies and to enhance the comparability of this information for the reporting periods presented. Non-GAAP measures may pose limitations because they do not include all of BlackRock’s revenue and expense. 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.

Management uses both GAAP and non-GAAP financial measures in evaluating BlackRock’s financial performance. Adjustments to GAAP financial measures (“non-GAAP adjustments”) include certain items management deems nonrecurring or occur infrequently, transactions that ultimately will not impact BlackRock’s book value or certain tax items that do not impact cash flow.

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:

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.

(in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Operating income, GAAP basis	\$1,222	\$1,157	\$3,527	\$3,330
Non-GAAP expense adjustments:				
Reduction of indemnification asset	-	50	-	50
PNC LTIP funding obligation	10	7	26	23
Compensation expense related to appreciation				
(depreciation) on deferred compensation plans	(5 )	-	(1 )	6
Operating income, as adjusted	1,227	1,214	3,552	3,409
Product placement costs and commissions	-	-	5	-
Operating income used for operating margin measurement	\$1,227	\$1,214	\$3,557	\$3,409
Revenue, GAAP basis	\$2,910	\$2,849	\$8,538	\$8,297
Non-GAAP adjustments:				
Distribution and servicing costs	(102 )	(90 )	(306 )	(268 )
Amortization of deferred sales commissions	(12 )	(14 )	(37 )	(43 )
Revenue used for operating margin measurement	\$2,796	\$2,745	\$8,195	\$7,986
Operating margin, GAAP basis	42.0 %	40.6 %	41.3 %	40.1 %
Operating margin, as adjusted	43.9 %	44.2 %	43.4 %	42.7 %

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 and administration expense relating to the reduction of an indemnification asset in the third quarter of 2014 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.

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 product placement 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.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
(in millions)				
Nonoperating income (expense), GAAP basis	\$(48)	\$(52)	\$(73)	\$(19)
Less: Net income (loss) attributable to NCI	(11)	(44)	(1)	(23)
Nonoperating income (expense), net of NCI	(37)	(8)	(72)	4
Compensation expense related to (appreciation) depreciation on deferred compensation plans	5	-	1	(6)
Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted	\$(32)	\$(8)	\$(71)	\$(2)

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

	Three Months Ended	Nine Months Ended
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(in millions, except per share data)	September 30,		September 30,	
	2015	2014	2015	2014
Net income attributable to BlackRock, GAAP basis	\$843	\$917	\$2,484	\$2,481
Non-GAAP adjustments, net of tax:				
PNC LTIP funding obligation	7	5	18	17
Income tax matters	(6 )	(32 )	10	(9 )
Net income attributable to BlackRock, as adjusted	\$844	\$890	\$2,512	\$2,489
Diluted weighted-average common shares				
outstanding <sup>(4)</sup>	168.7	170.8	169.2	171.4
Diluted earnings per common share, GAAP basis <sup>(4)</sup>	\$5.00	\$5.37	\$14.68	\$14.48
Diluted earnings per common share, as adjusted <sup>(4)</sup>	\$5.00	\$5.21	\$14.85	\$14.53

See aforementioned discussion regarding operating income, as adjusted, and operating margin, as adjusted, for information on the PNC LTIP funding obligation.

For each period presented, the non-GAAP adjustment related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustments. The three and nine months ended September 30, 2015 included a \$6 million net noncash tax benefit and \$10 million of net noncash tax expense, respectively, primarily related to the revaluation of certain deferred tax liabilities. Both of these items have been excluded from as adjusted results as they will not have a cash flow impact and to ensure comparability among periods presented. The three and nine months ended September 30, 2014 included a \$32 million and a \$9 million noncash benefit, respectively, primarily associated with the revaluation of certain deferred income tax liabilities. Both of these items have been excluded from as adjusted results as they will not have a cash flow impact and to ensure comparability among periods presented.

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

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 Inflows (Outflows) by Client Type

	AUM			Net Inflows (Outflows)			
	September 30,	June 30,	December 31,	September 30,	September 30,	September 30,	
(in millions)	2015	2015	2014	2014	2015	2015	2015
Retail	\$535,208	\$561,062	\$534,329	\$525,479	\$6,554	\$31,491	\$54,446
iShares	1,010,493	1,075,589	1,024,228	974,170	23,301	69,628	113,818
Institutional:							
Active	959,354	975,483	959,160	954,889	5,863	26,364	27,407
Index	1,702,739	1,824,755	1,816,124	1,765,875	(707 )	(29,335 )	(9,707 )
Total institutional	2,662,093	2,800,238	2,775,284	2,720,764	5,156	(2,971 )	17,700
Total long-term	4,207,794	4,436,889	4,333,841	4,220,413	35,011	98,148	185,964
Cash							
management	285,692	271,506	296,353	280,980	15,071	(8,257 )	9,551
Advisory <sup>(1)</sup>	12,235	12,899	21,701	23,182	(132 )	(7,882 )	(8,798 )
Total	\$4,505,721	\$4,721,294	\$4,651,895	\$4,524,575	\$49,950	\$82,009	\$186,717

AUM and Net Inflows (Outflows) by Product Type

	AUM			Net Inflows (Outflows)			
	September 30,	June 30,	December 31,	September 30,	September 30,	September 30,	
(in millions)	2015	2015	2014	2014	2015	2015	2015
Equity	\$2,273,237	\$2,505,317	\$2,451,111	\$2,400,105	\$5,631	\$(688 )	\$27,969
Fixed income	1,445,637	1,422,434	1,393,653	1,333,528	27,652	76,787	125,185
Multi-asset	375,001	395,009	377,837	373,054	(452 )	17,388	27,084
Alternatives:							



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Core Currency and commodities <sup>(2)</sup>	91,358	89,954	88,006	88,280	2,094	3,123	4,304
Subtotal	113,919	114,129	111,240	113,726	2,180	4,661	5,726
Long-term	4,207,794	4,436,889	4,333,841	4,220,413	35,011	98,148	185,964
Cash management Advisory <sup>(1)</sup>	285,692	271,506	296,353	280,980	15,071	(8,257 )	9,551
	12,235	12,899	21,701	23,182	(132 )	(7,882 )	(8,798 )
Total	\$4,505,721	\$4,721,294	\$4,651,895	\$4,524,575	\$49,950	\$82,009	\$186,717

AUM and Net Inflows (Outflows) by Investment Style

	AUM				Net Inflows (Outflows)		
	September 30,	June 30,	December 31,	September 30,	Three Months Ended	Nine Months Ended	Twelve Months Ended
(in millions)	2015	2015	2014	2014	2015	2015	2015
Active	\$1,456,692	\$1,496,571	\$1,453,613	\$1,444,313	\$11,255	\$55,512	\$76,104
Index and iShares	2,751,102	2,940,318	2,880,228	2,776,100	23,756	42,636	109,860
Total long-term	4,207,794	4,436,889	4,333,841	4,220,413	35,011	98,148	185,964
Cash management Advisory <sup>(1)</sup>	285,692	271,506	296,353	280,980	15,071	(8,257 )	9,551
	12,235	12,899	21,701	23,182	(132 )	(7,882 )	(8,798 )
Total	\$4,505,721	\$4,721,294	\$4,651,895	\$4,524,575	\$49,950	\$82,009	\$186,717

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

(2) Amounts include commodity iShares.

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Component Changes in AUM for the Three Months Ended September 30, 2015

The following table presents the component changes in AUM by client type and product for the three months ended September 30, 2015.

