BlackRock Inc.
Form 10-Q
November 08, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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 Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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)

(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 ¨ (Do not check if a smaller reporting company)	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, 2012, there were 169,537,195 shares of the registrant s common stock outstanding.

Table of Contents

BlackRock, Inc.

Index to Form 10-Q

PART I

FINANCIAL INFORMATION

PART II

OTHER INFORMATION

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(Dollar amounts in millions, except share data)

(unaudited)

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 4,223	$ 3,506
Accounts receivable	2,464	1,960
Due from related parties	121	142
Investments	1,864	1,631
Assets of consolidated variable interest entities:		
Cash and cash equivalents	292	54
Bank loans and other investments	1,683	1,639
Separate account assets	128,013	118,871
Collateral held under securities lending agreements	22,562	20,918
Deferred sales commissions, net	26	38
Property and equipment (net of accumulated depreciation of $564 and $483 at September 30, 2012 and December 31, 2011, respectively)	560	537
Intangible assets (net of accumulated amortization of $859 and $751 at September 30, 2012 and December 31, 2011, respectively)	17,442	17,356
Goodwill	12,908	12,792
Other assets	670	452
Total assets	$ 192,828	$ 179,896
Liabilities		
Accrued compensation and benefits	$ 1,204	$ 1,383
Accounts payable and accrued liabilities	1,427	923
Due to related parties	15	22
Short-term borrowings	100	100
Liabilities of consolidated variable interest entities:		
Borrowings	1,843	1,574
Other liabilities	9	9
Long-term borrowings	6,186	4,690
Separate account liabilities	128,013	118,871
Collateral liabilities under securities lending agreements	22,562	20,918
Deferred income tax liabilities	5,311	5,323
Other liabilities	849	721
Total liabilities	167,519	154,534
Commitments and contingencies (Note 11)		
Temporary equity		
Redeemable non-controlling interests	28	92

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition (continued)

(Dollar amounts in millions, except share data)

(unaudited)

	September 30, 2012	December 31, 2011
Permanent Equity		
BlackRock, Inc. stockholders equity		
Common stock, $0.01 par value;	2	1
Shares authorized: 500,000,000 at September 30, 2012 and December 31, 2011;		
Shares issued: 168,661,718 and 139,880,380 at September 30, 2012 and December 31, 2011, respectively;		
Shares outstanding: 167,102,878 and 138,463,135 at September 30, 2012 and December 31, 2011, respectively		
Preferred stock (Note 15)		
Additional paid-in capital	19,322	20,275
Retained earnings	6,010	5,046
Appropriated retained earnings	56	72
Accumulated other comprehensive loss	(58)	(127)
Escrow shares, common, at cost (3,603 shares held at September 30, 2012 and December 31, 2011)	(1)	(1)
Treasury stock, common, at cost (1,555,237 and 1,413,642 shares held at September 30, 2012 and December 31, 2011, respectively)	(274)	(218)
Total BlackRock, Inc. stockholders equity	25,057	25,048
Nonredeemable non-controlling interests	170	184
Nonredeemable non-controlling interests of consolidated variable interest entities	34	38
Total permanent equity	25,261	25,270
Total liabilities, temporary equity and permanent equity	$ 192,828	$ 179,896

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Income

(Dollar amounts in millions, except per share data)

(unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	$ 1,319	$ 1,320	$ 3,900	$ 4,075
Other third parties	705	629	2,091	1,958
Investment advisory, administration fees and securities lending revenue	2,024	1,949	5,991	6,033
Investment advisory performance fees	103	91	224	224
BlackRock Solutions and advisory	128	117	382	361
Distribution fees	19	23	58	78
Other revenue	46	45	143	158
Total revenue	2,320	2,225	6,798	6,854
Expenses				
Employee compensation and benefits	828	771	2,439	2,425
Distribution and servicing costs	94	90	282	299
Amortization of deferred sales commissions	13	20	43	63
Direct fund expenses	144	139	440	435
General and administration	327	389	958	1,074
Amortization of intangible assets	39	39	117	117
Total expenses	1,445	1,448	4,279	4,413
Operating income	875	777	2,519	2,441
Non-operating income (expense)				
Net gain (loss) on investments	75	(59)	143	18
Net gain (loss) on consolidated variable interest entities	2	(16)	1	(36)
Interest and dividend income	10	12	27	25
Interest expense	(57)	(49)	(158)	(128)
Total non-operating income (expense)	30	(112)	13	(121)
Income before income taxes	905	665	2,532	2,320
Income tax expense	250	95	742	564
Net income	655	570	1,790	1,756
Less:				
Net income (loss) attributable to redeemable non-controlling interests	3		7	

Net income (loss) attributable to nonredeemable non-controlling interests	10	(25)	15	(26)
Net income attributable to BlackRock, Inc.	$ 642	$ 595	$ 1,768	$ 1,782
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	$ 3.72	$ 3.28	$ 10.02	$ 9.46
Diluted	$ 3.65	$ 3.23	$ 9.87	$ 9.33
Cash dividends declared and paid per share	$ 1.50	$ 1.375	$ 4.50	$ 4.125
Weighted-average common shares outstanding:				
Basic	172,359,141	179,034,837	176,116,975	186,187,318
Diluted	175,450,532	181,825,329	178,956,699	188,792,952

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Dollar amounts in millions)

(unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income	$ 655	$ 570	$ 1,790	$ 1,756
Other comprehensive income:				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:				
Unrealized holding gains (losses), net of tax	10	(5)	12	(6)
Less: reclassification adjustment included in net income	(4)	(2)	(5)	
Net change in unrealized gains (losses) from available-for-sale investments, net of tax[1]	14	(3)	17	(6)
Minimum pension liability adjustment			(1)	
Foreign currency translation adjustments	54	(67)	53	(8)
Other comprehensive income (loss)	68	(70)	69	(14)
Comprehensive income	723	500	1,859	1,742
Less: Comprehensive income (loss) attributable to non-controlling interests	13	(25)	22	(26)
Comprehensive income attributable to BlackRock, Inc.	$ 710	$ 525	$ 1,837	$ 1,768

(1) The tax benefit (expense) on unrealized holding gains (losses) was ($7) million and $2 million during the three months ended September 30, 2012 and 2011, respectively, and ($8) million and $3 million during the nine months ended September 30, 2012 and 2011, respectively.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(Dollar amounts in millions)

(unaudited)

	Additional Paid-in Capital [1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Non-controlling Interests	Nonredeemable Non-controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non-controlling Interests / Temporary Equity(3)
December 31, 2011	$ 20,276	$ 5,046	$ 72	($ 127)	($ 1)	($ 218)	$ 25,048	$ 184	$ 38	$ 25,270	$ 92
Net income		1,768					1,768	14	1	1,783	7
Consolidation of a collateralized loan obligation[2]			(13)				(13)			(13)	
Allocation of losses of consolidated collateralized loan obligations			(3)				(3)		3		
Dividends paid		(804)					(804)			(804)	
Stock-based compensation	344						344			344	
Merrill Lynch cash capital contribution	7						7			7	
Issuance of common shares related to employee stock transactions	(366)					419	53			53	
Employee tax benefit withholdings related to employee stock transactions						(141)	(141)			(141)	
Shares repurchased	(1,000)					(334)	(1,334)			(1,334)	
Net tax benefit (shortfall) from stock-based compensation	63						63			63	
Subscriptions (redemptions/distributions) - non-controlling interest holders								(20)	(8)	(28)	221
Net consolidations (deconsolidations) of sponsored investment funds								(8)		(8)	(272)
Other comprehensive income (loss)				69			69			69	
September 30, 2012	$ 19,324	$ 6,010	$ 56	($ 58)	($ 1)	($ 274)	$ 25,057	$ 170	$ 34	$ 25,261	$ 48

(1) Amount includes $2 million and $1 million of common stock at September 30, 2012 and December 31, 2011, respectively.
(2) Consolidated during the three months ended September 30, 2012.
(3) Amount at September 30, 2012 includes $20 million related to variable interest entities.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(Dollar amounts in millions)

(unaudited)

	Additional Paid-in Capital [1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Non-controlling Interests	Nonredeemable Non-controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non-controlling Interests / Temporary Equity
December 31, 2010	$ 22,504	$ 3,723	$ 75	($ 96)	($ 1)	($ 111)	$ 26,094	$ 189	$ 45	$ 26,328	$ 6
Net income		1,782					1,782	10	(36)	1,756	
Consolidation of a collateralized loan obligation[2]			41				41			41	
Allocation of losses of consolidated collateralized loan obligations			(37)				(37)		37		
Dividends paid		(769)					(769)			(769)	
Stock-based compensation	373					2	375			375	
PNC preferred stock capital contribution	200						200			200	
Retirement of preferred stock	(200)						(200)			(200)	
Merrill Lynch cash capital contribution	8						8			8	
Issuance of common shares related to employee stock transactions	(202)					217	15			15	
Employee tax benefit withholdings related to employee stock transactions						(237)	(237)			(237)	
Shares repurchased	(2,545)						(2,545)			(2,545)	
Convertible debt conversions	4					1	5			5	
Net tax benefit (shortfall) from stock-based compensation	9						9			9	
Subscriptions(redemptions/ distributions) - non-controlling interest holders								(24)	(10)	(34)	7
Net consolidations (deconsolidations) of sponsored investment funds											(12)
Other comprehensive income (loss)				(14)			(14)			(14)	
September 30, 2011	$ 20,151	$ 4,736	$ 79	($ 110)	($ 1)	($ 128)	$ 24,727	$ 175	$ 36	$ 24,938	$ 1

(1) Amount includes $1 million of common stock at both September 30, 2011 and December 31, 2010 and $1 million of preferred stock at December 31, 2010.

(2) Consolidated during the three months ended September 30, 2011.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(Dollar amounts in millions)

(unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities		
Net income	$ 1,790	$ 1,756
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	219	222
Amortization of deferred sales commissions	43	63
Stock-based compensation	344	375
Deferred income tax expense (benefit)	(42)	(108)
Net (gains) losses on non-trading investments	(32)	(17)
Purchases of investments within consolidated funds	(83)	(8)
Proceeds from sales and maturities of investments within consolidated funds	48	41
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	(32)	38
Net (gains) losses within consolidated VIEs	(1)	36
Net (purchases) proceeds within consolidated VIEs	233	44
(Earnings) losses from equity method investees	(124)	(13)
Distributions of earnings from equity method investees	29	26
Changes in operating assets and liabilities:		
Accounts receivable	(493)	6
Due from related parties	21	(9)
Deferred sales commissions	(31)	(42)
Investments, trading	(197)	(31)
Other assets	(194)	(156)
Accrued compensation and benefits	(199)	(420)
Accounts payable and accrued liabilities	489	90
Due to related parties	(7)	(34)
Other liabilities	105	94
Cash flows from operating activities	1,886	1,953
Cash flows from investing activities		
Purchases of investments	(397)	(142)
Proceeds from sales and maturities of investments	391	142
Distributions of capital from equity method investees	51	32
Net consolidations (deconsolidations) of sponsored investment funds	(208)	
Acquisitions, net of cash acquired	(267)	
Purchases of property and equipment	(121)	(218)
Cash flows from investing activities	(551)	(186)

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows (continued)

(Dollar amounts in millions)

(unaudited)

	Nine Months Ended September 30, 2012	2011
Cash flows from financing activities		
Repayments of short-term borrowings		(600)
Proceeds from short-term borrowings		600
Repayments of convertible debt		(67)
Proceeds from long-term borrowings	1,495	1,496
Cash dividends paid	(804)	(769)
Proceeds from stock options exercised	47	13
Proceeds from issuance of common stock	6	3
Repurchases of common stock	(1,475)	(2,783)
Merrill Lynch cash capital contribution	7	8
Repayments of borrowings by consolidated VIEs	(203)	(72)
Net (redemptions/distributions paid) subscriptions received from non-controlling interests holders	193	(27)
Excess tax benefit from stock-based compensation	73	23
Cash flows from financing activities	(661)	(2,175)
Effect of exchange rate changes on cash and cash equivalents	43	24
Net increase (decrease) in cash and cash equivalents	717	(384)
Cash and cash equivalents, beginning of period	3,506	3,367
Cash and cash equivalents, end of period	$ 4,223	$ 2,983
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 116	$ 98
Interest on borrowings of consolidated VIEs	$ 52	$ 43
Income taxes	$ 837	$ 819
Supplemental schedule of non-cash investing and financing transactions:		
Issuance of common stock	$ 366	$ 207
Increase (decrease) in non-controlling interests due to net consolidation (deconsolidation) of sponsored investment funds	($ 280)	($ 12)
Increase (decrease) in borrowings due to consolidation of VIEs	$ 406	$ 390
PNC preferred stock capital contribution	$	$ 200

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, BlackRock or the Company) provides diversified investment management services to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® exchange-traded funds (ETFs), collective investment trusts and separate accounts. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On May 29, 2012, BlackRock completed a secondary offering of 26,211,335 shares of common stock held by Barclays Bank PLC (Barclays) at a price of $160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Convertible Participating Preferred Stock by a subsidiary of Barclays. Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays at a price of $156.80 per share (consisting of 6,346,036 of Series B Convertible Preferred Stock and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

On September 30, 2012, The PNC Financial Services Group, Inc. (PNC) held 21.0% of the Company s voting common stock and 21.8% of the Company s capital stock, which includes outstanding common and non-voting 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. Non-controlling interests on the condensed consolidated statements of financial condition include the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Significant 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 expenses 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 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, 2011, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2012 (2011 Form 10-K).