(in millions)	Net					September 30, 2015	Average AUM <sup>(2)</sup>
	June 30, 2015	inflows (outflows)	Market change	FX impact <sup>(1)</sup>			
<b>Retail:</b>							
Equity	\$203,373	\$ 1,183	\$(19,015 )	\$(1,276 )	\$ 184,265	\$ 195,718	
Fixed income	209,056	4,589	(2,791 )	(249 )	210,605	210,303	
Multi-asset	129,188	142	(8,450 )	(394 )	120,486	125,681	
Alternatives	19,445	640	(204 )	(29 )	19,852	19,721	
Retail subtotal	561,062	6,554	(30,460 )	(1,948 )	535,208	551,423	
<b>iShares:</b>							
Equity	828,057	5,315	(82,077 )	(2,837 )	748,458	795,353	
Fixed income	230,735	18,232	(1,225 )	(1,030 )	246,712	239,127	
Multi-asset	1,844	74	(100 )	(10 )	1,808	1,819	
Alternatives	14,953	(320 )	(1,082 )	(36 )	13,515	13,978	
iShares subtotal	1,075,589	23,301	(84,484 )	(3,913 )	1,010,493	1,050,277	
<b>Institutional:</b>							
<b>Active:</b>							
Equity	128,032	906	(10,493 )	(1,727 )	116,718	123,096	
Fixed income	517,251	4,113	3,465	(2,320 )	522,509	520,314	
Multi-asset	256,964	(735 )	(8,650 )	(1,803 )	245,776	254,274	
Alternatives	73,236	1,579	(128 )	(336 )	74,351	73,895	
Active subtotal	975,483	5,863	(15,806 )	(6,186 )	959,354	971,579	
<b>Index:</b>							
Equity	1,345,855	(1,773 )	(113,587)	(6,699 )	1,223,796	1,301,851	
Fixed income	465,392	718	10,090	(10,389)	465,811	467,034	
Multi-asset	7,013	67	(169 )	20	6,931	7,071	
Alternatives	6,495	281	(469 )	(106 )	6,201	6,353	
Index subtotal	1,824,755	(707 )	(104,135)	(17,174)	1,702,739	1,782,309	
Institutional subtotal	2,800,238	5,156	(119,941)	(23,360)	2,662,093	2,753,888	
Long-term	4,436,889	35,011	(234,885)	(29,221)	4,207,794	\$4,355,588	
Cash management	271,506	15,071	461	(1,346 )	285,692		
Advisory <sup>(3)</sup>	12,899	(132 )	74	(606 )	12,235		
<b>Total</b>	<b>\$4,721,294</b>	<b>\$ 49,950</b>	<b>\$(234,350)</b>	<b>\$(31,173)</b>	<b>\$ 4,505,721</b>		

<sup>(1)</sup> Foreign exchange reflects the impact of translating 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, 2015.

(in millions)	Net					September 30, 2015	Average AUM <sup>(2)</sup>
	June 30, 2015	inflows (outflows)	Market change	FX impact <sup>(1)</sup>			
Equity:							
Active	\$298,884	\$ 875	\$(27,064 )	\$(2,272 )	\$ 270,423	\$286,992	
iShares	828,057	5,315	(82,077 )	(2,837 )	748,458	795,353	
Non-ETF index	1,378,376	(559 )	(116,031)	(7,430 )	1,254,356	1,333,673	
Equity subtotal	2,505,317	5,631	(225,172)	(12,539)	2,273,237	2,416,018	
Fixed income:							
Active	718,853	8,752	525	(2,328 )	725,802	723,189	
iShares	230,735	18,232	(1,225 )	(1,030 )	246,712	239,127	
Non-ETF index	472,846	668	10,239	(10,630)	473,123	474,462	
Fixed income subtotal	1,422,434	27,652	9,539	(13,988)	1,445,637	1,436,778	
Multi-asset	395,009	(452 )	(17,369 )	(2,187 )	375,001	388,845	
Alternatives:							
Core	89,954	2,094	(267 )	(423 )	91,358	90,773	
Currency and commodities <sup>(3)</sup>	24,175	86	(1,616 )	(84 )	22,561	23,174	
Alternatives subtotal	114,129	2,180	(1,883 )	(507 )	113,919	113,947	
Long-term	4,436,889	35,011	(234,885)	(29,221)	4,207,794	\$4,355,588	
Cash management	271,506	15,071	461	(1,346 )	285,692		
Advisory <sup>(4)</sup>	12,899	(132 )	74	(606 )	12,235		
Total	\$4,721,294	\$ 49,950	\$(234,350)	\$(31,173)	\$ 4,505,721		

(1) Foreign exchange reflects the impact of translating 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 \$215.6 billion, or 5%, to \$4.506 trillion at September 30, 2015 from \$4.721 trillion at June 30, 2015, driven largely by net market depreciation and the impact of foreign exchange movements that more than offset organic growth.

Net market depreciation of \$234.4 billion was driven by \$225.2 billion from equity products reflecting negative market performance.

AUM decreased \$31.2 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar, largely against the pound sterling and Canadian dollar.

Net Inflows (Outflows) Long-term net inflows of \$35.0 billion were across all client types, including \$23.3 billion, \$6.6 billion and \$5.1 billion from iShares, retail and institutional clients, respectively. Net flows in long-term products are described below.

iShares net inflows of \$23.3 billion included fixed income net inflows of \$18.2 billion, which reflected strong flows into U.S. Treasuries. Equity net inflows of \$5.3 billion were driven by flows into European-listed iShares and

reflected demand for developed market exposures.

- Active fixed income net inflows of \$8.8 billion were led by retail active fixed income net inflows of \$4.6 billion. Active retail net inflows, which were diversified across exposures, included \$2.4 billion of inflows into unconstrained strategies.
- Alternatives net inflows of \$2.2 billion included institutional active inflows of \$1.6 billion which were broad based, including fundings into infrastructure, real estate, fund of fund and alternative solutions offerings.

Cash management net inflows of \$15.1 billion were primarily driven by net inflows from Americas institutional clients in prime and government strategies.

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The following table presents component changes in AUM by client type and product for the nine months ended September 30, 2015.

(in millions)	Net			Market change	FX impact <sup>(2)</sup>	September 30, 2015	Average AUM <sup>(3)</sup>
	December 31, 2014	inflows (outflows)	Acquisition <sup>(1)</sup>				
<b>Retail:</b>							
Equity	\$ 200,445	\$ 1,814	\$ -	\$(14,312 )	\$(3,682 )	\$ 184,265	\$200,371
Fixed income	189,820	27,179	-	(4,517 )	(1,877 )	210,605	203,875
Multi-asset	125,341	2,257	-	(6,336 )	(776 )	120,486	127,271
Alternatives	18,723	241	1,293	45	(450 )	19,852	19,218
Retail subtotal	534,329	31,491	1,293	(25,120 )	(6,785 )	535,208	550,735
<b>iShares:</b>							
Equity	790,067	30,848	-	(62,710 )	(9,747 )	748,458	808,200
Fixed income	217,671	38,370	-	(4,724 )	(4,605 )	246,712	234,414
Multi-asset	1,773	156	-	(101 )	(20 )	1,808	1,830
Alternatives	14,717	254	-	(1,363 )	(93 )	13,515	14,596
iShares subtotal	1,024,228	69,628	-	(68,898 )	(14,465 )	1,010,493	1,059,040
<b>Institutional:</b>							
<b>Active:</b>							
Equity	125,143	(686 )	-	(4,806 )	(2,933 )	116,718	126,101
Fixed income	518,590	9,076	-	888	(6,045 )	522,509	523,772
Multi-asset	242,913	15,400	-	(5,250 )	(7,287 )	245,776	254,183
Alternatives	72,514	2,574	-	12	(749 )	74,351	73,299
Active subtotal	959,160	26,364	-	(9,156 )	(17,014 )	959,354	977,355
<b>Index:</b>							
Equity	1,335,456	(32,664 )	-	(63,299 )	(15,697 )	1,223,796	1,342,446
Fixed income	467,572	2,162	-	7,632	(11,555 )	465,811	468,949
Multi-asset	7,810	(425 )	-	(277 )	(177 )	6,931	7,539
Alternatives	5,286	1,592	-	(602 )	(75 )	6,201	5,826
Index subtotal	1,816,124	(29,335 )	-	(56,546 )	(27,504 )	1,702,739	1,824,760
Institutional subtotal	2,775,284	(2,971 )	-	(65,702 )	(44,518 )	2,662,093	2,802,115
Long-term	4,333,841	98,148	1,293	(159,720 )	(65,768 )	4,207,794	\$4,411,890
Cash management	296,353	(8,257 )	-	446	(2,850 )	285,692	
Advisory <sup>(4)</sup>	21,701	(7,882 )	-	465	(2,049 )	12,235	
<b>Total</b>	<b>\$ 4,651,895</b>	<b>\$ 82,009</b>	<b>\$ 1,293</b>	<b>\$(158,809)</b>	<b>\$(70,667)</b>	<b>\$ 4,505,721</b>	

(1) Amount represents \$1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.