The interim financial information at September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011 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.

Table of Contents

2. Significant Accounting Policies (continued)

***Fair Value Measurements*.**

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

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 (including those accounted for under the equity method of accounting as these mutual funds are investment companies that have publicly available net asset values (NAVs) which, in accordance with GAAP, are calculated under fair value measures and the changes are equal to the earnings of such funds), ETFs, 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 were observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. As a practical expedient, the Company relies on the NAV (or its equivalent) of certain investments as their fair value.

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

Level 3 Inputs:

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

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

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

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

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.

Table of Contents

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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

As a practical expedient, the Company relies on 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, real estate and private equity funds, which may be adjusted by using the returns of certain market indices. The various partnerships 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, including independent appraisals, from third-party sources. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

A significant amount of inputs used to value equity, debt securities and bank loans is sourced from well-recognized 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 methodology, including the general assumptions and methods used to value various asset classes, and operational process with these vendors. In addition, on a quarterly basis, meetings are held with the vendors to identify any significant changes to the vendors processes.

In addition, quotes obtained from brokers generally are non-binding 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.

Fair Value Option. ASC 825-10, *Financial Instruments* (ASC 825-10), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

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

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

Changes in the fair value of the Company s derivative financial instruments generally 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.

11

Table of Contents

2. Significant Accounting Policies (continued)

Separate Account Assets. The separate account assets are maintained by 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. In accordance with GAAP, 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.

Collateral Assets Held and Liabilities Under Securities Lending Agreements. The Company facilitates securities lending arrangements whereby securities held by separate account assets maintained by BlackRock s registered life insurance company are lent to third parties. In exchange, the Company receives collateral, principally cash and securities, with minimum value generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. Under the Company s securities lending arrangements, the Company can re-sell or re-pledge the collateral and the borrower can re-sell or re-pledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time. Therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing*.

As a result of the Company s ability to re-sell or re-pledge the collateral combined with the fact the activity is in a registered life insurance company, the Company records on its condensed consolidated statements of financial condition the collateral received under these arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. At September 30, 2012 and December 31, 2011, the fair value of loaned securities held by separate account assets was approximately $20.8 billion and $19.5 billion, respectively, and the value of collateral held under these securities lending agreements was approximately $22.6 billion and $20.9 billion, respectively. During the nine months ended September 30, 2012 and 2011, the Company had not sold or re-pledged any of the collateral received under these arrangements.

Appropriated Retained Earnings. Upon adoption of Accounting Standards Update (ASU) 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU 2009-17), BlackRock consolidated three CLOs and recorded a cumulative effect adjustment to appropriated retained earnings on the condensed consolidated statement of financial condition equal to the difference between the fair value of the CLOs assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders, not BlackRock, ultimately will receive the benefits or absorb the losses associated with the CLOs assets and liabilities. Subsequent to the adoption of ASU 2009-17, the net change in the fair value of the CLOs assets and liabilities has been recorded as net income (loss) attributable to nonredeemable non-controlling interests and as an adjustment to appropriated retained earnings. In addition, on September 30, 2012 and September 30, 2011, BlackRock consolidated additional CLOs, resulting in ($13) million and $19 million of additional appropriated retained earnings upon the initial consolidation, respectively.

Accounting Pronouncements Adopted in the Nine Months Ended September 30, 2012

Amendments to Fair Value Measurements and Disclosures. On January 1, 2012, the Company adopted the applicable provisions of ASU 2011-04, *Fair Value Measurement*: *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 clarified existing fair value measurement guidance and changed certain principles or requirements for measuring fair value for disclosing information about fair value measurements. The adoption of ASU 2011-04 did not materially impact BlackRock s condensed consolidated financial statements.

Amendments on Testing Indefinite-lived Intangible Assets for Impairment. On July 27, 2012, the Financial Accounting Standards Board (FASB) issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02), which amends the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under ASU 2012-02, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not (i.e., a likelihood of more than 50 percent) impaired, the entity would not need to calculate the fair value of the asset. The Company s adoption of ASU 2012-02 during the quarter ended September 30, 2012 did not impact its condensed consolidated financial statements.

12

Table of Contents

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted

***Disclosures About Offsetting Assets and Liabilities*.** On December 16, 2011, the FASB issued ASU 2011-11, *Disclosures About Offsetting Assets and Liabilities* (ASU 2011-11), which creates new disclosure requirements about the nature of an entity s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The provisions of ASU 2011-11 are effective for the Company for annual reporting period beginning on January 1, 2013, and interim periods therein, with retrospective application required. The adoption of ASU 2011-11 is not expected to materially impact BlackRock s condensed consolidated financial statements.

Table of Contents

3. Investments

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

(Dollar amounts in millions)	September 30, 2012	December 31, 2011
Available-for-sale investments	$ 192	$ 52
Held-to-maturity investments	103	105
Trading investments:		
Consolidated sponsored investment funds	67	214
Other equity securities and debt securities	4	7
Deferred compensation plan mutual funds	53	46
Total trading investments	124	267
Other investments:		
Consolidated sponsored investment funds	436	373
Equity method investments	509	457
Deferred compensation plan hedge fund equity method investments	10	19
Cost method investments[1]	365	337
Carried interest	125	21
Total other investments	1,445	1,207
Total investments	$ 1,864	$ 1,631

[1] Amounts primarily include Federal Reserve Bank Stock

At September 30, 2012, the Company consolidated $503 million of investments held by consolidated sponsored investment funds (non-variable interest entities (VIEs)) of which $67 million and $436 million were classified as trading investments and other investments, respectively. At December 31, 2011, the Company consolidated $587 million of investments held by consolidated sponsored investment funds (non-VIEs) of which $214 million and $373 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:

(Dollar amounts in millions)		Gross Unrealized		Carrying
September 30, 2012	**Cost**	**Gains**	**Losses**	**Value**
Equity securities:				
Sponsored investment funds	$ 180	$ 10	($ 1)	$ 189
Collateralized debt obligations (CDOs)	1			1
Debt securities:				
Asset-backed debt	1	1		2
Total available-for-sale investments	$ 182	$ 11	($ 1)	$ 192

	Cost	Gross Unrealized

December 31, 2011		**Gains**	**Losses**	**Carrying Value**
Equity securities:				
Sponsored investment funds	$ 52	$	($ 2)	$ 50
CDOs	1			1
Debt securities:				
Asset-backed debt	1			1
Total available-for-sale investments	$ 54	$	($ 2)	$ 52

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

Table of Contents

3. Investments (continued)

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was $103 million and $105 million at September 30, 2012 and December 31, 2011, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. The amortized cost of debt securities classified as held-to-maturity at September 30, 2012 by maturity date was as follows:

(Dollar amounts in millions)	1 Year or less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
Foreign government debt	$ 88	$ 4	$	$ 11	$ 103

Trading Investments

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

	September 30, 2012		**December 31, 2011**	
(Dollar amounts in millions)	**Cost**	**Carrying Value**	**Cost**	**Carrying Value**
Trading investments:				
Deferred compensation plan mutual funds	$ 46	$ 53	$ 45	$ 46
Equity/Multi-asset class mutual funds	62	65	174	169
Debt securities:				
Foreign debt			12	12
Corporate debt	6	6	39	40
Total trading investments	$ 114	$ 124	$ 270	$ 267

At September 30, 2012, trading investments included $61 million of equity securities and $6 million of debt securities held by consolidated sponsored investment funds, $53 million of certain deferred compensation plan mutual fund investments and $4 million of equity and debt securities held in separate investment accounts for the purpose of establishing an investment history in various investment strategies before being marketed to investors.

Other Investments

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

	September 30, 2012		**December 31, 2011**	
(Dollar amounts in millions)	**Cost**	**Carrying Value**	**Cost**	**Carrying Value**
Other investments:				
Consolidated sponsored investment funds	$ 396	$ 436	$ 345	$ 373
Equity method	465	509	487	457
Deferred compensation plan hedge fund equity method investments	15	10	17	19
Cost method investments:				
Federal Reserve Bank stock	330	330	328	328

Other	35	35	9	9
Total cost method investments	365	365	337	337
Carried interest		125		21
Total other investments	$ 1,241	$ 1,445	$ 1,186	$ 1,207

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

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

Table of Contents

3. Investments (continued)

Cost method investments include non-marketable securities, including Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At September 30, 2012, there were no indicators of impairment on these investments.

Carried interest represents allocations to BlackRock 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 Sponsored Investment Funds

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

(Dollar amounts in millions)	September 30, 2012	December 31, 2011
Cash and cash equivalents	$ 46	$ 196
Investments:		
Trading investments	67	214
Other investments	436	373
Other assets	5	5
Other liabilities	(36)	(37)
Non-controlling interests	(198)	(276)
BlackRock s net interests in consolidated sponsored investment funds	$ 320	$ 475

BlackRock s total exposure to consolidated sponsored investment funds of $320 million and $475 million at September 30, 2012 and December 31, 2011, respectively, represents the value of the Company s economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in non-operating income (expense) and partially offset in net income (loss) attributable to non-controlling interests for the portion not attributable to BlackRock.

In addition, at September 30, 2012 and December 31, 2011, five and four, respectively, consolidated CLOs and several investment funds, which were deemed to be VIEs, were excluded from the balances in the table above as the amounts for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, Variable Interest Entities, for further discussion on these consolidated funds.

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

Table of Contents

5. Fair Value Disclosures

Fair Value Hierarchy

Total assets measured at fair value on a recurring basis of $152.6 billion at September 30, 2012 were as follows:

	Assets measured at fair value				
(Dollar amounts in millions)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Other Assets Not Held at Fair Value[1]**	**September 30, 2012**
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 189	$	$ 1	$	$ 190
Debt securities		2			2
Total available-for-sale	189	2	1		192
Held-to-maturity:					
Debt securities				103	103
Trading:					
Deferred compensation plan mutual funds	53				53
Equity/Multi-asset class mutual funds	62	3			65
Debt securities		6			6
Total trading	115	9			124
Other investments:					
Consolidated sponsored investment funds:					
Real estate	5				5
Hedge funds / Funds of funds	10	48	55		113
Private / public equity[2]	13	7	298		318
Total consolidated sponsored investment funds	28	55	353		436
Equity method:					
Hedge funds / Funds of hedge funds		60	180	30	270
Private equity investments			90		90
Real estate funds			103	15	118
Equity/Multi-asset class, alternative mutual funds	31				31
Total equity method	31	60	373	45	509
Deferred compensation plan hedge fund equity method investments		10			10
Cost method investments				365	365
Carried interest				125	125
Total investments	363	136	727	638	1,864
Separate account assets:					
Equity securities	89,217		33		89,250
Debt securities		34,463	3		34,466
Derivatives		29			29
Money market funds	2,223				2,223

Other		1,102		943	2,045
Total separate account assets	91,440	35,594	36	943	128,013
Collateral held under securities lending agreements:					
Equity securities	18,367				18,367
Debt securities		4,195			4,195
Total collateral held under securities lending agreements	18,367	4,195			22,562
Other assets[3]		11			11
Assets of consolidated VIEs:					
Bank loans		1,406	89		1,495
Bonds		80	45		125
Debt securities		30			30
Private / public equity[4]	2	5	26		33
Total assets of consolidated VIE	2	1,521	160		1,683
Total	**$ 110,172**	**$ 41,457**	**$ 923**	**$ 1,581**	**$ 154,133**

(1) Amounts comprised of investments held at cost, amortized cost, carried interest and certain equity method investments, which include investment companies and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company s investment in such equity method investees may not represent fair value.

(2) Amount within Level 3 included $240 million and $58 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Amount included company-owned and split-dollar life insurance policies.

(4) Amount within Level 3 included $24 million and $2 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity fund, respectively.

Table of Contents

5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Liabilities measured at fair value on a recurring basis at September 30, 2012 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	September 30, 2012
Liabilities:				
Borrowings of consolidated VIEs	$	$	$ 1,843	$ 1,843
Collateral liabilities under securities lending agreements	18,367	4,195		22,562
Other liabilities[(1)]	13	4		17
Total liabilities measured at fair value	**$ 18,380**	**$ 4,199**	**$ 1,843**	**$ 24,422**

(1) Amounts include credit default swap (Pillars) (see Note 7, Derivatives and Hedging, for more information) and securities sold short within consolidated sponsored investment funds recorded within other liabilities on the condensed consolidated statement of financial condition.

Table of Contents

5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Total assets measured at fair value on a recurring basis of $141.6 billion at December 31, 2011 were as follows:

(Dollar amounts in millions)	Assets measured at fair value Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value (1)	December 31, 2011
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 50	$	$ 1	$	$ 51
Debt securities		1			1
Total available-for-sale	50	1	1		52
Held-to-maturity:					
Debt securities				105	105
Trading:					
Deferred compensation plan mutual funds	46				46
Equity securities	163	6			169
Debt securities		52			52
Total trading	209	58			267
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds		20	22		42
Private / public equity	18		313		331
Total consolidated sponsored investment funds	18	20	335		373
Equity method:					
Hedge funds / Funds of hedge funds		33	193	14	240
Private equity investments			85	21	106
Real estate funds			88	20	108
Equity mutual funds	3				3
Total equity method	3	33	366	55	457
Deferred compensation plan hedge fund equity method investments		19			19
Cost method investments				337	337
Carried interest				21	21
Total investments	280	131	702	518	1,631
Separate account assets:					
Equity securities	74,088		3		74,091
Debt securities		38,596	7		38,603
Derivatives	8	1,487			1,495

Money market funds	2,845				2,845
Other		920		917	1,837
Total separate account assets	76,941	41,003	10	917	118,871
Collateral held under securities lending agreements:					
Equity securities	14,092				14,092
Debt securities		6,826			6,826
Total collateral held under securities lending agreements	14,092	6,826			20,918
Other assets(2)		11			11
Assets of consolidated VIEs:					
Bank loans		1,376	83		1,459
Bonds		105	40		145
Private / public equity	4	4	27		35
Total assets of consolidated VIEs	4	1,485	150		1,639
Total	$ 91,317	$ 49,456	$ 862	$ 1,435	$ 143,070

(1) Amounts comprised of investments held at cost, amortized cost, carried interest and certain equity method investments, which include investment companies and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company s investment in such equity method investees may not represent fair value.