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

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

(4) 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, 2015.

(in millions)	Net			Market change	FX impact <sup>(2)</sup>	September 30, Average	
	December 31, 2014	inflows (outflows)	Acquisition <sup>(1)</sup>			2015	AUM <sup>(3)</sup>
Equity:							
Active	\$ 292,802	\$ (657 )	\$ -	\$ (16,069 )	\$ (5,653 )	\$ 270,423	\$ 294,160
iShares	790,067	30,848	-	(62,710 )	(9,747 )	748,458	808,200
Non-ETF index	1,368,242	(30,879 )	-	(66,348 )	(16,659)	1,254,356	1,374,758
Equity subtotal	2,451,111	(688 )	-	(145,127)	(32,059)	2,273,237	2,477,118
Fixed income:							
Active	701,324	35,696	-	(3,649 )	(7,569 )	725,802	720,240
iShares	217,671	38,370	-	(4,724 )	(4,605 )	246,712	234,414
Non-ETF index	474,658	2,721	-	7,652	(11,908)	473,123	476,356
Fixed income subtotal	1,393,653	76,787	-	(721 )	(24,082)	1,445,637	1,431,010
Multi-asset	377,837	17,388	-	(11,964 )	(8,260 )	375,001	390,823
Alternatives:							
Core	88,006	3,123	1,293	143	(1,207 )	91,358	89,463
Currency and commodities <sup>(4)</sup>	23,234	1,538	-	(2,051 )	(160 )	22,561	23,476
Alternatives subtotal	111,240	4,661	1,293	(1,908 )	(1,367 )	113,919	112,939
Long-term	4,333,841	98,148	1,293	(159,720)	(65,768)	4,207,794	\$ 4,411,890
Cash management	296,353	(8,257 )	-	446	(2,850 )	285,692	
Advisory <sup>(5)</sup>	21,701	(7,882 )	-	465	(2,049 )	12,235	
Total	\$ 4,651,895	\$ 82,009	\$ 1,293	\$ (158,809)	\$ (70,667)	\$ 4,505,721	

(1) Amount represents \$1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.

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

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

(4) Amounts include commodity iShares.

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

AUM decreased \$146.2 billion, or 3%, to \$4.506 trillion at September 30, 2015 from \$4.652 trillion at December 31, 2014, driven largely by net market depreciation and the impact of foreign exchange movements, partially offset by organic growth.

Net market depreciation of \$158.8 billion was driven by \$145.1 billion from equity products due to lower U.S. and global equity markets.

AUM decreased \$70.7 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar, largely against the euro, pound sterling and Canadian dollar.

Net Inflows (Outflows). Long-term net inflows of \$98.1 billion included inflows of \$69.6 billion and \$31.5 billion from iShares and retail clients, respectively, partially offset by net outflows of \$3.0 billion from institutional clients. Net flows in long-term products are described below.

- iShares net inflows of \$69.6 billion reflected fixed income net inflows of \$38.4 billion, which were diversified across exposures and geographies. Equity net inflows of \$30.8 billion were driven by demand for the Core Series and regional and country specific strategies.
- Active fixed income net inflows of \$35.7 billion were led by retail active fixed income net inflows of \$26.6 billion. Active fixed income net inflows were diversified across exposures and included strong net inflows into unconstrained strategies and high yield products.
- Multi-asset net inflows of \$17.4 billion were driven by \$15.4 billion of institutional active net inflows, reflecting strong solutions-based insurance wins and ongoing demand for the LifePath® target-date product suite.
- Non-ETF index long-term net outflows of \$27.0 billion were driven by equity net outflows of \$30.9 billion linked to asset allocation, re-balancing and cash needs.



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Cash management net outflows of \$8.3 billion were primarily comprised of net outflows from EMEA institutional clients concentrated in offshore funds and Americas institutional clients from prime and government strategies.

Advisory net outflows of \$7.9 billion were driven by portfolio liquidations.

Component Changes in AUM for the Twelve Months Ended September 30, 2015

The following table presents the component changes in AUM by client type and product for the twelve months ended September 30, 2015.

(in millions)	Net			Market change	FX impact <sup>(2)</sup>	September 30, 2015	Average AUM <sup>(3)</sup>
	September 30, 2014	inflows (outflows)	Acquisition <sup>(1)</sup>				
<b>Retail:</b>							
Equity	\$ 204,371	\$ 3,102	\$ -	\$(16,936)	\$(6,272)	\$ 184,265	\$ 201,282
Fixed income	176,248	42,588	-	(5,397)	(2,834)	210,605	199,005
Multi-asset	125,899	8,422	-	(12,560)	(1,275)	120,486	127,088
Alternatives	18,961	334	1,293	(50)	(686)	19,852	19,188
Retail subtotal	525,479	54,446	1,293	(34,943)	(11,067)	535,208	546,563
<b>iShares:</b>							
Equity	757,272	55,065	-	(48,831)	(15,048)	748,458	800,429
Fixed income	199,137	58,533	-	(4,066)	(6,892)	246,712	228,926
Multi-asset	1,667	259	-	(92)	(26)	1,808	1,766
Alternatives	16,094	(39)	-	(2,388)	(152)	13,515	14,789
iShares subtotal	974,170	113,818	-	(55,377)	(22,118)	1,010,493	1,045,910
<b>Institutional:</b>							
<b>Active:</b>							
Equity	130,073	(6,141)	-	(1,703)	(5,511)	116,718	126,471
Fixed income	513,340	11,799	-	10,772	(13,402)	522,509	522,085
Multi-asset	238,765	17,896	-	1,099	(11,984)	245,776	251,403
Alternatives	72,711	3,853	-	(603)	(1,610)	74,351	72,986
Active subtotal	954,889	27,407	-	9,565	(32,507)	959,354	972,945
<b>Index:</b>							
Equity	1,308,389	(24,057)	-	(26,045)	(34,491)	1,223,796	1,339,956
Fixed income	444,803	12,265	-	32,736	(23,993)	465,811	465,221
Multi-asset	6,723	507	-	239	(538)	6,931	7,372
Alternatives	5,960	1,578	-	(1,144)	(193)	6,201	5,829
Index subtotal	1,765,875	(9,707)	-	5,786	(59,215)	1,702,739	1,818,378
Institutional subtotal	2,720,764	17,700	-	15,351	(91,722)	2,662,093	2,791,323
Long-term	4,220,413	185,964	1,293	(74,969)	(124,907)	4,207,794	\$ 4,383,796
Cash management	280,980	9,551	-	643	(5,482)	285,692	
Advisory <sup>(4)</sup>	23,182	(8,798)	-	706	(2,855)	12,235	
<b>Total</b>	<b>\$ 4,524,575</b>	<b>\$ 186,717</b>	<b>\$ 1,293</b>	<b>\$(73,620)</b>	<b>\$(133,244)</b>	<b>\$ 4,505,721</b>	

<sup>(1)</sup> Amount represents \$1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.