(2) Amount includes company-owned and split-dollar life insurance policies.

Table of Contents

5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Liabilities measured at fair value on a recurring basis at December 31, 2011 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2011
Liabilities:				
Borrowings of consolidated VIEs	$	$	$ 1,574	$ 1,574
Collateral liabilities under securities lending agreements	14,092	6,826		20,918
Other liabilities(1)	15	11		26
Total liabilities measured at fair value	**$ 14,107**	**$ 6,837**	**$ 1,574**	**$ 22,518**

(1) Amounts include credit default swap (Pillars) (see Note 7, Derivatives and Hedging, for more information) and securities sold short within consolidated sponsored investment funds recorded within other liabilities on the condensed consolidated statement of financial condition.

Level 3 Assets. Level 3 assets recorded within investments of $727 million at September 30, 2012 primarily related to equity method investments and consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal as well as third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled $60 million at September 30, 2012. 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 are 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 cash flows to a single present amount using current market 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 securities 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 securities 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 recorded within separate account assets include single-broker non-binding quotes for fixed income securities and equity securities that have unobservable inputs due to certain corporate actions.

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

Level 3 Liabilities. Level 3 liabilities recorded as borrowings of consolidated VIEs include CLO borrowings valued based upon single-broker non-binding quotes.

Table of Contents

5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2012

(Dollar amounts in millions)	June 30, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2012	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$ 1	$	$	$	$	$	$	$ 1	$
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	46	8	3	(2)				55	8
Private equity	298	22		(14)	(8)			298	20
Equity method:									
Hedge funds / Funds of hedge funds	187	14			(21)			180	14
Private equity investments	88	1	1					90	2
Real estate funds	101	6	6	(7)	(3)			103	4
Total Level 3 investments	721	51	10	(23)	(32)			727	48
Separate account assets:									
Equity securities	7	(4)	3	(7)		34		33	
Debt securities			3					3	
Total Level 3 separate account assets	7	(4)	6	(7)		34		36	n/a[3]
Assets of consolidated VIEs:									
Bank loans	85	2	7	(24)	7	36	(24)	89	
Bonds	44	1						45	
Private equity	25	2	2	(3)				26	
Total Level 3 assets of consolidated VIEs	154	5	9	(27)	7	36	(24)	160	n/a[4]
Total Level 3 assets	$ 882	$ 52	$ 25	($ 57)	($ 25)	$ 70	($ 24)	$ 923	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,439	($ 27)	$	$	$ 377	$	$	$ 1,843	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

(3)

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

Table of Contents

5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2012

(Dollar amounts in millions)	December 31, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2012	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$ 1	$	$	$	$	$	$	$ 1	$
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	22	4	30	(2)	(2)	3		55	4
Private equity	313	43	2	(46)	(8)		(6)	298	38
Equity method:									
Hedge funds / Funds of hedge funds	193	33			(46)			180	33
Private equity investments	85	7	4		(6)			90	8
Real estate funds	88	8	19	(7)	(5)			103	6
Total Level 3 investments	702	95	55	(55)	(67)	3	(6)	727	89
Separate account assets:									
Equity securities	3	(5)	7	(12)		48	(8)	33	
Debt securities	7		3	(6)			(1)	3	
Total Level 3 separate account assets	10	(5)	10	(18)		48	(9)	36	n/a[3]
Assets of consolidated VIEs:									
Bank loans	83	2	25	(31)	7	89	(86)	89	
Bonds	40	3	2					45	
Private equity	27	4	2	(7)				26	
Total Level 3 assets of consolidated VIEs	150	9	29	(38)	7	89	(86)	160	n/a[4]
Total Level 3 assets	$ 862	$ 99	$ 94	($ 111)	($ 60)	$ 140	($ 101)	$ 923	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,574	($ 66)	$	$	$ 203	$	$	$ 1,843	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

Table of Contents

5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2011

(Dollar amounts in millions)	June 30, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2011	Total net gains (losses) included in earnings[2]
Assets:									
Investments:									
Available-for-sale:									
Equity securities (CDOs)	$ 2	($ 1)	$	$	$	$	$	$ 1	($ 1)
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	17	(2)			(1)			14	(1)
Private equity	312	(7)		(10)	(1)			294	(10)
Equity method:									
Hedge funds / Funds of hedge funds	211	(19)						192	(20)
Private equity investments	77	3	1					81	2
Real estate funds	48	3	5		(1)			55	3
Total Level 3 investments	667	(23)	6	(10)	(3)			637	(27)
Separate account assets:									
Equity securities	4	(1)	1	(3)				1	
Debt securities	10	(1)		(1)				8	
Total Level 3 separate account assets	14	(2)	1	(4)				9	n/a[3]
Assets of consolidated VIEs:									
Bank loans	41	(2)	5		16	23	(11)	72	
Private equity	29							29	
Total Level 3 assets of consolidated VIEs	70	(2)	5		16	23	(11)	101	n/a[4]
Total Level 3 assets	$ 751	($ 27)	$ 12	($ 14)	$ 13	$ 23	($ 11)	$ 747	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,292	$ 38	$	$	$ 332	$	$	$ 1,586	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.
(3) The net investment income attributable to separate account assets accrues directly to the contract owners and is not reported on the Company s condensed consolidated statements of income.
(4)

The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

Table of Contents

5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2011

(Dollar amounts in millions)	December 31, 2010	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2011	Total net gains (losses) included in earnings[2]
Assets:									
Investments:									
Available-for-sale:									
Equity securities (CDOs)	$ 2	$	$	$	($ 1)	$	$	$ 1	$
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	19	(1)		(2)	(1)		(1)	14	
Private equity	299	23	8	(38)		2		294	20
Equity method:									
Hedge funds / Funds of hedge funds	226	(7)	5	(1)	(31)			192	(7)
Private equity investments	68	10	4		(1)			81	10
Real estate funds	36	5	17		(3)			55	5
Total Level 3 investments	650	30	34	(41)	(37)	2	(1)	637	28
Separate account assets:									
Equity securities	4	1	8	(41)		38	(9)	1	
Debt securities	170	(3)	96	(168)			(87)	8	
Total Level 3 separate account assets	174	(2)	104	(209)		38	(96)	9	n/a[3]
Assets of consolidated VIEs:									
Bank loans	32	(4)	25	(16)	16	46	(27)	72	
Private equity	30	3		(4)				29	
Total Level 3 assets of consolidated VIEs	62	(1)	25	(20)	16	46	(27)	101	n/a[4]
Total Level 3 assets	$ 886	$ 27	$ 163	($ 270)	($ 21)	$ 86	($ 124)	$ 747	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,278	$ 10	$	$	$ 318	$	$	$ 1,586	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

24

5. Fair Value Disclosures (continued)

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 non-operating income (expense) on the Company s condensed consolidated statements of income. A portion of net income (loss) for consolidated investments and all of the net income (loss) for consolidated VIEs are allocated to non-controlling interests to reflect net income (loss) not attributable to the Company.

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

Separate Account Assets. During the three and nine months ended September 30, 2012, there were $34 million and $48 million, respectively, of transfers of equity securities into Level 3 from Level 1. These transfers into Level 3 were primarily due to market inputs no longer being considered observable.

During the nine months ended September 30, 2012, there were $8 million of transfers out of Level 3 to Level 1 related to equity securities held within separate accounts. These transfers out of Level 3 were due to availability of observable market inputs.

During the nine months ended September 30, 2011, there were $9 million of transfers out of Level 3 to Level 1 related to equity securities held within separate accounts. In addition, for the nine months ended September 30, 2011, there were $87 million of debt securities transferred out of Level 3 to Level 2 within separate account assets. These transfers out of Level 3 primarily were due to availability of observable market inputs, including additional inputs from pricing vendors and brokers.

During the nine months ended September 30, 2011, there were $38 million of transfers of equity securities held within separate account assets into Level 3 from Level 1. These transfers into Level 3 were primarily due to market inputs no longer being considered observable.

Assets of Consolidated VIEs. During the three and nine months ended September 30, 2012, there were $24 million and $86 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, 2012, there were $36 million and $89 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of Levels 2 and 3 were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

During the three and nine months ended September 30, 2011, there were $11 million and $27 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, 2011, there were $23 million and $46 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of Levels 2 and 3 were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

Significant Other Settlements. During the three and nine months ended September 30, 2012, there were $24 million and $57 million, respectively, of distributions from equity method investees categorized in Level 3.

During the nine months ended September 30, 2011, there were $35 million of distributions from equity method investees categorized in Level 3.

During the three and nine months ended September 30, 2012, other settlements included $406 million of borrowings related to the consolidation of one additional CLO.

During the three and nine months ended September 30, 2011, other settlements included $390 million of borrowings related to the consolidation of one additional CLO.

Table of Contents

5. Fair Value Disclosures (continued)

Disclosures of Fair Value for Additional Financial Instruments. At September 30, 2012 and December 31, 2011, the fair value of the Company s financial instruments not held at fair value are categorized in the table below:

(Dollars in millions)	September 30, 2012 Carrying Amount	September 30, 2012 Estimated Fair Value	December 31, 2011 Carrying Amount	December 31, 2011 Estimated Fair Value	Fair Value Hierarchy	
Financial Assets:						
Cash and cash equivalents	$ 4,223	$ 4,223	$ 3,506	$ 3,506	Level 1	(1)
Accounts receivable	2,464	2,464	1,960	1,960	Level 1	(2)
Due from related parties	121	121	142	142	Level 1	(2)
Cash and cash equivalents of consolidated VIEs	292	292	54	54	Level 1	(1)
Financial Liabilities:						
Accounts payable and accrued liabilities	1,427	1,427	923	923	Level 1	(2)
Due to related parties	15	15	22	22	Level 1	(2)
Short-term borrowings	100	100	100	100	Level 1	(2)
Long-term borrowings	6,186	6,767	4,690	5,057	Level 2	(3)

(1) Cash and cash equivalents are carried at either cost or amortized cost that approximates fair value due to their short-term maturities. At September 30, 2012 and December 31, 2011, approximately $46 million and $196 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds. Money market funds are valued through the use of quoted market prices, or $1.00, which generally is the NAV of the fund. At September 30, 2012 and December 31, 2011, approximately $17 million and $123 million, respectively, of money market funds were recorded within cash and cash equivalents on the Company s condensed consolidated statements of financial condition.

(2) The carrying amounts of accounts receivable, due from related parties, accounts payable and accrued liabilities, due to related parties and short-term borrowings approximate fair value due to their short-term nature.

(3) Long-term borrowings are recorded at amortized cost. The fair value of the Company s long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of September 2012 and December 2011, respectively. See Note 10, Borrowings, for the fair value of each of the Company s long-term borrowings.

The fair value of marketable investments is based on quoted market prices or broker quotes. If investments are not readily marketable, fair values primarily are determined based on NAVs (or capital accounts) of investments in limited partnerships/limited liability companies or by the Company based on management s assumptions or estimates, taking into consideration financial information of the investment, market indices or valuation services from third-party service providers. At September 30, 2012 and December 31, 2011, with the exception of certain equity and cost method investments and carried interest investments that are not accounted for under a fair value measure, the carrying value of investments approximated fair value.

Table of Contents

5. Fair Value Disclosures (continued)

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 relies on NAV as the fair value for certain investments. The following tables list information regarding all investments that use a fair value measurement to account for both their financial assets and financial liabilities in their calculation of a NAV per share (or its equivalent).

September 30, 2012

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Trading:					
Equity	(a)	$ 3	$	Daily (100%)	none
Consolidated sponsored investment funds:					
Private equity funds of funds	(b)	240	34	n/r	n/r
Other funds of hedge funds	(c)	86		Monthly (35%), Quarterly (23%) Annual (1%) n/r (41%)	30 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(d)	239		Monthly (2%), Quarterly (25%) n/r (73%)	15 90 days
Private equity funds	(e)	90	42	n/r	n/r
Real estate funds	(f)	102	15	Quarterly (18%), n/r (82%)	60 days
Deferred compensation plan hedge fund investments	(g)	10		Monthly (30%), Quarterly (70%)	60 90 days
Consolidated VIE:					
Private equity funds	(h)	24	2	n/r	n/r
Total		$ 794	$ 93		

n/r not redeemable

(1) Comprised of equity method investments, which include investment companies, which in accordance with GAAP account for both their financial assets and financial liabilities under fair value measures; therefore, the Company s investment in such equity method investees approximates fair value.