- (2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
- (3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
- (4) 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, 2015.

(in millions)	Net			Market change	FX impact <sup>(2)</sup>	September 30, Average	
	September 30, inflows 2014	(outflows)	Acquisition <sup>(1)</sup>			2015	AUM <sup>(3)</sup>
Equity:							
Active	\$ 304,872	\$ (7,845 )	\$ -	\$ (16,592)	\$ (10,012 )	\$ 270,423	\$ 295,794
iShares	757,272	55,065	-	(48,831)	(15,048 )	748,458	800,429
Non-ETF index	1,337,961	(19,251 )	-	(28,092)	(36,262 )	1,254,356	1,371,915
Equity subtotal	2,400,105	27,969	-	(93,515)	(61,322 )	2,273,237	2,468,138
Fixed income:							
Active	683,170	53,378	-	4,886	(15,632 )	725,802	713,855
iShares	199,137	58,533	-	(4,066 )	(6,892 )	246,712	228,926
Non-ETF index	451,221	13,274	-	33,225	(24,597 )	473,123	472,456
Fixed income subtotal	1,333,528	125,185	-	34,045	(47,121 )	1,445,637	1,415,237
Multi-asset	373,054	27,084	-	(11,314)	(13,823 )	375,001	387,629
Alternatives:							
Core	88,280	4,304	1,293	(465 )	(2,054 )	91,358	89,058
Currency and commodities <sup>(4)</sup>	25,446	1,422	-	(3,720 )	(587 )	22,561	23,734
Alternatives subtotal	113,726	5,726	1,293	(4,185 )	(2,641 )	113,919	112,792
Long-term	4,220,413	185,964	1,293	(74,969)	(124,907)	4,207,794	\$ 4,383,796
Cash management	280,980	9,551	-	643	(5,482 )	285,692	
Advisory <sup>(5)</sup>	23,182	(8,798 )	-	706	(2,855 )	12,235	
Total	\$ 4,524,575	\$ 186,717	\$ 1,293	\$ (73,620)	\$ (133,244)	\$ 4,505,721	

(1) Amount represents \$1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.

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

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

(4) Amounts include commodity iShares.

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

AUM decreased \$18.9 billion to \$4.506 trillion at September 30, 2015 from \$4.525 trillion at September 30, 2014, driven by the impact of foreign exchange movements and net market depreciation, partially offset by organic growth.

Net market depreciation of \$73.6 billion primarily reflected \$93.5 billion from equity products due to lower U.S. and global equity markets and \$11.3 billion from multi-asset products, across the majority of strategies, partially offset by market appreciation of \$34.0 billion from fixed income products concentrated in local currency strategies.

AUM decreased \$133.2 billion due to the impact of foreign exchange movements primarily resulting from the strengthening of the U.S. dollar, largely against the euro, pound sterling and Canadian dollar.

Net Inflows (Outflows). Long-term net inflows of \$186.0 billion were positive across all client types, including \$113.8 billion, \$54.5 billion and \$17.7 billion from iShares, retail and institutional clients, respectively. Net flows in

long-term products are described below.

- iShares net inflows of \$113.8 billion included fixed income iShares and equity iShares net inflows of \$58.5 billion and \$55.1 billion, respectively. Fixed income iShares net inflows were diversified across exposures, led by strong net inflows into U.S. sector specific, local currency and U.S. targeted duration strategies. Equity iShares net inflows were led by Core Series and developed-markets equity offerings.
- Active fixed income net inflows of \$53.4 billion were led by retail active fixed income net inflows of \$41.6 billion, which reflected strong interest in unconstrained fixed income, high yield and core bond offerings.
- Multi-asset net inflows of \$27.1 billion were led by \$17.9 billion of institutional active net inflows, which reflected strong demand for the LifePath target-date series, the dynamic diversified growth strategy and solutions-based insurance mandates. Retail net inflows of \$8.4 billion were led by net inflows into the multi-asset income suite.
- Non-ETF index fixed income net inflows of \$13.3 billion were driven by strong demand for U.S. core strategies.

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- Non-ETF index equity net outflows of \$19.3 billion were driven by non-ETF index net outflows linked to asset allocation, re-balancing and cash needs.
  - Active equity net outflows of \$7.8 billion were largely due to fundamental equity outflows of \$6.2 billion.
- Cash management net inflows of \$9.6 billion were primarily comprised of net inflows from Americas institutional clients into government and prime strategies, partially offset by net outflows from EMEA institutional clients from offshore funds.

Advisory net outflows of \$8.8 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, 2015 and 2014 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, 2014 ("2014 Form 10-K").

## Revenue

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Investment advisory, administration fees and				
securities lending revenue:				
Equity:				
Active	\$427	\$475	\$1,296	\$1,416
iShares	673	708	2,085	2,019
Non-ETF index	158	168	511	509
Equity subtotal	1,258	1,351	3,892	3,944
Fixed income:				
Active	402	359	1,162	1,029
iShares	139	123	407	358
Non-ETF index	70	66	210	195
Fixed income subtotal	611	548	1,779	1,582
Multi-asset	322	315	942	901
Alternatives:				
Core	166	159	481	479
Currency and commodities	18	23	56	68
Alternatives subtotal	184	182	537	547
Long-term	2,375	2,396	7,150	6,974
Cash management	81	72	230	219
Total base fees	2,456	2,468	7,380	7,193
Investment advisory performance fees:				
Equity	23	8	121	61
Fixed income	3	6	10	19
Multi-asset	3	8	19	21
Alternatives	179	111	302	305
Total performance fees	208	133	452	406
BlackRock Solutions and advisory	167	165	475	465
Distribution fees	14	17	44	54
Other revenue	65	66	187	179
Total revenue	\$2,910	\$2,849	\$8,538	\$8,297

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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 product type:

	Three Months Ended September 30, Mix of Average AUM				Nine Months Ended September 30, Mix of Average AUM								
	Mix of Base Fees		by Asset Class <sup>(1)</sup>		Mix of Base Fees		by Asset Class <sup>(2)</sup>						
	2015	2014	2015	2014	2015	2014	2015	2014					
Equity:													
Active	18 %	19 %	6 %	7 %	17 %	19 %	7 %	7 %					
iShares	27 %	29 %	17 %	17 %	28 %	28 %	17 %	17 %					
Non-ETF index	6 %	6 %	29 %	30 %	7 %	7 %	29 %	30 %					
Equity subtotal	51 %	54 %	52 %	54 %	52 %	54 %	53 %	54 %					
Fixed income:													
Active	16 %	15 %	16 %	15 %	15 %	14 %	15 %	15 %					
iShares	6 %	5 %	5 %	4 %	6 %	5 %	5 %	4 %					
Non-ETF index	3 %	3 %	10 %	10 %	3 %	3 %	10 %	10 %					
Fixed income subtotal	25 %	23 %	31 %	29 %	24 %	22 %	30 %	29 %					
Multi-asset	13 %	13 %	8 %	8 %	13 %	13 %	8 %	8 %					
Alternatives:													
Core	7 %	6 %	2 %	2 %	7 %	7 %	2 %	2 %					
Currency and commodities	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %					
Alternatives subtotal	8 %	7 %	3 %	3 %	8 %	8 %	3 %	3 %					
Long-term	97 %	97 %	94 %	94 %	97 %	97 %	94 %	94 %					
Cash management	3 %	3 %	6 %	6 %	3 %	3 %	6 %	6 %					
Total excluding Advisory AUM	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %					

(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, 2015 Compared with Three Months Ended September 30, 2014

Revenue increased \$61 million, or 2%, from the third quarter of 2014, driven by strength in performance fees.