Table of Contents

5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share (continued)

December 31, 2011

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Trading:					
Equity	(a)	$ 2	$	Daily (100%)	none
Consolidated sponsored investment funds:					
Private equity funds of funds	(b)	258	44	n/r	n/r
Other funds of hedge funds	(c)	24		Monthly (25%) Quarterly (54%) n/r (21%)	30 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(d)	226	4	Monthly (2%) Quarterly (15%) n/r (83%)	15 90 days
Private equity funds	(e)	85	48	n/r	n/r
Real estate funds	(f)	88	17	n/r	n/r
Deferred compensation plan hedge fund investments	(g)	19		Monthly (16%) Quarterly (84%)	60 90 days
Consolidated VIE:					
Private equity funds	(h)	27	2	n/r	n/r
Total		$ 729	$ 115		

n/r not redeemable

(1) Comprised of equity method investments, which include investment companies, which in accordance with GAAP account for both their financial assets and financial liabilities under fair value measures; therefore, the Company s investment in such equity method investees approximates fair value.

(a) This category includes consolidated offshore feeder funds that invest in master funds with multiple equity strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of master offshore funds held by the feeder funds. Investments in this category generally can be redeemed at any time, as long as there are no restrictions in place by the underlying master funds.

(b) 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 seven and eight years at September 30, 2012 and December 31, 2011, respectively. The total remaining unfunded commitments to other third-party funds were $34 million and $44 million at September 30, 2012 and December 31, 2011, respectively. The Company was contractually obligated to fund $30 million and $33 million at September 30, 2012 and December 31, 2011 to the consolidated funds, while the remaining unfunded balances in the tables above are required to be funded by capital contributions from non-controlling interest holders.

Table of Contents

5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share (continued)

(c) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of the fund s ownership interest in partners capital of each fund in the portfolio. The majority of the underlying funds in this category can be redeemed as long as there are no restrictions in place. At September 30, 2012, the underlying funds that are currently restricted from redemptions within one year will be redeemable in approximately 12 to 24 months.

(d) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third-party hedge funds. The fair values of the investments in this category 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 five and six years at September 30, 2012 and December 31, 2011, respectively.

(e) This category includes several private equity funds that initially invest in non-marketable 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 five and six years at September 30, 2012 and December 31, 2011, respectively.

(f) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments in this category have been estimated using capital accounts representing the Company s ownership interest in the funds. The majority of the Company s investments in this category is not subject to redemption or is not currently redeemable and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It was estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at both September 30, 2012 and December 31, 2011.

(g) This category includes investments in certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using capital accounts representing the Company s ownership interest in partners capital as well as performance inputs. The investments in these funds will be liquidated upon settlement of certain deferred compensation liabilities.

(h) This category includes the underlying third-party private equity funds within three 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 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 three and four years at September 30, 2012 and December 31, 2011, respectively. Total remaining unfunded commitments to other third-party funds was $2 million at both September 30, 2012 and December 31, 2011, which are required to be funded by capital contributions from non-controlling interest holders.

Table of Contents

5. Fair Value Disclosures (continued)

Fair Value Option. Upon the initial consolidation of five CLOs, the Company elected to adopt the fair value option provisions for eligible assets and liabilities, including bank loans and borrowings of the CLOs to mitigate accounting mismatches between the carrying value of the assets and liabilities and to achieve operational simplification. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference will be reflected as net income (loss) attributable to nonredeemable non-controlling interests on the condensed consolidated statements of income and offset by a change in appropriated retained earnings on the condensed consolidated statements of financial condition.

The following table presents the fair value of those assets and liabilities for which the fair value option was elected as of September 30, 2012 and December 31, 2011:

(Dollar amounts in millions)	**September 30, 2012**	**December 31, 2011**
CLO Bank Loans:		
Aggregate principal amounts outstanding	$ 1,508	$ 1,522
Fair value	1,495	1,459
Aggregate unpaid principal balance in excess of fair value	$ 13	$ 63
Unpaid principal balance of loans more than 90 days past due	$ 4	$ 4
Aggregate fair value of loans more than 90 days past due		
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	$ 4	$ 4
CLO Borrowings:		
Aggregate principal amounts outstanding	$ 1,994	$ 1,781
Fair value	$ 1,843	$ 1,574

At September 30, 2012, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2023.

During the three months ended September 30, 2012 and 2011, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $45 million gain and a $36 million loss, respectively, which were offset by a $44 million loss and a $24 million gain, respectively, from the change in fair value of the CLO borrowings.

During the nine months ended September 30, 2012 and 2011, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $123 million gain and a $2 million gain, respectively, which were offset by a $118 million loss and a $33 million loss, respectively, from the change in fair value of the CLO borrowings.

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

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

Table of Contents

6. Variable Interest Entities

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

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

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

Consolidated VIEs. Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of several investment funds, which absorbed the majority of the variability due to their de facto third-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At September 30, 2012 and December 31, 2011, the following balances related to VIEs were consolidated on the Company s condensed consolidated statements of financial condition:

(Dollar amounts in millions)	**September 30, 2012**	**December 31, 2011**
Assets of consolidated VIEs:		
Cash and cash equivalents	$ 292	$ 54
Bank loans	1,495	1,459
Bonds	125	145
Other investments	63	35
Total bank loans, bonds and other investments	1,683	1,639
Liabilities of consolidated VIEs:		
Borrowings	(1,843)	(1,574)
Other liabilities	(9)	(9)
Appropriated retained earnings	(56)	(72)
Non-controlling interests of consolidated VIEs	(54)	(38)
Total net interests in consolidated VIEs	$ 13	$

For the three months ended September 30, 2012 and 2011, the Company recorded a non-operating gain of $2 million and non-operating loss of $16 million, respectively, offset by a $2 million net gain and a $16 million net loss attributable to nonredeemable non-controlling interests on the Company s condensed consolidated statements of income.

For the nine months ended September 30, 2012 and 2011, the Company recorded a non-operating gain of $1 million and a non-operating loss of $36 million, respectively, offset by a $1 million and a $36 million net gain and net loss attributable to nonredeemable non-controlling interests, respectively, on the Company s condensed consolidated statements of income.

At September 30, 2012 and December 31, 2011 the weighted-average maturities of the bank loans and bonds were approximately 4.2 years.

Table of Contents

6. Variable Interest Entities (continued)

Non-Consolidated VIEs. At September 30, 2012 and December 31, 2011, the Company s carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it is the sponsor or in which it holds a variable interest but for which it was not the PB, were as follows:

At September 30, 2012

	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
(Dollar amounts in millions)	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss**
CDOs/CLOs	$ 1	$ 3	($ 4)	$ 21
Other sponsored investment funds:				
Collective trusts		186		186
Other	17	63		80
Total	$ 18	$ 252	($ 4)	$ 287

At December 31, 2011

	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
(Dollar amounts in millions)	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss**
CDOs/CLOs	$ 1	$ 2	($ 3)	$ 20
Other sponsored investment funds:				
Collective trusts		184		184
Other	18	54	(5)	72
Total	$ 19	$ 240	($ 8)	$ 276

The net assets related to the above CDOs/CLOs and other sponsored investment funds, including collective trusts, that the Company does not consolidate were as follows:

CDOs/CLOs

(Dollar amounts in billions)	**September 30, 2012**	**December 31, 2011**
Assets at fair value	$ 5	$ 5
Liabilities[1]	7	7
Net assets	($ 2)	($ 2)

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

Other sponsored investments funds. Net assets of other sponsored investment funds approximate $1.4 trillion to $1.5 trillion at September 30, 2012 and $1.2 trillion to $1.3 trillion at December 31, 2011. Net assets included $1.2 trillion and $1.0 trillion of collective trusts at September 30, 2012 and December 31, 2011, respectively. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

Maximum risk of loss. At both September 30, 2012 and December 31, 2011, BlackRock s maximum risk of loss associated with these VIEs primarily relates to: (i) advisory fee receivables; (ii) BlackRock s investments; and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

Table of Contents

7. Derivatives and Hedging

In May 2011, the Company entered into a designated cash flow hedge consisting of a $750 million interest rate swap maturing in 2013 to hedge future cash flows on the Company s floating rate notes due in 2013. Interest on this swap is at a fixed rate of 1.03%, payable semi-annually on May 24 and November 24 of each year and commenced November 24, 2011. The fair value of the interest rate swap at September 30, 2012 was not material to the Company s condensed consolidated financial statements.

The Company maintains a program to enter into total return swaps to hedge against market price exposures with respect to certain seed investments in sponsored investment products. At September 30, 2012 and December 31, 2011, the Company had eleven and six outstanding total return swaps, respectively, with an aggregate notional value of approximately $83 million and $43 million, respectively. The fair value of the outstanding total return swaps as of September 30, 2012 and December 31, 2011 was not material to the Company s condensed consolidated financial statements.

Market risk from forward foreign currency exchange contracts is the effect on the value of a financial instrument that results from a change in currency exchange rates. The Company manages certain exposure to market risk associated with foreign currency exchange contracts by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. At September 30, 2012, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $83 million. The fair value of the forward foreign currency exchange contracts as of September 30, 2012 was not material to the Company s condensed consolidated financial statements. At December 31, 2011, the Company did not have any outstanding forward foreign currency exchange contracts.

The Company acts as the portfolio manager in a series of credit default swap transactions, referred to collectively as the Pillars synthetic CDO transaction (Pillars). The Company entered into a credit default swap with Citibank, N.A. (Citibank), providing Citibank credit protection of approximately $17 million, representing the Company s maximum risk of loss with respect to the provision of credit protection. The Company s management has performed an assessment of its variable interest in Pillars (a collateral management agreement and the credit default swap) under ASC 810-10, *Consolidation,* and has concluded the Company is not Pillars PB. Pursuant to ASC 815-10, the Company carries the Pillars credit default swap at fair value based on the expected future cash flows under the arrangement.

On behalf of clients of the Company s registered life insurance company, which maintains separate accounts representing segregated funds held for the purpose of funding individual and group pension contracts, the Company invests in various derivative instruments, which may include futures and forward foreign currency exchange contracts, interest rate swaps and inflation rate swaps. Net realized and unrealized gains and losses attributable to derivatives held by separate account assets accrue directly to the contract owners and are not reported in the Company s condensed consolidated statements of income.

The following table presents the fair value at September 30, 2012 and December 31, 2011 of derivative instruments not designated as hedging instruments:

	September 30, 2012		**December 31, 2011**	
(Dollar amounts in millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Credit default swap (Pillars)				
Other liabilities	$	$ 4	$	$ 3
Separate account derivatives				
Separate account assets	29		1,495	
Separate account liabilities		29		1,495
Total	$ 29	$ 33	$ 1,495	$ 1,498

The fair value of the derivatives held by separate account assets is equal to and offset by a separate account liability.

Table of Contents

7. Derivatives and Hedging (continued)

Gains (losses) on total return swaps are recorded in non-operating income (expense) on the condensed consolidated statements of income and were ($10) million and ($13) million for the three and nine months ended September 30, 2012, respectively, and were $8 million and $6 million for the three and nine months ended September 30, 2011, respectively.

Gains (losses) on the interest rate swap, forward foreign currency exchange contracts and Pillars were immaterial for the three and nine months ended September 30, 2012 and 2011.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds investment strategies. The fair value of such derivatives At September 30, 2012 and December 31, 2011 was not material to the Company s condensed consolidated financial statements. The change in fair value of such derivatives, which is recorded in non-operating income (expense), was not material to the Company s condensed consolidated financial statements for the three and nine months ended September 30, 2012 and 2011.

8. Goodwill

Goodwill activity during the nine months ended September 30, 2012 was as follows:

(Dollar amounts in millions)	
December 31, 2011	$ 12,792
Claymore Investments, Inc. [(1)]	106
Swiss Re Private Equity Partners [(2)]	25
Excess tax basis amortization [(3)]	(15)
September 30, 2012	$ 12,908

(1) Amount represents goodwill resulting from the Company s acquisition of the Canadian exchange-traded products (ETP) provider, Claymore Investments, Inc. (the Claymore Transaction) on March 7, 2012 for approximately $212 million.

(2) Amount represents goodwill resulting from the Company s acquisition of the European private equity and infrastructure funds of funds of Swiss Re Private Equity Partners (SRPEP) (the SRPEP Transaction) on September 4, 2012.

(3) At September 30, 2012, the balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $332 million. Goodwill related to the acquisition of the fund-of-funds business of Quellos Group, LLC (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.

9. Intangible Assets

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

(Dollar amounts in millions)	**Indefinite-lived intangible assets**	**Finite-lived intangible assets**	**Total intangible assets**
December 31, 2011	$ 16,597	$ 759	$ 17,356
Claymore Transaction	163		163
SRPEP Transaction		40	40
Amortization expense		(117)	(117)
September 30, 2012	$ 16,760	$ 682	$ 17,442

In September 2012, in connection with the SRPEP Transaction, the Company acquired $40 million of finite-lived management contracts.

In March 2012, in connection with the Claymore Transaction, the Company acquired $163 million of indefinite-lived ETP management contracts.

Table of Contents

10. Borrowings

Short-Term Borrowings

2012 Revolving Credit Facility. In March 2011, the Company entered into a five-year $3.5 billion unsecured revolving credit facility (the 2011 credit facility). In March 2012, the 2011 credit facility was amended to extend the maturity date by one year to March 2017 and in April 2012 the amount of the aggregate commitment was increased to $3.785 billion (the 2012 credit facility). The 2012 credit facility permits the Company to request an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2012 credit facility to an aggregate principal amount not to exceed $4.785 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate (LIBOR) plus a spread. The 2012 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 approximately 1 to 1 at September 30, 2012.

The 2012 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At September 30, 2012, the Company had $100 million outstanding under this facility with an interest rate of 1.105% and a maturity during October 2012. During October 2012, the Company rolled over the $100 million in borrowings at an interest rate of 1.085% and a maturity during December 2012.

Commercial Paper Program. On October 14, 2009, BlackRock established a commercial paper program (the CP Program) under which the Company could issue unsecured commercial paper notes (the CP Notes) on a private-placement basis up to a maximum aggregate amount outstanding at any time of $3.0 billion. On May 13, 2011, BlackRock increased the maximum aggregate amount that may be borrowed under the CP Program to $3.5 billion. On May 17, 2012, BlackRock increased the maximum aggregate amount to $3.785 billion. The CP Program is currently supported by the 2012 credit facility.

As of September 30, 2012 and December 31, 2011, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

2015 and 2022 Notes. In May 2012, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including $750 million of 1.375% notes maturing in June 2015 (the 2015 Notes) and $750 million of 3.375% notes maturing in June 2022 (the 2022 Notes). Net proceeds were used to fund the repurchase of BlackRock s common stock and Series B Preferred Stock from Barclays and affiliates and for general corporate purposes. Interest on the 2015 Notes and the 2022 Notes of approximately $10 million and $25 million per year, respectively, is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2012. The 2015 Notes and 2022 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole redemption price. The make-whole redemption price represents a price, subject to the specific terms of the 2015 and 2022 Notes and related indenture, that is the greater of (a) par value and (b) the present value of future payments that will not be paid because of an early redemption, which is discounted at a fixed spread over a comparable Treasury security. The 2015 Notes and 2022 Notes were issued at a discount of $5 million that is being amortized over the term of the notes. The Company incurred approximately $7 million of debt issuance costs, which are being amortized over the respective terms of the 2015 Notes and 2022 Notes.

The carrying value and fair value of long-term borrowings determined using market prices at the end of September 2012 included the following:

(Dollar amounts in millions)	**Maturity Amount**	**Unamortized Discount**	**Carrying Value**	**Fair Value**
2.25% Notes due 2012	$ 500	$	$ 500	$ 501
Floating Rate Notes due 2013	750		750	745
3.50% Notes due 2014	1,000		1,000	1,063
1.375% Notes due 2015	750	(1)	749	764
6.25% Notes due 2017	700	(3)	697	865
5.00% Notes due 2019	1,000	(2)	998	1,182
4.25% Notes due 2021	750	(4)	746	847
3.375% Notes due 2022	750	(4)	746	800
Total Long-term Borrowings	$ 6,200	($ 14)	$ 6,186	$ 6,767

Long-term borrowings at December 31, 2011 had a carrying value of $4,690 million and a fair value of $5,057 million determined using market prices at the end of December 2011.

See Note 11, Borrowings, in the 2011 Form 10-K for more information.

11. Commitments and Contingencies

Investment Commitments. At September 30, 2012, the Company had $216 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party non-controlling interest holders have the legal obligation to fund the respective commitments of such funds of funds. 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 Company s condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company s Capital Committee, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

Contingencies

Contingent Payments. The Company acts as the portfolio manager in a series of credit default swap transactions and has a maximum potential exposure of $17 million under a credit default swap between the Company and Citibank. See Note 7, Derivatives and Hedging, for further discussion of this transaction and the related commitment.

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

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

Indemnifications. In the ordinary course of business, 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.

Under the transaction agreement in the Merrill Lynch Investment Managers (MLIM) acquisition, the Company has agreed to indemnify Merrill Lynch for losses it may incur arising from various items including certain specified tax covenants.

Under the transaction agreement in the Barclays Global Investors (BGI) acquisition from Barclays (the BGI Transaction), the Company has agreed to indemnify Barclays for losses it may incur arising from (1) breach by the Company of certain representations; (2) breach by the Company of any covenant in the agreement; (3) liabilities of the entities acquired in the transaction other than liabilities assumed by Barclays or for which it is providing indemnification and (4) certain taxes.

Management believes that the likelihood of any liability arising under the MLIM transaction or the BGI Transaction indemnification provisions is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of BlackRock. Consequently, no liability has been recorded on the condensed consolidated statements of financial condition.

In connection with securities lending transactions, BlackRock, together with Barclays (as described below), has issued certain indemnifications to certain clients against potential loss that is a direct result of a borrower s failure to fulfill its obligations (and return securities borrowed) 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 such securities lending agreement. As part of the BGI acquisition, Barclays is contractually obligated to continue providing counterparty default indemnification to several BlackRock securities lending clients through December 1, 2012. BlackRock intends to assume these indemnification obligations prior to or upon the expiration of Barclays indemnification obligation. As of September 30, 2012, the Company indemnified certain of its clients for loan balances of approximately $40.0 billion. The fair value of these indemnifications was not material to BlackRock s condensed consolidated statements of financial condition as of September 30, 2012. The Company currently expects client balances indemnified by BlackRock to continue to increase as a result of this transition and over time as the Company s securities lending activities increase.

Table of Contents

12. Stock-Based Compensation

The components of the Company s stock-based compensation expense are as follows:

(Dollar amounts in millions)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Stock-based compensation:				
Restricted stock and restricted stock units (RSUs)	$ 104	$ 115	$ 328	$ 323
Long-term incentive plans funded by PNC	5	15	16	43
Stock options		3		9
Total stock-based compensation	$ 109	$ 133	$ 344	$ 375

Restricted Stock and RSUs

Restricted stock and RSU activity for the nine months ended September 30, 2012 is summarized below:

Outstanding at	Restricted Stock and Units	Weighted-Average Grant Date Fair Value
December 31, 2011	5,528,781	$ 196.44
Granted	2,481,052	$ 166.43
Converted	(1,616,091)	$ 175.84
Forfeited	(145,874)	$ 177.41
September 30, 2012[(1)]	6,247,868	$ 190.31

(1) At September 30, 2012, approximately 5.6 million awards are expected to vest and 0.6 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.

Table of Contents

12. Stock-Based Compensation (continued)

In January 2012, the Company granted the following awards under the BlackRock, Inc. 1999 Stock Award and Incentive Plan:

1,365,691 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant;

418,038 RSUs to employees that cliff vest 100% on January 31, 2015; and

616,117 RSUs, which will primarily be funded by shares currently held by PNC (see Long-Term Incentive Plans Funded by PNC below). The awards will vest on the fourth, fifth or sixth anniversaries of the grant date subject to pre-determined market conditions being achieved during the six-year term of the award.

At September 30, 2012, there was $448 million in total unrecognized stock-based compensation expense related to unvested RSUs. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.4 years.

Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to 4,000,000 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 non-voting participating preferred stock to fund the remaining committed shares.

During 2007 through 2011, approximately 2.5 million shares were surrendered, including 1.3 million RSUs, which vested and were funded by PNC on September 29, 2011. At September 30, 2012 approximately 0.2 million shares that vest in January 2013 remain committed by PNC.

At September 30, 2012, the remaining shares committed by PNC, of approximately 1.3 million, are available to fund future long-term incentive awards, including approximately 0.6 million shares of the awards granted in January 2012.

Stock Options

Options outstanding at September 30, 2012 and changes during the nine months ended September 30, 2012 were as follows:

Outstanding at	Shares Under Option	Weighted-Average Exercise Price
December 31, 2011	2,190,907	$ 105.33
Exercised	(1,090,998)	$ 42.39
September 30, 2012[1]	1,099,909	$ 167.76

(1) At September 30, 2012, all options were vested. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2012 was $157 million.

Table of Contents

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 equivalents 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, 2012, the Company was required to maintain approximately $1,211 million 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 various regulatory capital requirements administered by the Federal banking agencies), entities regulated by the Financial Services Authority in the United Kingdom and the Company s broker-dealers and was in compliance with all applicable regulatory net capital requirements.

14. Restructuring Charges

The Company recorded a pre-tax restructuring charge of approximately $32 million ($22 million after-tax) during the year ended December 31, 2011. This charge was comprised of $24 million of severance and associated outplacement costs and $8 million of expenses related to the accelerated amortization of previously granted equity-based compensation awards.

The following table presents a rollforward of the Company s restructuring liability, which is included within other liabilities on the Company s condensed consolidated statements of financial condition:

(Dollar amounts in millions)	
Liability as of December 31, 2011	$ 18
Cash payments	(17)
Liability as of September 30, 2012	$ 1

15. Capital Stock

Non-voting Participating Preferred Stock. The Company s preferred shares authorized, issued and outstanding consisted of the following:

	September 30, 2012	December 31, 2011
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	3,417,258	38,328,737
Series C		
Shares authorized, $0.01 par value	6,000,000	6,000,000
Shares issued and outstanding	1,517,237	1,517,237
Series D		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding		

Table of Contents

15. Capital Stock (continued)

Share Repurchase Approval. In February 2012, 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 5.0 million shares of BlackRock common stock. The Company repurchased 1,858,100 shares in open market transactions for approximately $334 million during the nine months ended September 30, 2012. At September 30, 2012, there were 3,593,900 shares still authorized to be repurchased.

May 2012 Barclays Sale and Capital Exchange. BlackRock completed the secondary offering of 26,211,335 shares of common stock held by Barclays at a price of $160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Convertible Participating Preferred Stock by a subsidiary of Barclays.

Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays outside the publicly announced share repurchase program at a price of $156.80 per share (consisting of 6,346,036 of Series B Convertible Preferred Stock and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

May 2012 PNC Capital Exchange. In May 2012, PNC exchanged 2,000,000 shares of Series B Convertible Preferred Stock for an equal number of shares of common stock.

Other Changes. In September 2012, 593,786 shares of Series B Convertible Preferred Stock converted into an equal number of shares of common stock.

40

Table of Contents

16. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS) for the three and nine months ended September 30, 2012 and 2011:

(Dollar amounts in millions, except per share data)

Basic EPS:	**Three Months Ended September 30, 2012**	**Three Months Ended September 30, 2011**	**Nine Months Ended September 30, 2012**	**Nine Months Ended September 30, 2011**
Net income attributable to BlackRock	$ 642	$ 595	$ 1,768	$ 1,782
Less:				
Dividends distributed to common shares	259	246	803	760
Dividends distributed to participating RSUs		3	1	9
Undistributed net income attributable to BlackRock	383	346	964	1,013
Percentage of undistributed net income allocated to common shares[(a)]	99.9%	98.8%	99.9%	98.8%
Undistributed net income allocated to common shares	382	342	963	1,001
Plus:				
Common share dividends	259	246	803	760
Net income attributable to common shares	$ 641	$ 588	$ 1,766	$ 1,761
Weighted-average shares outstanding	172,359,141	179,034,837	176,116,975	186,187,318
Earnings per basic share attributable to BlackRock common stockholders	$ 3.72	$ 3.28	$ 10.02	$ 9.46
Diluted EPS:				
Net income attributable to common shares	$ 641	$ 588	$ 1,766	$ 1,761
Weighted-average shares outstanding	172,359,141	179,034,837	176,116,975	186,187,318
Dilutive effect of:				
Non-participating RSUs	2,944,239	2,225,498	2,573,971	1,812,687
Stock options	147,152	564,994	265,753	741,587
Convertible debt				51,360
Total diluted weighted-average shares outstanding	175,450,532	181,825,329	178,956,699	188,792,952
Earnings per dilutive share attributable to BlackRock common stockholders	$ 3.65	$ 3.23	$ 9.87	$ 9.33

(a) Allocation to common stockholders is based on the total of common and participating security stockholders (which represent unvested RSUs that contain nonforfeitable rights to dividends). For the three months ended September 30, 2012 and 2011, average outstanding participating securities were 0.2 million and 2.2 million, respectively. For the nine months ended September 30, 2012 and 2011, average outstanding participating securities were 0.2 million and 2.3 million, respectively.

Basic EPS is calculated pursuant to the two-class method to determine income attributable to common stockholders. Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS includes the determinants of basic EPS and in addition, reflects the impact of other potentially dilutive shares, including RSU awards that do not contain nonforfeitable rights to dividends, unexercised stock options and convertible debentures. The dilutive effect of participating securities is calculated under the more dilutive of either the treasury method or the two-class method.

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

For the three and nine months ended September 30, 2011, 1,160,753 and zero options were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. There were no anti-dilutive RSUs for the three and nine months ended September 30, 2011. There were no anti-dilutive RSUs or options for the three and nine months ended September 30, 2012.

Table of Contents

17. Income Taxes

The three months ended September 30, 2012 included a $30 million net non-cash benefit related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company s organizational structure.

In April 2011, New Jersey enacted legislation that changed the calculation of taxes in the state, with the change to be phased in over three years, starting in 2012. The legislation resulted in a $52 million non-cash income tax benefit related to the revaluation of certain deferred income tax assets and liabilities.

The three months ended September 30, 2011 included a $129 million non-cash income tax benefit related to the revaluation of certain deferred income tax liabilities, primarily associated with a state tax election and United Kingdom enacted legislation, reducing corporate income taxes.

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 in accordance with ASC 280-10, *Segment Reporting*.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions*® and advisory revenue, distribution fees and other revenue for the three and nine months ended September 30, 2012 and 2011, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollar amounts in millions)	2012	2011	2012	2011
Equity	$ 1,073	$ 1,078	$ 3,196	$ 3,404
Fixed income	491	419	1,386	1,227
Multi-asset class	241	232	724	676
Alternatives	232	225	642	652
Cash management	90	86	267	298
Total investment advisory, administration fees, securities lending revenue and performance fees	2,127	2,040	6,215	6,257
BlackRock Solutions and advisory	128	117	382	361
Distribution fees	19	23	58	78
Other revenue	46	45	143	158
Total revenue	$ 2,320	$ 2,225	$ 6,798	$ 6,854

The following table illustrates the Company s total revenue for the three and nine months ended September 30, 2012 and 2011, respectively, by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollar amounts in millions) **Revenue**	2012	2011	2012	2011
Americas	$ 1,578	$ 1,481	$ 4,676	$ 4,602
Europe	629	625	1,795	1,869
Asia-Pacific	113	119	327	383
Total revenue	$ 2,320	$ 2,225	$ 6,798	$ 6,854

Table of Contents

18. Segment Information (continued)

The following table illustrates the Company s long-lived assets, including goodwill and property and equipment at September 30, 2012 and December 31, 2011 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the assets are physically located.