Investment advisory, administration fees and securities lending revenue of \$2,456 million decreased \$12 million from \$2,468 million in the third quarter of 2014 as the effect of lower markets on average equity AUM and the impact of foreign exchange movements more than offset organic growth. Securities lending fees were \$115 million in both the current quarter and the third quarter of 2014.

Investment advisory performance fees of \$208 million increased \$75 million from the third quarter of 2014, primarily reflecting strong 2015 performance from a single hedge fund with an annual performance measurement period that ends in the third quarter.

BlackRock Solutions and advisory revenue of \$167 million increased \$2 million from \$165 million in the third quarter of 2014 due to higher revenue from Aladdin. BlackRock Solutions and advisory revenue included \$135 million in Aladdin revenue compared with \$122 million in the third quarter of 2014.

Nine Months Ended September 30, 2015 Compared with Nine Months Ended September 30, 2014

Revenue increased \$241 million, or 3%, from the nine months ended September 30, 2014, driven by higher base fees and growth in performance fees.

Investment advisory, administration fees and securities lending revenue of \$7,380 million increased \$187 million from \$7,193 million in the nine months ended September 30, 2014 due to higher long-term average AUM. Securities lending fees of \$376 million in the nine months ended September 30, 2015 increased \$16 million from the prior year period.

Investment advisory performance fees were \$452 million compared with \$406 million in the nine months ended September 30, 2014. The current period reflected higher fees from equity products and strong 2015 performance from a single hedge fund with an annual performance measurement period that ends in the third quarter. The prior year reflected a large fee associated with the liquidation of a closed-end mortgage fund in 2014.



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BlackRock Solutions and advisory revenue totaled \$475 million compared with \$465 million in the nine months ended September 30, 2014. The current period reflected higher revenue from Aladdin and lower revenue from advisory assignments. BlackRock Solutions and advisory revenue included \$390 million in Aladdin revenue in the nine months ended September 30, 2015 compared with \$347 million in the prior year period.

Expense

	Three Months Ended,		Nine Months Ended	
(in millions)	September 30, 2015	2014	September 30, 2015	2014
Expense, GAAP:				
Employee compensation and benefits	\$ 1,023	\$ 973	\$ 3,016	\$ 2,903
Distribution and servicing costs	102	90	306	268
Amortization of deferred sales commissions	12	14	37	43
Direct fund expense	198	199	578	565
General and administration:				
Marketing and promotional	76	101	251	299
Occupancy and office related	69	69	205	203
Portfolio services	57	52	164	156
Technology	40	40	121	124
Professional services	30	37	82	93
Communications	10	10	28	30
Other general and administration	37	67	119	161
Total general and administration expense	319	376	970	1,066
Amortization of intangible assets	34	40	104	122
Total expense, GAAP	\$ 1,688	\$ 1,692	\$ 5,011	\$ 4,967
Less non-GAAP expense adjustments:				
Employee compensation and benefits:				
PNC LTIP funding obligation	10	7	26	23
Compensation expense related to appreciation (depreciation) on deferred compensation plans	(5 )	-	(1 )	6
General and administration:				
Reduction of indemnification asset	-	50	-	50
Total non-GAAP expense adjustments	5	57	25	79
Expense, as adjusted:				
Employee compensation and benefits	\$ 1,018	\$ 966	\$ 2,991	\$ 2,874
Distribution and servicing costs	102	90	306	268
Amortization of deferred sales commissions	12	14	37	43
Direct fund expense	198	199	578	565
General and administration	319	326	970	1,016
Amortization of intangible assets	34	40	104	122
Total expense, as adjusted	\$ 1,683	\$ 1,635	\$ 4,986	\$ 4,888

Three Months Ended September 30, 2015 Compared with Three Months Ended September 30, 2014

GAAP. Expense decreased \$4 million from the third quarter of 2014, primarily reflecting lower general and administration expense due to the impact of an expense recorded in the third quarter of 2014 related to a \$50 million reduction of an indemnification asset. The decrease was partially offset by higher employee compensation and benefits expense.

Employee compensation and benefits expense increased \$50 million from the third quarter of 2014, reflecting higher deferred compensation expense, higher levels of performance fees and higher headcount, partially offset by the impact of foreign exchange movements. Employees at September 30, 2015 totaled approximately 12,900 compared with approximately 12,100 at September 30, 2014.

Distribution and servicing costs totaled \$102 million compared with \$90 million in the third quarter of 2014. 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 for the third quarter of 2015 and 2014 included \$49 million and \$45 million, respectively, attributable to Bank of America/Merrill Lynch.

General and administration expense decreased \$57 million from the third quarter of 2014, reflecting lower marketing and promotional expense and the impact of an expense recorded in the third quarter of 2014 related to a \$50 million reduction of an indemnification asset. The decrease was partially offset by higher foreign exchange remeasurement expense in the current quarter.

As Adjusted. Expense, as adjusted, increased \$48 million, or 3%, to \$1,683 million from \$1,635 million in the third quarter of 2014. The increase in total expense, as adjusted, is primarily attributable to higher revenue-related expense, including employee compensation and benefits expense. Amounts related to the reduction of the indemnification asset in the third quarter of 2014 have been excluded from as adjusted results.

#### Nine Months Ended September 30, 2015 Compared with Nine Months Ended September 30, 2014

GAAP. Expense increased \$44 million, or 1%, from the nine months ended September 30, 2014, primarily reflecting higher revenue-related expense, including compensation and benefits expense, and distributions and servicing costs, partially offset by lower general and administration expense. The nine months ended September 2014 included the previously mentioned \$50 million reduction of an indemnification asset.

Employee compensation and benefits expense increased \$113 million, or 4%, to \$3,016 million from \$2,903 million in the nine months ended September 30, 2014, reflecting higher headcount and higher incentive compensation driven by higher operating income.

Distribution and servicing costs increased \$38 million, or 14%, to \$306 million in the nine months ended September 30, 2015 from \$268 million in the prior year period, driven by higher average AUM. Distribution and servicing costs for the nine months ended September 30, 2015 and 2014 included \$145 million and \$136 million, respectively, attributable to Bank of America/Merrill Lynch.

General and administration expense decreased \$96 million from the nine months ended September 30, 2014, primarily reflecting the previously mentioned \$50 million reduction of an indemnification asset, lower marketing and promotional expense and lower legal and regulatory expense, partially offset by the impact of foreign exchange remeasurement expense.

As Adjusted. Expense, as adjusted, increased \$98 million, or 2%, to \$4,986 million in the nine months ended September 30, 2015 from \$4,888 million in the prior year period. The increase in total expense, as adjusted, is primarily attributable to higher revenue-related expense, including compensation and benefits expense and distribution and servicing costs, partially offset by lower general and administration expense. Amounts related to the reduction of the indemnification asset in the nine months ended September 30, 2014 have been excluded from as adjusted results.