(Dollar amounts in millions)

Long-lived Assets	September 30, 2012	December 31, 2011
Americas	$ 13,236	$ 13,133
Europe	165	123
Asia-Pacific	67	73
Total long-lived assets	$ 13,468	$ 13,329

Americas primarily is comprised of the United States, Canada, Brazil and Mexico, while Europe is primarily comprised of the United Kingdom. Asia-Pacific is primarily comprised of Japan, Australia and Hong Kong.

19. Subsequent Events

In addition to the subsequent events described in Note 10, Borrowings, the Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or disclosure.

43

Table of Contents

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, comfortabl expect, anticipate, current, intention, estimate, position, assume, outlook, continue, remain, maintain, sustain, seek, expressions, or future or conditional verbs such as will, would, should, could, may or 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; (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 and information 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 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.

Table of Contents

Overview

BlackRock, Inc. (BlackRock or the Company) is the world s largest publicly-traded investment management firm. At September 30, 2012, the Company managed $3.673 trillion of assets under management (AUM) on behalf of institutional and individual investors worldwide. The Company provides a wide array of products, including passively and actively managed products in various equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds and funds of funds. In addition, *BlackRock Solutions*® provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On May 29, 2012, BlackRock completed a secondary offering of 26,211,335 shares of common stock held by Barclays Bank PLC (Barclays) at a price of $160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Convertible Participating Preferred Stock by a subsidiary of Barclays. Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays at a price of $156.80 per share (consisting of 6,346,036 of Series B Convertible Preferred Stock and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

On September 30, 2012, PNC held 21.0% of the Company s voting common stock and 21.8% of the Company s capital stock, which includes outstanding common and non-voting preferred stock.

Table of Contents

Financial Highlights

(Dollar amounts in millions, except per share data)

(unaudited)

The following tables summarize BlackRock s operating performance for each of the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
GAAP basis:				
Total revenue	$ 2,320	$ 2,225	$ 6,798	$ 6,854
Total expenses	1,445	1,448	4,279	4,413
Operating income	$ 875	$ 777	$ 2,519	$ 2,441
Operating margin	37.7%	34.9%	37.1%	35.6%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests	$ 17	($ 87)	($ 9)	($ 95)
Net income attributable to BlackRock	$ 642	$ 595	$ 1,768	$ 1,782
Diluted earnings per common share(e)(f)	$ 3.65	$ 3.23	$ 9.87	$ 9.33
Effective tax rate	28.1%	13.7%	29.6%	24.0%
As adjusted:				
Operating income(a)	$ 876	$ 849	$ 2,533	$ 2,551
Operating margin(a)	40.7%	40.1%	39.5%	39.6%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests(b)	$ 13	($ 79)	($ 15)	($ 92)
Net income attributable to BlackRock(c)(d)	$ 610	$ 521	$ 1,743	$ 1,681
Diluted earnings per common share(c)(d)(e)(f)	$ 3.47	$ 2.83	$ 9.73	$ 8.80
Effective tax rate(d)	31.4%	32.3%	30.8%	31.6%
Other:				
Assets under management (end of period)	$ 3,673,274	$ 3,345,067	$ 3,673,274	$ 3,345,067
Diluted weighted-average common shares outstanding(f)	175,450,532	181,825,329	178,956,699	188,792,952
Shares outstanding excluding escrow shares (end of period)	172,037,373	178,861,410	172,037,373	178,861,410
Book value per share*	$ 145.32	$ 137.81	$ 145.32	$ 137.81
Cash dividends declared and paid per share	$ 1.50	$ 1.375	$ 4.50	$ 4.125

* Total BlackRock stockholders equity, excluding appropriated retained earnings, divided by total common and preferred shares outstanding at quarter-end.

46

Table of Contents

Financial Highlights

(continued)

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 basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock s financial performance over time. BlackRock s management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

(a) Operating income, as adjusted, and operating margin, as adjusted:

Operating income, as adjusted, equals operating income, GAAP basis, excluding certain items management deems non-recurring, or transactions that ultimately will not impact BlackRock s book value, as indicated in the table below. Operating income used for operating margin measurement equals operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Operating margin, as adjusted, equals operating income used for operating margin measurement, divided by revenue used for operating margin measurement, as indicated in the table below.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(Dollar amounts in millions)	**2012**	**2011**	**2012**	**2011**
Operating income, GAAP basis	**$ 875**	**$ 777**	**$ 2,519**	**$ 2,441**
Non-GAAP expense adjustments:				
U.K. lease exit costs	(8)	63	(8)	63
PNC LTIP funding obligation	5	15	16	43
Merrill Lynch compensation contribution		2		7
Compensation expense related to appreciation (depreciation) on deferred compensation plans	4	(8)	6	(3)
Operating income, as adjusted	**876**	**849**	**2,533**	**2,551**
Closed-end fund launch costs	22		22	19
Closed-end fund launch commissions	3		3	2
Operating income used for operating margin measurement	$ 901	$ 849	$ 2,558	$ 2,572
Revenue, GAAP basis	$ 2,320	$ 2,225	$ 6,798	$ 6,854
Non-GAAP adjustments:				
Distribution and servicing costs	(94)	(90)	(282)	(299)
Amortization of deferred sales commissions	(13)	(20)	(43)	(63)
Revenue used for operating margin measurement	$ 2,213	$ 2,115	$ 6,473	$ 6,492
Operating margin, GAAP basis	**37.7%**	**34.9%**	**37.1%**	**35.6%**
Operating margin, as adjusted	**40.7%**	**40.1%**	**39.5%**	**39.6%**

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.

Table of Contents

Financial Highlights

(continued)

(a) (continued)

Operating income, as adjusted:

U.K. lease exit costs represent costs to exit two locations in London in the third quarter 2011. The amount in third quarter 2012 represents an adjustment to the estimated costs initially recorded in third quarter 2011.

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 and a Merrill Lynch & Co., Inc. (Merrill Lynch) cash compensation contribution, has been excluded because it ultimately does not impact BlackRock s book value. The expense related to the Merrill Lynch cash compensation contribution ceased at the end of third quarter 2011. As of first quarter 2012, all of the Merrill Lynch contributions had been received.

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 non-operating income (expense).

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

Operating margin, as adjusted:

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 commissions. Management believes the exclusion of such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company s results until future periods.

Operating margin, as adjusted, allows the Company to compare performance from period-to-period by adjusting for items that may not recur, recur infrequently or may have an economic offset in non-operating income (expense). Examples of such adjustments include U.K. lease exit costs, closed-end fund launch costs, commissions paid to certain employees as compensation and fluctuations in compensation expense based on mark-to-market movements in investments held to fund certain compensation plans. The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance with other companies. Management uses both GAAP and non-GAAP financial measures in evaluating the financial performance of BlackRock. The non-GAAP measure by itself may pose limitations because it does not include all of the Company s revenues and expenses.

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 earned by the Company. 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 revenues.

Table of Contents

Financial Highlights

(continued)

(b) Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted:

Non-operating income (expense), less net income (loss) attributable to non-controlling interests (NCI), as adjusted, is presented below. The compensation expense offset is recorded in operating income. This compensation expense has been included in non-operating 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 non-operating income (expense), GAAP basis.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollar amounts in millions)	**2012**	**2011**	**2012**	**2011**
Non-operating income (expense), GAAP basis	$ 30	($ 112)	$ 13	($ 121)
Less: Net income (loss) attributable to NCI	13	(25)	22	(26)
Non-operating income (expense)[1]	17	(87)	(9)	(95)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(4)	8	(6)	3
Non-operating income (expense), less net income (loss) attributable to NCI, as adjusted	$ 13	($ 79)	($ 15)	($ 92)

[1] Net of net income (loss) attributable to NCI.

Management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides comparability of this information among reporting periods and is an effective measure for reviewing BlackRock s non-operating contribution to its results. As compensation expense associated with (appreciation) depreciation on investments related to certain deferred compensation plans, which is included in operating income, substantially offsets the gain (loss) on the investments set aside for these plans, management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock s non-operating results that impact book value.

Table of Contents

Financial Highlights

(continued)

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

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

(Dollar amounts in millions, except per share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income attributable to BlackRock, GAAP basis	**$ 642**	**$ 595**	**$ 1,768**	**$ 1,782**
Non-GAAP adjustments, net of tax:(d)				
U.K. lease exit costs	(5)	43	(5)	43
PNC LTIP funding obligation	3	10	10	29
Merrill Lynch compensation contribution		2		5
Income tax changes	(30)	(129)	(30)	(178)
Net income attributable to BlackRock, as adjusted	**$ 610**	**$ 521**	**$ 1,743**	**$ 1,681**
Allocation of net income, as adjusted, to common shares(e)	$ 609	$ 515	$ 1,741	$ 1,661
Diluted weighted-average common shares outstanding(f)	175,450,532	181,825,329	178,956,699	188,792,952
Diluted earnings per common share, GAAP basis(f)	**$ 3.65**	**$ 3.23**	**$ 9.87**	**$ 9.33**
Diluted earnings per common share, as adjusted(f)	**$ 3.47**	**$ 2.83**	**$ 9.73**	**$ 8.80**

See note (a) Operating income, as adjusted, and operating margin, as adjusted, for information on U.K. lease exit costs, PNC LTIP funding obligation and Merrill Lynch compensation contribution.

During the quarter and nine months ended September 30, 2012 and 2011, income tax changes included adjustments related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company s organizational structure. The resulting decrease in income taxes has been excluded from net income attributable to BlackRock, Inc., as adjusted, as these items do not have a cash flow impact and to ensure comparability among periods presented.

(d) For the quarters ended September 30, 2012 and 2011, non-GAAP adjustments were tax effected at 32.3% and 31.7%, respectively, reflecting a blended rate applicable to the adjustments. For the nine months ended September 30, 2012 and 2011, non-GAAP adjustments were tax effected at 31.4% and 32.0%, respectively.

(e) Amounts exclude net income attributable to participating securities (see below).

(f) Non-voting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations. In addition, certain unvested restricted stock units are not included in this number as they are deemed participating securities in accordance with required provisions of Accounting Standards Codification (ASC) 260-10, *Earnings per Share*. For the quarters ended September 30, 2012 and 2011, average outstanding participating securities were 0.2 million and 2.2 million, respectively. For the nine months ended September 30, 2012 and 2011, average outstanding participating securities were 0.2 million and

2.3 million, respectively.

Financial Highlights

(continued)

BlackRock has portfolio managers located around the world, including the United States, the United Kingdom, the Netherlands, Japan, Hong Kong, Singapore, Australia and Germany. The Company provides a wide array of products, including passively and actively managed equities, fixed income, multi-asset class, cash management and alternatives. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds and funds of funds. BlackRock provides global advisory services for private investment funds and retail products. The Company s non-U.S. investment funds are based in a number of domiciles and cover a range of asset classes, including equities, fixed income, cash management and alternatives.

In the United States, retail offerings include various open-end and closed-end funds, including *iShares*®, the global product leader in exchange-traded products for institutional, retail and high net worth investors. There were 641 *iShares* products at September 30, 2012 compared with 504 at December 31, 2011 globally across equities, fixed income and commodities, which trade like common stocks on 20 exchanges worldwide. *iShares* AUM totaled $705.8 billion at September 30, 2012. The BlackRock Global Funds, the Company s primary retail fund group offered outside the United States, are authorized for distribution in 35 jurisdictions worldwide. Additional fund offerings include structured products, real estate funds, hedge funds, hedge funds of funds, private equity funds and funds of funds, managed futures funds and exchange-traded products. These products are sold to both U.S. and non-U.S. high net worth, retail and institutional investors in a wide variety of active and passive strategies covering both equity and fixed income assets.

BlackRock s client base consists of financial institutions and other corporate clients, pension plans, charities, official institutions, such as central banks, sovereign wealth funds, supranational authorities and other government entities, high net worth individuals and retail investors around the world. BlackRock maintains a significant sales and marketing presence both inside and outside the United States that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to investors directly and through financial professionals, pension consultants and establishing third-party distribution relationships. BlackRock also distributes its products and services through Merrill Lynch under a global distribution agreement in effect until January 2014. After such term, the agreement will renew for one automatic three-year extension if certain conditions are met.

BlackRock derives a substantial portion of its revenue from investment advisory and administration fees, which are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM or percentages of committed capital during investment periods of certain alternative products and are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net subscriptions or redemptions. Net subscriptions or redemptions represent the sum of new client assets, additional fundings from existing clients (including dividend reinvestment), withdrawals of assets from, and termination of, client accounts and distributions to investors representing return of capital and return on investments to investors. Market appreciation or depreciation includes current income earned on, and changes in the fair value of, securities held in client accounts. Foreign exchange translation reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

BlackRock also earns revenue by lending securities on behalf of clients, primarily to brokerage institutions. The securities loaned are secured by collateral in the form of cash or securities, with minimum collateral generally ranging from approximately 102% to 112% of the value of the loaned securities. The revenue earned is shared between BlackRock and the funds or other third-party accounts managed by the Company from which the securities are borrowed. Historically, securities lending revenue in the second quarter exceeds the other quarters during the year.