## NONOPERATING RESULTS

Nonoperating income (expense), less net income (loss) attributable to NCI for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(in millions)	2015	2014	2015	2014
Nonoperating income (expense), GAAP basis <sup>(1)</sup>	\$(48)	\$(52)	\$(73)	\$(19)
Less: Net income (loss) attributable to NCI	(11)	(44)	(1 )	(23)
Nonoperating income (expense) <sup>(2)</sup>	(37)	(8 )	(72)	4
Compensation expense related to (appreciation)				
depreciation on deferred compensation plans	5	-	1	(6 )
Nonoperating income (expense), as adjusted <sup>(2)</sup>	\$(32)	\$(8 )	\$(71)	\$(2 )

<sup>(1)</sup> Amounts included losses of \$14 million and \$47 million attributable to consolidated variable interest entities (“VIEs”) for the three months ended September 30, 2015 and 2014, respectively. Amounts included gains of \$2 million and losses of \$35 million attributable to consolidated VIEs for the nine months ended September 30, 2015 and 2014, 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, 2015 and 2014 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(in millions)	2015	2014	2015	2014
Net gain (loss) on investments <sup>(1)</sup>				
Private equity	\$25	\$10	\$35	\$66
Real estate	5	3	9	13
Other alternatives <sup>(2)</sup>	(10)	25	(6 )	60
Other investments <sup>(3)</sup>	(14)	5	(22 )	10
Subtotal	6	43	16	149
Other gains <sup>(4)</sup>	-	-	45	-
Investments related to deferred compensation plans	(5 )	-	(1 )	6
Total net gain (loss) on investments <sup>(1)</sup>	1	43	60	155
Interest and dividend income	12	10	21	23
Interest expense	(50)	(61)	(153)	(174)

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Net interest expense	(38)	(51)	(132)	(151)
Total nonoperating income (expense) <sup>(1)</sup>	(37)	(8)	(72)	4
Compensation expense related to (appreciation)				
depreciation on deferred compensation plans	5	-	1	(6)
Nonoperating income (expense), as adjusted <sup>(1)</sup>	\$(32)	\$(8)	\$(71)	\$(2)

(1) Net of net income (loss) attributable to NCI. Amounts for the three and nine months ended September 30, 2015 also include net gain (loss) on consolidated VIEs.

(2) Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions. The prior year periods also included net gains related to opportunistic credit strategies.

(3) Amounts include net gains (losses) related to equity and fixed income investments, and BlackRock's seed capital hedging program.

(4) Amount primarily includes a gain related to the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC.

BlackRock Kelso Capital Advisors LLC. On March 6, 2015, BlackRock acquired certain assets related to managing BlackRock Capital Investment Corporation (formerly known as BlackRock Kelso Capital Corporation) from BlackRock Kelso Capital Advisors LLC ("BKCA"). In connection with the acquisition, BlackRock recorded a noncash, nonoperating, pre-tax gain of \$40 million related to the fair value of its pre-existing interest in BKCA. See Note 8, Goodwill, and Note 9, Intangible Assets, for further discussion on the BKCA acquisition.

Three Months Ended September 30, 2015 Compared with Three Months Ended September 30, 2014

Net gain on investments of \$1 million decreased \$42 million from the third quarter of 2014 due to lower marks in the third quarter of 2015.

Interest expense decreased \$11 million from the third quarter of 2014, primarily due to repayments of long-term borrowings in the fourth quarter of 2014.

#### Nine Months Ended September 30, 2015 Compared with Nine Months Ended September 30, 2014

Net gains on investments of \$60 million in the nine months ended September 30, 2015 decreased \$95 million from the prior year period due to lower net positive marks in the nine months ended September 30, 2015. The nine months ended September 30, 2015 included a \$40 million gain related to the BKCA acquisition and the nine months ended September 30, 2014 included the positive impact of the monetization of a nonstrategic, opportunistic private equity investment.

#### Income Tax Expense

	GAAP		As Adjusted					
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2015 2014		September 30, 2015 2014		September 30, 2015 2014		September 30, 2015 2014	
Income before income taxes <sup>(1)</sup>	\$1,185	\$1,149	\$3,455	\$3,334	\$1,195	\$1,206	\$3,481	\$3,407
Income tax expense	\$342	\$232	\$971	\$853	\$351	\$316	\$969	\$918
Effective tax rate	28.8 %	20.2 %	28.1 %	25.6 %	29.3 %	26.2 %	27.8 %	26.9 %

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

Income tax expense for the three and nine months ended September 30, 2015 included a \$6 million net noncash tax benefit and net noncash tax expense of \$10 million, respectively, primarily related to the revaluation of certain deferred income tax liabilities, which has been excluded from as adjusted results. In addition, income tax expense in the nine months ended September 30, 2015 benefited from \$75 million of nonrecurring items.

Income tax expense for the three months ended September 30, 2014 included a \$32 million noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes, which has been excluded from the as adjusted results.

In addition, income tax expense for the three months ended September 30, 2014 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, 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.

Income tax expense for the nine months ended September 30, 2014 included \$23 million net noncash expense, primarily associated with the revaluation of certain deferred income tax liabilities, 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.



## 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 and consolidated sponsored investment funds, including consolidated VIEs.

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 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 Company's 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 BlackRock Life Limited 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. The collateral is not available to creditors of the Company, and the borrowers under the securities lending arrangements have no recourse to the Company's assets.

### Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds accounted for as voting rights entities ("VREs") and VIEs, (collectively, "Consolidated Funds"). See Note 2, Significant Accounting Policies, in the condensed consolidated financial statements contained in Part I, Item I of this filing for further information of the Company's consolidation policy.



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The Company cannot readily access cash and cash equivalents or other assets held by Consolidated Funds to use in its operating activities. In addition, the Company cannot readily sell investments held by Consolidated Funds in order to obtain cash for use in the Company's operations.

	September 30, 2015				
	Separate				
	Account				
	GAAP	Assets/	Consolidated	Consolidated	As
(in millions)	Basis	Collateral <sup>(1)</sup>	VIEs <sup>(2)</sup>	VREs <sup>(2)</sup>	Adjusted
<b>Assets</b>					
Cash and cash equivalents	\$5,673	\$ -	\$ -	\$ 126	\$5,547
Accounts receivable	2,542	-	-	-	2,542
Investments	1,372	-	-	28	1,344
Assets of consolidated VIEs	1,055	-	318	-	737
<b>Separate account assets and collateral held</b>					
under securities lending agreements	179,753	179,753	-	-	-
Other assets <sup>(3)</sup>	1,496	-	-	21	1,475
Subtotal	191,891	179,753	318	175	11,645
Goodwill and intangible assets, net	30,325	-	-	-	30,325
Total assets	\$222,216	\$ 179,753	\$ 318	\$ 175	\$41,970
<b>Liabilities</b>					
Accrued compensation and benefits	\$1,561	\$ -	\$ -	\$ -	\$ 1,561
Accounts payable and accrued liabilities	1,343	-	-	-	1,343
Liabilities of consolidated VIEs	197	-	73	-	124
Borrowings	4,950	-	-	-	4,950
<b>Separate account liabilities and collateral</b>					
<b>liabilities under securities lending</b>					
agreements	179,753	179,753	-	-	-
Deferred income tax liabilities	4,921	-	-	-	4,921
Other liabilities	1,010	-	-	75	935
Total liabilities	193,735	179,753	73	75	13,834
<b>Equity</b>					
Total stockholders' equity	28,136	-	-	-	28,136
Noncontrolling interests	345	-	245	100	-
Total equity	28,481	-	245	100	28,136
Total liabilities and equity	\$222,216	\$ 179,753	\$ 318	\$ 175	\$41,970

(1) Amounts represent segregated client assets generating advisory fees in which BlackRock has no economic interest or liability.

(2) Amounts represent the portion of assets and liabilities of Consolidated Funds attributable to noncontrolling interests.

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

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, 2015 and December 31, 2014 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.

Assets. Cash and cash equivalents included \$126 million and \$120 million of cash held by consolidated VREs at September 30, 2015 and December 31, 2014, respectively (see Liquidity and Capital Resources for details on the change in cash and cash equivalents during the nine months ended September 30, 2015).