Investment advisory agreements for certain separate accounts and investment funds provide for performance fees, based upon relative and/or absolute investment performance, in addition to base fees based on AUM. Investment advisory performance fees generally are earned after a given period of time and when investment performance exceeds a contractual threshold. As such, the timing of recognition of performance fees may increase the volatility of BlackRock s revenue and earnings. Historically, the magnitude of performance fees in the third and fourth quarters generally exceeds the first two calendar quarters in a year due to the greater number of products with performance measurement periods that end on either September 30 or December 31.

Table of Contents

BlackRock provides a variety of risk management, investment analytic and investment system and advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions* and include a wide array of risk management services, valuation services related to illiquid securities, disposition and workout assignments (including long-term portfolio liquidation assignments), strategic planning and execution, and enterprise investment system outsourcing to clients. Approximately $14 trillion of positions are processed on the Company s *Aladdin*® operating platform, which serves as the investment/risk solutions system for BlackRock and other institutional investors. Fees earned for *BlackRock Solutions* and advisory services are determined using some, or all, of the following methods: (i) fixed fees, (ii) percentages of various attributes of advisory AUM or value of positions on the *Aladdin* platform and (iii) performance fees if contractual thresholds are met.

BlackRock builds upon its leadership position to meet the growing need for investment and risk management solutions. Through its scale and diversity of products, it is able to provide its clients with customized solutions including fiduciary outsourcing for liability-driven investments and overlay strategies for pension plan sponsors, balance sheet management and related services for insurance companies and target date and target return funds, as well as asset allocation portfolios, for retail investors. BlackRock is also able to service these clients via its *Aladdin* platform to provide risk management and other outsourcing services for institutional investors and custom and tailored solutions to address complex risk exposures.

The Company earns fees for transition management services comprised of commissions from acting as an introducing broker-dealer in buying and selling securities on behalf of its customers. Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur.

Operating expenses reflect employee compensation and benefits, distribution and servicing costs, amortization of deferred sales commissions, direct fund expenses, general and administration expenses and amortization of finite-lived intangible assets.

Employee compensation and benefits expense includes salaries, commissions, temporary help, deferred and incentive compensation, employer payroll taxes and related benefit costs.

Distribution and servicing costs, which are primarily AUM driven, include payments made to Merrill Lynch-affiliated entities under a global distribution agreement, to PNC and Barclays, as well as other third parties, primarily associated with obtaining and retaining client investments in certain BlackRock products.

Direct fund expenses primarily consist of third-party non-advisory expenses incurred by BlackRock related to certain funds for the use of index trademarks, reference data for indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, legal expenses, audit and tax services as well as other fund-related expenses directly attributable to the non-advisory operations of the fund. These expenses may vary over time with fluctuations in AUM, number of shareholder accounts, or other attributes directly related to volume of business.

General and administration expenses include marketing and promotional, occupancy and office-related costs, portfolio services (including clearing expenses related to transition management services), technology, professional services, communications, closed-end fund launch costs and other general and administration expenses, including effects of foreign currency remeasurement.

Non-operating income (expense) includes the effect of changes in the valuations on investments (excluding available-for-sale investments) and earnings on equity method investments, as well as interest and dividend income and interest expense. Other comprehensive income includes changes in valuations related to available-for-sale investments. BlackRock primarily holds seed and co-investments in sponsored investment products that invest in a variety of asset classes, including private equity, distressed credit/mortgage debt securities, hedge funds and real estate. 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, including Federal Reserve Bank stock. BlackRock does not engage in proprietary trading or other investment activities that could conflict with the interests of its clients.

In addition, non-operating income (expense) includes the impact of changes in the valuations of consolidated sponsored investment funds and consolidated collateralized loan obligations. The portion of non-operating income (expense) not attributable to BlackRock is allocated to NCI on the condensed consolidated statements of income.

52

Table of Contents

Assets Under Management

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

(Dollar amounts in millions)	September 30, 2012	June 30, 2012	September 30, 2011	Variance vs. June 30, 2012	Variance vs. September 30, 2011
Equity:					
Active	$ 288,799	$ 274,670	$ 266,047	5%	9%
Institutional index	993,197	924,702	790,328	7%	26%
iShares	491,534	443,311	384,821	11%	28%
Fixed income:					
Active	652,780	630,639	620,139	4%	5%
Institutional index	393,260	455,082	443,018	(14%)	(11%)
iShares	187,771	180,355	141,865	4%	32%
Multi-asset class	257,607	243,087	215,183	6%	20%
Alternatives(1):					
Core	68,931	63,575	65,580	8%	5%
Currency and commodities(2)	44,494	39,997	43,812	11%	2%
Long-term	**3,378,373**	**3,255,418**	**2,970,793**	**4%**	**14%**
Cash management	248,331	239,471	244,663	4%	1%
Sub-total	3,626,704	3,494,889	3,215,456	4%	13%
Advisory(3)	46,570	65,045	129,611	(28%)	(64%)
Total AUM	**$ 3,673,274**	**$ 3,559,934**	**$ 3,345,067**	**3%**	**10%**

(1) Data reflects the reclassification of prior period AUM into the current period presentation.
(2) Amounts include commodity *iShares*.
(3) Advisory AUM represents long-term portfolio liquidation assignments.

Mix of Assets Under Management - by Asset Class

	September 30, 2012	June 30, 2012	September 30, 2011
Equity:			
Active	8%	8%	8%
Institutional index	27%	25%	24%
iShares	13%	12%	12%
Fixed income:			
Active	18%	18%	19%
Institutional index	11%	13%	13%
iShares	5%	5%	4%
Multi-asset class	7%	7%	6%
Alternatives(1):			
Core	2%	2%	2%
Currency and commodities(2)	1%	1%	1%

Long-term	92%	91%	89%
Cash management	7%	7%	7%
Sub-total	99%	98%	96%
Advisory[3]	1%	2%	4%
Total	100%	100%	100%

(1) Data reflects the reclassification of prior period AUM into the current period presentation.
(2) Amounts include commodity *iShares*.
(3) Advisory AUM represents long-term portfolio liquidation assignments.

Table of Contents

The following table presents the component changes in BlackRock s AUM for the three months ended September 30, 2012.

(Dollar amounts in millions)	June 30, 2012	Net subscriptions (redemptions)[1]	Acquisition[2]	Market appreciation (depreciation)	Foreign exchange[3]	September 30, 2012
Equity:						
Active	$ 274,670	($ 5,077)	$	$ 16,755	$ 2,451	$ 288,799
Institutional index	924,702	6,511		54,730	7,254	993,197
iShares	443,311	20,513		25,694	2,016	491,534
Fixed income:						
Active	630,639	3,592		15,734	2,815	652,780
Institutional index	455,082	(72,273)		2,501	7,950	393,260
iShares	180,355	3,208		3,255	953	187,771
Multi-asset class	243,087	2,601		9,851	2,068	257,607
Alternatives:						
Core	63,575	(2,000)	6,161	870	325	68,931
Currency and commodities[4]	39,997	63		4,116	318	44,494
Long-term	**3,255,418**	**(42,862)**	**6,161**	**133,506**	**26,150**	**3,378,373**
Cash management	239,471	7,069		322	1,469	248,331
Sub-total	3,494,889	(35,793)	6,161	133,828	27,619	3,626,704
Advisory[5]	65,045	(19,381)		(233)	1,139	46,570
Total AUM	**$ 3,559,934**	**($ 55,174)**	**$ 6,161**	**$ 133,595**	**$ 28,758**	**$ 3,673,274**

(1) Amounts include distributions representing return of capital and return on investment to investors.
(2) Amount represents AUM acquired in the Swiss Re Private Equity Partners acquisition in September 2012.
(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(4) Amounts include commodity *iShares*.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased $113.3 billion to $3.673 trillion at September 30, 2012 from $3.560 trillion at June 30, 2012, largely driven by market gains and positive net new business, excluding the effect of an institutional fixed income index redemption that totaled $74.2 billion from a single client. Total flows also included planned advisory distributions of $19.4 billion and the acquisition in September 2012 of Swiss Re Private Equity Partners (the SRPEP Transaction), the European private equity franchise of Swiss Re, which added $6.2 billion in AUM.

Net market appreciation of $133.5 billion across all long-term products included appreciation of $97.2 billion from equity products, primarily due to higher U.S. and global equity markets, $21.5 billion of appreciation from fixed income products concentrated in U.S. mandates and $9.9 billion from multi-asset class products, including global asset allocation, target date and fiduciary mandates.

The $28.8 billion increase in AUM from foreign exchange movements primarily resulted from the weakening of the U.S. dollar, largely against the pound sterling, Japanese yen, Canadian dollar and the euro.

Net Subscriptions (Redemptions). Net redemptions of $55.2 billion included the effect of a low-fee, institutional index fixed income outflow of $74.2 billion from one client. The net subscription and redemption figures below exclude this redemption. Total net subscriptions of $19.0 billion (excluding the $74.2 billion) reflected subscriptions of $25.2 billion and $7.0 billion from *iShares* and retail and high net worth clients, respectively, partially offset by $13.2 billion of redemptions from institutional clients.

Table of Contents

Long-term Net Subscriptions (Redemptions). Net subscriptions in long-term products of $31.3 billion (excluding the previously mentioned redemption of $74.2 billion), reflected the following:

Net Subscriptions

Equity and fixed income *iShares* net inflows of $23.7 billion, including $20.5 billion into equity funds demonstrating strong renewed investor demand for U.S. equity offerings;

Institutional index equity products net inflows of $6.5 billion primarily concentrated in regional and country specific strategies.

Net Redemptions

Active equity products net outflows of $5.1 billion, primarily reflecting net outflows from U.S. equity products.

Cash Management Net Redemptions. Cash management net inflows of $7.1 billion were from international institutional clients into offshore funds and net inflows from U.S. clients into prime strategies.

Advisory Net Redemptions. Advisory net outflows of $19.4 billion were primarily due to disbursements of Maiden Lane residual assets, marking the further return of U.S. taxpayer funds.

The following table presents the component changes in BlackRock s AUM for the nine months ended September 30, 2012.

(Dollar amounts in millions)	**December 31, 2011**	**Net subscriptions (redemptions)[1]**	**Acquisitions[2]**	**Market appreciation (depreciation)**	**Foreign exchange[3]**	**September 30, 2012**
Equity:						
Active	$ 275,156	($ 12,670)	$	$ 24,297	$ 2,016	$ 288,799
Institutional index	865,299	12,595	95	110,646	4,562	993,197
iShares	419,651	22,898	3,517	44,101	1,367	491,534
Fixed income:						
Active	614,804	1,266		34,927	1,783	652,780
Institutional index	479,116	(104,819)		12,166	6,797	393,260
iShares	153,802	24,324	3,026	6,174	445	187,771
Multi-asset class	225,170	11,731	78	19,782	846	257,607
Alternatives:						
Core	63,647	(2,952)	6,166	1,795	275	68,931
Currency and commodities[4]	41,301	(1,822)	860	4,033	122	44,494
Long-term	**3,137,946**	**(49,449)**	**13,742**	**257,921**	**18,213**	**3,378,373**
Cash management	254,665	(9,368)		1,699	1,335	248,331
Sub-total	3,392,611	(58,817)	13,742	259,620	19,548	3,626,704
Advisory[5]	120,070	(73,893)		(557)	950	46,570
Total AUM	**$ 3,512,681**	**($ 132,710)**	**$ 13,742**	**$ 259,063**	**$ 20,498**	**$ 3,673,274**

(1) Amounts include distributions representing return of capital and return on investment to investors.

(2) Amount represents AUM acquired in the SRPEP acquisition in September 2012 and in the Claymore Investments, Inc. acquisition (the Claymore Transaction) in March 2012.
(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(4) Amounts include commodity *iShares*.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased $160.6 billion to $3.673 trillion at September 30, 2012 from $3.513 trillion at December 31, 2011, driven largely by market gains and $13.7 billion of acquired AUM related to the SRPEP Transaction and the Claymore Transaction, partially offset by planned advisory distributions and the previously mentioned redemption of $74.2 billion.

Net market appreciation of $259.1 billion included appreciation of $179.0 billion in equity products, primarily due to higher U.S. and global equity markets, $53.3 billion in fixed income products, primarily U.S. and local currency products and $19.8 billion in multi-asset class products, including fiduciary, global asset allocation and target date mandates.

The $20.5 billion increase in AUM from foreign exchange movements was due to the weakening of the U.S. dollar, primarily against the pound sterling.

Table of Contents

Net Subscriptions (Redemptions). Net redemptions of $132.7 billion included the effect of two single low-fee, institutional index fixed income outflows of $36.0 billion and $74.2 billion in first quarter 2012 and third quarter 2012, respectively. The net subscriptions and redemptions figures in the following paragraph exclude these redemptions. Net redemptions of $22.5 billion reflected net redemptions of $77.5 billion from institutional clients, partially offset by net subscriptions of $49.5 billion from *iShares* clients and $5.5 billion from retail and high net worth clients.

Long-term Net Subscriptions (Redemptions). Net subscriptions in long-term products totaled $60.8 billion excluding the redemptions discussed above, and reflected the following:

Net Subscriptions

Fixed income *iShares* net inflows of $24.3 billion*,* concentrated in sector-specific strategies;

Equity *iShares* net inflows of $22.9 billion*,* concentrated in U.S. equity and sector strategies;

Multi-asset class products net inflows of $11.7 billion, reflecting ongoing strength in target date products;

Institutional index equity products net inflows of $12.6 billion, concentrated in global strategies, partially offset by outflows from U.S. equity products.