Accounts receivable at September 30, 2015 increased \$422 million from December 31, 2014 primarily due to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within accounts payable and accrued liabilities) and higher performance fee receivables. Investments were \$1,372 million at September 30, 2015 (for more information see Investments herein). Goodwill and intangible assets increased \$20 million from December 31, 2014, primarily due to the BKCA acquisition, partially offset by \$104 million of amortization of intangible assets. Other assets (including property, plant and equipment) increased \$344 million from December 31, 2014, primarily related to an increase in property and equipment, an increase in current taxes receivable and other assets.

Liabilities. Accrued compensation and benefits at September 30, 2015 decreased \$304 million from December 31, 2014, primarily due to 2014 incentive compensation cash payments in the first quarter of 2015, partially offset by 2015 incentive compensation accruals. Accounts payable and accrued liabilities at September 30, 2015 increased \$308 million from December 31, 2014 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.

Net deferred income tax liabilities at September 30, 2015 decreased \$68 million, primarily due to the effects of temporary differences associated with stock compensation, the BKCA acquisition, and realization of loss carryforwards. Other liabilities increased \$124 million from December 31, 2014, primarily resulting from an increase in consolidated funds and other operating liabilities.

#### Investments and Investments of Consolidated VIEs

The Company's investments and investments of consolidated VIEs (collectively, "Total Investments") were \$1,372 million and \$916 million, respectively, at September 30, 2015. Total Investments include consolidated investments held by sponsored investment funds accounted for as VREs and VIEs. Management reviews BlackRock's Total Investments on an "economic" basis, which eliminates the portion of Total 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 Total 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.

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 Total 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.

	September 30,	December 31,
(in millions)	2015	2014
Investments, GAAP	\$ 1,372	\$ 1,921
Investments held by consolidated VIEs, GAAP	916	3,320
Total Investments	2,288	5,241
Investments held by consolidated VREs/VIEs <sup>(1)</sup>	(1,376)	(4,033)
Net exposure to consolidated VREs/VIEs	1,157	696
Total Investments, as adjusted	2,069	1,904
Federal Reserve Bank stock	(93)	(92)
Carried interest	(107)	(85)
Deferred compensation investments	(79)	(85)
Hedged investments	(288)	(323)
Total "economic" investment exposure	\$ 1,502	\$ 1,319

(1) Amounts represent investments held in sponsored investment funds that are consolidated in accordance with GAAP as either a VIE or VRE. See Note 2, Significant Accounting Policies, for further information on the Company's consolidation policy and the 2015 adoption of ASU 2015-02.

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The following table represents the carrying value of the Company's economic investment exposure, by asset type, at September 30, 2015 and December 31, 2014:

	September 30,	December 31,
(in millions)	2015	2014
Private equity	\$ 370	\$ 314
Real estate	96	117
Other alternatives <sup>(1)</sup>	231	289
Other investments <sup>(2)</sup>	805	599
Total "economic" investment exposure	\$ 1,502	\$ 1,319

<sup>(1)</sup> Other alternatives include distressed credit/mortgage funds/opportunistic funds and hedge funds/funds of hedge funds.

<sup>(2)</sup> Other investments primarily include seed investments in fixed income and equity mutual funds/strategies as well as U.K. government securities held for regulatory purposes.

As adjusted investment activity for the nine months ended September 30, 2015 was as follows:

(in millions)	
Total Investments, as adjusted, December 31, 2014	\$1,904
Purchases/capital contributions	1,034
Sales/maturities	(752 )
Distributions <sup>(1)</sup>	(124 )
Market valuations/earnings from equity method	
investments	(15 )
Carried interest capital allocations	22
Total Investments, as adjusted, September 30, 2015	\$2,069

<sup>(1)</sup> Amount includes distributions representing return of capital and return on investments

## LIQUIDITY AND CAPITAL RESOURCES

### BlackRock Cash Flows Excluding the Impact of Consolidated Funds

The condensed consolidated statements of cash flows include the cash flows of the Consolidated Funds. The Company uses an adjusted cash flow statement, which excludes the impact of Consolidated Funds, 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 Funds, 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.

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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 Funds:

		Cash Flows		
		Impact on	Impact on	Excluding
		Cash Flows	Cash Flows	Impact of
		of	of	Consolidated
	GAAP	Consolidated	Consolidated	VREs and
(in millions)	Basis	VREs	VIEs	VIEs
Cash and cash equivalents, December 31, 2014	\$5,723	\$ 120	\$ -	\$ 5,603
Cash flows from operating activities	1,847	(128 )	(93 )	2,068
Cash flows from investing activities	(142 )	(83 )	33	(92 )
Cash flows from financing activities	(1,700)	217	60	(1,977 )
Effect of exchange rate changes on cash and cash equivalents	(55 )	-	-	(55 )
Net change in cash and cash equivalents	(50 )	6	-	(56 )
Cash and cash equivalents, September 30, 2015	\$5,673	\$ 126	\$ -	\$ 5,547

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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 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 Funds, primarily include the receipt of investment advisory and administration fees, securities lending revenue and other revenue offset by the payment of operating expenses incurred in the normal course of business, including year-end incentive compensation accrued for in the prior year.

Cash outflows from investing activities, excluding the impact of Consolidated Funds, for the nine months ended September 30, 2015 were \$92 million and primarily reflected \$410 million of investment purchases, \$160 million of purchases of property and equipment and \$88 million related to the BKCA acquisition, partially offset by \$510 million of net proceeds from sales and maturities of certain investments.

Cash outflows from financing activities, excluding the impact of Consolidated Funds, for the nine months ended September 30, 2015 were \$1,977 million, primarily resulting from \$1.1 billion of share repurchases, including \$825 million in open-market transactions and \$228 million of employee tax withholdings related to employee stock transactions and \$1,115 million of cash dividend payments, partially offset by \$86 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, 2015 and December 31, 2014 were as follows:

	September 30,	December 31,
(in millions)	2015	2014
Cash and cash equivalents	\$ 5,673	\$ 5,723
Cash and cash equivalents held by consolidated		
sponsored investment funds, excluding VIEs <sup>(1)</sup>	(126	) (120
Subtotal	5,547	5,603
Credit facility – undrawn	4,000	3,990
Total liquidity	\$ 9,547	\$ 9,593

<sup>(1)</sup> The Company cannot readily access such cash to use in its operating activities.

Total liquidity decreased \$46 million during the nine months ended September 30, 2015, primarily reflecting cash payments of 2014 year-end incentive awards, share repurchases of \$1.1 billion and cash dividend payments, partially offset by cash from operations.

A significant portion of the Company's \$2,069 million of Total Investments, as adjusted, is illiquid in nature and, as such, cannot be readily convertible to cash.

**Share Repurchases.** The Company repurchased 2.3 million common shares in open-market transactions under the share repurchase program for approximately \$825 million during the nine months ended September 30, 2015.

In January 2015, the Board of Directors approved an increase in the availability of shares that may be repurchased under the Company's existing share repurchase program to allow for the repurchase of up to a total of 9.4 million additional shares of BlackRock common stock. At September 30, 2015, there were 7.1 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.

The Company was required to maintain approximately \$1.1 billion at both September 30, 2015 and December 31, 2014 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.

#### Short-Term Borrowings

**2015 Revolving Credit Facility.** In April 2015, the Company’s credit facility was amended to extend the maturity date to March 2020 and to increase the amount of the aggregate commitment to \$4.0 billion (the “2015 credit facility”). The 2015 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 2015 credit facility to an aggregate principal amount not to exceed \$5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2015 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, 2015. The 2015 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At September 30, 2015, the Company had no amount outstanding under the 2015 credit facility.

**Commercial Paper Program.** The maximum aggregate amount for which the Company can issue unsecured commercial paper notes (the “CP Notes”) on a private-placement basis up to a maximum aggregate amount outstanding at any time is \$4.0 billion. The commercial paper program is currently supported by the 2015 credit facility. At September 30, 2015 and December 31, 2014, BlackRock had no CP Notes outstanding.

#### Long-Term Borrowings

At September 30, 2015, the principal amount of long-term borrowings outstanding was \$4.981 billion. See Note 12, Borrowings, in the 2014 Form 10-K for more information on borrowings outstanding as of December 31, 2014.

In June 2015, the Company fully repaid \$750 million of 1.375% notes at maturity.

In May 2015, the Company issued €700 million of 1.25% senior unsecured notes maturing on May 6, 2025 (the “2025 Notes”). The notes are listed on the New York Stock Exchange. The net proceeds of the 2025 Notes were used for general corporate purposes, including refinancing of outstanding indebtedness. Interest of approximately \$10 million per year based on current exchange rates is payable annually on May 6 of each year. The 2025 Notes may be redeemed in whole or in part prior to maturity at any time at the option of the Company at a “make-whole” redemption price. The 2025 Notes were issued at a discount of approximately \$3 million that will be amortized over the term of the 2025 Notes. See Note 10, Borrowings, in the condensed consolidated financial statements in Part I, Item I of this filing for further information on the Company’s designation of the debt offering as a net investment hedge to offset its currency exposure relating to its net investment in euro functional currency operations.

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During the nine months ended September 30, 2015, the Company paid approximately \$137 million of interest on long-term borrowings. Future principal repayments and interest requirements at September 30, 2015 were as follows:

(in millions)		Total		
Year	Principal	Interest	Payments	
Remainder of 2015	\$ -	\$ 54	\$ 54	
2016	-	196	196	
2017	700	196	896	
2018	-	152	152	
2019	1,000	152	1,152	
2020	-	102	102	
Thereafter <sup>(1)</sup>	3,281	225	3,506	
Total	\$ 4,981	\$ 1,077	\$ 6,058	

<sup>(1)</sup>The amount of principal and interest payments for the 2025 Notes represents the expected payment amounts using foreign exchange rates as of September 30, 2015.

**Investment Commitments.** At September 30, 2015, the Company had \$371 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include 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 \$371 million, the Company had approximately \$29 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 that 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.

**Contingent Payments Related to Business Acquisitions.** In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to the acquired businesses achieving specified performance targets over a certain period subsequent to the applicable acquisition date. The fair value of the remaining aggregate contingent payments at September 30, 2015 is included in other liabilities and is not significant to the condensed consolidated statement of financial condition.

**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 Total Investments, or cash/cash of consolidated VIEs to the extent that it is distributed, and as a deferred carried interest liability/other liabilities of consolidated VIEs 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.

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 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, 2015, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$160.6 billion. The Company held, as agent, cash and securities totaling \$169.5 billion as collateral for indemnified securities on loan at September 30, 2015. The fair value of these indemnifications was not material at September 30, 2015.

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.

### Critical Accounting Policies

The preparation of 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 in the 2014 Form 10-K and Note 2, Significant Accounting Policies, in the 2014 Form 10-K for further information.

**Consolidation.** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles. The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VREs are consolidated if the Company can exert control over the financial and operating policies of the investee, which generally exists if there is greater than 50% voting interest. See Note 4, Consolidated Voting Right Entities, for further information. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity.

At September 30, 2015, BlackRock was determined to be the PB for certain investment products that were determined to be VIEs, which required BlackRock to consolidate them. BlackRock was deemed to be the PB because it has the power to direct the activities that most significantly impact the entities' economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. See Note 5, Variable Interest Entities, for further information.

See Note 2, Significant Accounting Policies — Accounting Pronouncements Adopted during the Nine Months Ended September 30, 2015, for further information on ASU 2015-02.

**Fair Value Measurements.** The Company's assessment of the significance of a particular input to the fair value measurement according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined) 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 more information on fair value measurements.

Investment Advisory 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 (“SMAs”). These performance fees are dependent 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 is allocated carried interest from certain alternative investment products upon exceeding performance thresholds. BlackRock may be required to reverse/return all, or part, of such carried interest allocations depending upon future performance of these funds. Therefore, BlackRock records carried interest subject to such clawback provisions in Total Investments, or cash/cash of consolidated VIEs 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, 2015 and December 31, 2014, the Company had \$157 million and \$105 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A portion of the deferred carried interest liability will be paid to certain employees. The ultimate timing of the recognition of performance fee revenue, if any, for these products is unknown.

The following table presents changes in the deferred carried interest liability (including the portion related to consolidated VIEs) for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(in millions)	2015	2014	2015	2014
Beginning balance	\$ 172	\$ 80	\$ 105	\$ 108
Net increase/(decrease)	(3 )	27	70	61
Performance fee revenue recognized	(12 )	(7 )	(18 )	(69 )
Ending balance	\$ 157	\$ 100	\$ 157	\$ 100

### Recent Developments

In October 2015, the Company completed the acquisition of Infraestructura Institucional, one of Mexico's leading independently managed infrastructure investment firms, expanding the Company's infrastructure capabilities in Mexico. In October 2015, the Company also completed the acquisition of FutureAdvisor, a leader in digital wealth management. In November 2015, the Company announced that it had entered an agreement to assume investment management responsibilities of approximately \$87 billion of assets under management from BofA® Global Capital Management, Bank of America's asset management business. The transaction is expected to close in the first half of 2016, subject to customary regulatory approvals and closing conditions.

These transactions are not expected to be material to the Company's consolidated financial condition or results of operations.

### Accounting Developments

For accounting pronouncements the Company adopted during the nine months ended September 30, 2015 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, 2015, 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, 2015, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately \$230 million and \$57 million, respectively.

At September 30, 2015, approximately \$1,376 million of BlackRock's Total Investments were maintained in consolidated sponsored investment funds accounted for as VREs and VIEs. 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 \$1,502 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 Total Investments.

**Equity Market Price Risk.** At September 30, 2015, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$558 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 \$55.8 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk.** At September 30, 2015, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$944 million of Total Investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis 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 \$15.9 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 \$338 million at September 30, 2015. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$33.8 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 certain foreign exchange risk movements. At September 30, 2015, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$118 million.



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) as of the end of the period covered by this quarterly report on Form 10-Q. 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 were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## 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, BlackRock advised investment portfolios may be subject to lawsuits, any of which potentially could harm the investment returns of the applicable portfolio or result in the Company being liable to the portfolios for any resulting damages.

On May 27, 2014, certain purported investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the U.S. District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited (collectively, the "Defendants") under the caption In re BlackRock Mutual Funds Advisory Fee Litigation. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the Defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. The allegations and legal claims in both complaints are substantially similar, with the new complaint purporting to challenge fees received by Defendants after the plaintiffs filed their prior complaint. Both complaints seek, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by Defendants in the twelve month period preceding the start of each lawsuit, along with purported lost investment returns on those amounts, plus interest. On March 25, 2015, Defendants' motion to dismiss the Consolidated Complaint was denied. The Defendants believe the claims in both lawsuits are without merit and intend to vigorously defend the actions.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability arising out of these and other 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, 2015, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

Total Number of Shares	Average Price Paid per Share	Total Number of Shares	Maximum Number of
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	Purchased		Purchased as Part of Publicly Announced Plans or Programs	Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1, 2015 through July 31, 2015	788,612	(2) \$ 348.73	788,532	7,068,836
August 1, 2015 through August 31, 2015	1,521	(2) \$ 316.70	-	7,068,836
September 1, 2015 through September 30, 2015	1,479	(2) \$ 294.66	-	7,068,836
Total	791,612	\$ 348.56	788,532	

<sup>(1)</sup> In January 2015, 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 9.4 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.

Item 6. Exhibits

Exhibit No.	Description
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

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 6, 2015

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

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