Net Redemptions

Active equity net outflows of $12.7 billion, largely driven by outflows from regional and country-specific and U.S. equity strategies.

Cash Management Net Redemptions. Cash management net outflows of $9.4 billion were comprised of outflows from domestic institutional clients concentrated in government and prime strategies due to the low-rate environment, partially offset by net inflows from international institutional clients concentrated in offshore strategies.

Advisory Net Redemptions. Advisory net outflows of $73.9 billion were driven by planned portfolio liquidation disbursements.

The following table presents the component changes in BlackRock s AUM for the twelve months ended September 30, 2012.

(Dollar amounts in millions)	**September 30, 2011**	**Net subscriptions (redemptions)[1]**	**Acquisitions[2]**	**Market appreciation (depreciation)**	**Foreign exchange[3]**	**September 30, 2012**
Equity:						
Active	$ 266,047	($ 20,904)	$	$ 41,905	$ 1,751	$ 288,799
Institutional index	790,328	24,767	95	174,192	3,815	993,197
iShares	384,821	31,746	3,517	71,090	360	491,534
Fixed income:						
Active	620,139	(12,815)		44,177	1,279	652,780
Institutional index	443,018	(92,006)		36,005	6,243	393,260
iShares	141,865	35,368	3,026	7,598	(86)	187,771
Multi-asset class	215,183	15,842	78	27,209	(705)	257,607
Alternatives[4]:						
Core	65,580	(4,512)	6,166	1,393	304	68,931
Currency and commodities[5]	43,812	(3,112)	860	2,795	139	44,494

Long-term	**2,970,793**	**(25,626)**	**13,742**	**406,364**	**13,100**	**3,378,373**
Cash management	244,663	1,522		1,717	429	248,331
Sub-total	3,215,456	(24,104)	13,742	408,081	13,529	3,626,704
Advisory[6]	129,611	(84,038)		132	865	46,570
Total AUM	**$ 3,345,067**	**($ 108,142)**	**$ 13,742**	**$ 408,213**	**$ 14,394**	**$ 3,673,274**

(1) Amounts include distributions representing return of capital and return on investment to investors.
(2) Amounts represent AUM acquired in the SRPEP acquisition in September 2012 and in the Claymore Transaction in March 2012.
(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(4) Data reflects the reclassification of prior period AUM into the current period presentation.
(5) Amounts include commodity *iShares*.
(6) Advisory AUM represents long-term portfolio liquidation assignments.

Table of Contents

AUM increased approximately $328.2 billion to $3.673 trillion at September 30, 2012 from $3.345 trillion at September 30, 2011. The increase in AUM was driven largely by market gains and $13.7 billion of acquired AUM related to the SRPEP Transaction and Claymore Transaction, partially offset by $84.0 billion of advisory distributions.

Net market appreciation of $408.2 billion included $287.2 billion in equity products, primarily due to higher U.S. and global equity markets and $87.8 billion in fixed income products, primarily local currency and U.S. products.

The $14.4 billion increase in AUM from foreign exchange movements was due to the weakening of the U.S. dollar, primarily against the pound sterling and Canadian dollar, partially offset by the strengthening of the U.S. dollar against the euro.

Net Subscriptions (Redemptions). Net redemptions of $108.1 billion included the effect of two single low-fee, institutional index fixed income redemptions of $36.0 billion and $74.2 billion in first quarter 2012 and third quarter 2012, respectively. The net new business figures below exclude these redemptions. Net subscriptions of $2.1 billion reflected net subscriptions of $69.6 billion from *iShares* clients and $4.5 billion from retail and high net worth clients, partially offset by net redemptions of $72.0 billion from institutional clients.

Long-term Net Subscriptions (Redemptions). Net subscriptions in long-term products totaling $84.6 billion, excluding the low-fee institutional index fixed income outflows discussed above, reflected the following:

Net Subscriptions

- Fixed income *iShares* net inflows of $35.4 billion across all strategies, concentrated in U.S. sector-specific strategies;
- Equity *iShares* net inflows of $31.7 billion across all strategies, concentrated in U.S. equity, regional and country, and sector specific strategies;
- Institutional index equity products net inflows of $24.8 billion in global and regional and country specific strategies, partially offset by outflows from U.S. equity products; and
- Multi-asset class products net inflows of $15.8 billion, reflecting strong demand for target date funds, including *LifePath* portfolios.

Net Redemptions

- Active equity net outflows of $20.9 billion, concentrated in regional and country and U.S. equity products;
- Fixed income institutional index net outflows of $18.2 billion, concentrated in local currency strategies;
- Active fixed income net outflows of $12.8 billion, concentrated in local currency and U.S. core strategies, partially offset by net inflows into sector specific and municipal strategies; and
- Alternatives net outflows of $7.6 billion primarily related to outflows in currency products, partially offset by $2.4 billion of net inflows into commodity *iShares*.

Cash Management Net Redemptions. Cash management net inflows of $1.5 billion were comprised of net inflows from international institutional clients into government funds, partially offset by net outflows from prime strategies.

Advisory Net Redemptions. Advisory net outflows of $84.0 billion were driven by planned portfolio liquidation disbursements.

Table of Contents

Operating results for the three months ended September 30, 2012 compared with the three months ended September 30, 2011

Overview of Financial Results

The components of net income attributable to BlackRock and net income attributable to BlackRock, as adjusted, for the three months ended September 30, 2012 and 2011 are as follows:

	GAAP		As adjusted[3]	
	Three Months Ended September 30,		Three Months Ended September 30,	
(Dollar amounts in millions, except per share data)	2012	2011	2012	2011
Revenue	$ 2,320	$ 2,225	$ 2,320	$ 2,225
Expenses	1,445	1,448	1,444	1,376
Operating income	$ 875	$ 777	$ 876	$ 849
Operating margin	*37.7%*	*34.9%*	*40.7%*	*40.1%*
Non-operating income (expense)[1]	17	(87)	13	(79)
Income tax expense	(250)	(95)	(279)	(249)
Net income attributable to BlackRock	$ 642	$ 595	$ 610	$ 521
% attributable to common shares	99.9%	98.8%	99.9%	98.8%
Net income attributable to common shares	$ 641	$ 588	$ 609	$ 515
Diluted weighted-average common shares outstanding[2]	175,450,532	181,825,329	175,450,532	181,825,329
Diluted EPS components:				
Operating income	$ 3.41	$ 2.85	$ 3.42	$ 3.12
Non-operating income (expense)[1]	0.07	(0.32)	0.05	(0.29)
Net income tax benefit	0.17	0.70		
Diluted earnings per common share	$ 3.65	$ 3.23	$ 3.47	$ 2.83

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

(2) Unvested restricted stock units (RSUs) that contain non-forfeitable rights to dividends are not included as they are deemed to be participating securities in accordance with GAAP. Upon vesting of the participating RSUs the shares are added to the weighted-average shares outstanding that results in an increase to the percentage of net income attributable to common shares. In addition, non-voting preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share.

(3) Operating income, as adjusted, operating margin, as adjusted, net income, as adjusted and diluted earnings per common share, as adjusted, are described in more detail in the Overview to Management s Discussion and Analysis of Financial Condition and Results of Operations.

GAAP. Operating income of $875 million and operating margin of 37.7% on a GAAP basis for the three months ended September 30, 2012 increased $98 million and 280 bps, respectively, from the prior year period reflecting positive market factors, and strength in performance fees and *BlackRock Solutions* revenues. Non-operating income (expense) increased $104 million primarily due to net positive marks in distressed credit/mortgage funds and private equity co-investments compared with a reduction in value during the three months ended September 30, 2011, partially offset by higher interest expense resulting from long-term debt issuances in May 2012. Income tax expense included a $30 million net non-cash benefit related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company s organizational structure during the three months ended September 30, 2012. The three months ended September 30, 2011 included a $129 million non-cash benefit related to revaluation of certain deferred income tax liabilities, including tax legislation enacted in the United Kingdom and a state tax election. Earnings per diluted common share rose $0.42 from the three months ended September 30, 2011 including the benefit of share repurchases.

As Adjusted. Operating income of $876 million and operating margin of 40.7% increased $27 million and 60 bps, respectively, from the prior year quarter reflecting higher revenues. Non-operating income (expense) increased $92 million primarily due to the items explained above. Income tax expense on an as adjusted basis excluded the previously mentioned $30 million and $129 million non-cash benefits. Earnings per diluted common share rose $0.64 from the prior year quarter reflecting the improvement in net income and the benefit of share repurchases.

Table of Contents

Revenue

(Dollar amounts in millions)	Three Months Ended September 30, 2012	2011	Variance Amount	% Change
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	$ 431	$ 483	($ 52)	(11%)
Institutional index	139	117	22	19%
iShares	486	454	32	7%
Fixed income:				
Active	301	281	20	7%
Institutional index	61	47	14	30%
iShares	116	81	35	43%
Multi-asset class	239	226	13	6%
Alternatives[1]:				
Core	130	138	(8)	(6%)
Currency and commodities	31	36	(5)	(14%)
Long-term	1,934	1,863	71	4%
Cash management	90	86	4	5%
Total base fees	2,024	1,949	75	4%
Investment advisory performance fees:				
Equity	17	24	(7)	(29%)
Fixed income	13	10	3	30%
Multi-asset class	2	6	(4)	(67%)
Alternatives	71	51	20	39%
Total	103	91	12	13%
BlackRock Solutions and advisory	128	117	11	9%
Distribution fees	19	23	(4)	(17%)
Other revenue	46	45	1	2%
Total revenue	$ 2,320	$ 2,225	$ 95	4%

(1) Certain prior period information has been reclassified to conform to current period presentation.

The $95 million increase in revenues reflected market growth, positive flows, strength in performance fees, improvements in securities lending and *BlackRock Solutions* revenue.

59

Table of Contents

Revenue (continued)

Investment Advisory, Administration Fees and Securities Lending Revenue. Investment advisory, administration fees and securities lending revenue totaled $2,024 million for the three months ended September 30, 2012 compared with $1,949 million for the three months ended September 30, 2011. The current quarter reflected higher base fees from all products except for active equity and alternatives and an improvement in securities lending revenue. Securities lending fees were $129 million for the three months ended September 30, 2012 compared with $88 million for the three months ended September 30, 2011, reflecting higher lending rates and an increase in average balances of securities on loan.

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

	Mix of Base Fees Three Months Ended September 30,		Mix of Average AUM by Asset Class(2) September 30,	
	2012	2011	2012	2011
Equity:				
Active	21%	26%	8%	9%
Institutional index	7%	6%	27%	26%
iShares	24%	23%	13%	13%
Fixed income:				
Active	15%	14%	18%	18%
Institutional index	3%	2%	12%	13%
iShares	6%	4%	5%	4%
Multi-asset class	12%	12%	7%	7%
Alternatives(1):				
Core	6%	7%	2%	2%
Currency and commodities	2%	2%	1%	1%
Long-term	**96%**	**96%**	**93%**	**93%**
Cash management	4%	4%	7%	7%
Total excluding advisory AUM	**100%**	**100%**	**100%**	**100%**

(1) Data reflects the reclassification of prior period AUM into the current period presentation.
(2) Average AUM represents a two-point average of quarter-end spot AUM.

For the three months ended September 30, 2012, institutional index equity and fixed income were only 10% of total base fees; however, AUM associated with these base fees represented 39% of total average AUM.

Performance Fees

	Three Months Ended September 30,		Variance	
(Dollar amounts in millions)	2012	2011	Amount	% Change
Equity	$ 17	$ 24	($ 7)	(29%)
Fixed income	13	10	3	30%
Multi-asset class	2	6	(4)	(67%)
Alternatives	71	51	20	39%

Total	$ 103	$ 91	$ 12	13%

Investment advisory performance fees were $103 million for the three months ended September 30, 2012 compared with $91 million for the three months ended September 30, 2011, primarily reflecting higher performance fees from alternative products.

BlackRock Solutions and Advisory. *BlackRock Solutions* and advisory revenue totaled $128 million for the three months ended September 30, 2012 compared with $117 million for the three months ended September 30, 2011. The $11 million increase primarily reflected higher revenue from *Aladdin* mandates and higher one-time revenue from advisory assignments, partially offset by the run off of revenues associated with a lower level of advisory assets.

Table of Contents

Expenses

(Dollar amounts in millions)	Three Months Ended September 30, 2012	2011	Variance Amount	% Change
Expenses:				
Employee compensation and benefits	$ 828	$ 771	$ 57	7%
Distribution and servicing costs	94	90	4	4%
Amortization of deferred sales commissions	13	20	(7)	(35%)
Direct fund expenses	144	139	5	4%
General and administration	327	389	(62)	(16%)
Amortization of intangible assets	39	39		%
Total expenses, GAAP	$ 1,445	$ 1,448	($ 3)	%
Less non-GAAP expense adjustments:				
U.K. lease exit costs	(8)	63	(71)	*
PNC LTIP funding obligation	5	15	(10)	(67%)
Merrill Lynch compensation contribution		2	(2)	(100%)
Compensation expense related to appreciation (depreciation) on deferred compensation plans	4	(8)	12	*
Total non-GAAP expense adjustments	1	72	(71)	(99%)
Total expenses, as adjusted	$ 1,444	$ 1,376	$ 68	5%

* *not applicable*

Total GAAP and as adjusted expenses reflected revenue growth and fund launch costs, as explained below.

Employee Compensation and Benefits