BlackRock Inc.
Form 10-Q
May 08, 2015
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 March 31, 2015

OR

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

For the transition period from ________________ to ________________.

Commission file number 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware	32-0174431
(State or Other Jurisdiction of 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 April 30, 2015, there were 164,616,254 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

(unaudited)

(in millions, except shares and per share data)	**March 31, 2015**	**December 31, 2014**
Assets		
Cash and cash equivalents	$ 4,293	$ 5,723
Accounts receivable	2,836	2,120
Investments	2,204	1,921
Assets of consolidated variable interest entities:		
Cash and cash equivalents	279	278
Bank loans, other investments and other assets	3,895	3,352
Separate account assets	162,046	161,287
Separate account collateral held under securities lending agreements	35,367	33,654
Property and equipment (net of accumulated depreciation of $605 and $587 at March 31, 2015 and December 31, 2014, respectively)	537	467
Intangible assets (net of accumulated amortization of $1,075 and $1,040 at March 31, 2015 and December 31, 2014, respectively)	17,429	17,344
Goodwill	12,975	12,961
Other assets	853	701
Total assets	$242,714	$239,808
Liabilities		
Accrued compensation and benefits	$ 684	$ 1,865
Accounts payable and accrued liabilities	1,714	1,035
Liabilities of consolidated variable interest entities:		
Borrowings	3,964	3,389
Other liabilities	182	245
Borrowings	4,938	4,938
Separate account liabilities	162,046	161,287
Separate account collateral liabilities under securities lending agreements	35,367	33,654
Deferred income tax liabilities	5,077	4,989
Other liabilities	1,086	886
Total liabilities	215,058	212,288
Commitments and contingencies (Note 11)		
Temporary equity		
Redeemable noncontrolling interests	180	35
Permanent Equity		
BlackRock, Inc. stockholders equity		
Common stock, $0.01 par value;	2	2
Shares authorized: 500,000,000 at March 31, 2015 and December 31, 2014;		
Shares issued: 171,252,185 at March 31, 2015 and December 31, 2014;		
Shares outstanding: 164,949,507 and 164,786,788 at March 31, 2015 and December 31, 2014, respectively		
Preferred stock (Note 15)	-	-
Additional paid-in capital	19,126	19,386
Retained earnings	10,597	10,164
Appropriated retained earnings	16	(19)

Accumulated other comprehensive loss	(439)	(273)
Treasury stock, common, at cost (6,302,678 and 6,465,397 shares held at March 31, 2015 and December 31, 2014, respectively)	(1,927)	(1,894)
Total BlackRock, Inc. stockholders equity	27,375	27,366
Nonredeemable noncontrolling interests	89	104
Nonredeemable noncontrolling interests of consolidated variable interest entities	12	15
Total permanent equity	27,476	27,485
Total liabilities, temporary equity and permanent equity	$242,714	$239,808

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Income

(unaudited)

(in millions, except shares and per share data)	Three Months Ended March 31, 2015	2014
Revenue		
Investment advisory, administration fees and securities lending revenue		
Related parties	$1,681	$1,611
Other third parties	709	680
Total investment advisory, administration fees and securities lending revenue	2,390	2,291
Investment advisory performance fees	108	158
BlackRock Solutions and advisory	147	154
Distribution fees	17	19
Other revenue	61	48
Total revenue	2,723	2,670
Expense		
Employee compensation and benefits	981	982
Distribution and servicing costs	99	89
Amortization of deferred sales commissions	13	15
Direct fund expense	189	179
General and administration	339	313
Amortization of intangible assets	35	41
Total expense	1,656	1,619
Operating income	1,067	1,051
Nonoperating income (expense)		
Net gain (loss) on investments	63	76
Net gain (loss) on consolidated variable interest entities	35	(16)
Interest and dividend income	4	10
Interest expense	(51)	(53)
Total nonoperating income (expense)	51	17
Income before income taxes	1,118	1,068
Income tax expense	258	324
Net income	860	744
Less:		
Net income (loss) attributable to redeemable noncontrolling interests	4	1
Net income (loss) attributable to nonredeemable noncontrolling interests	34	(13)
Net income attributable to BlackRock, Inc.	$822	$756
Earnings per share attributable to BlackRock, Inc. common stockholders:		
Basic	$4.92	$4.47
Diluted	$4.84	$4.40

Cash dividends declared and paid per share	$2.18	$1.93
Weighted-average common shares outstanding:		
Basic	167,089,037	169,081,421
Diluted	169,723,167	171,933,803

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in millions)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net income	$ 860	$ 744
Other comprehensive income:		
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:		
Unrealized holding gains (losses), net of tax	-	-
Less: reclassification adjustment included in net income[1]	-	8
Net change from available-for-sale investments, net of tax	-	(8)
Benefit plans, net	(1)	-
Foreign currency translation adjustments	(165)	8
Other comprehensive income (loss)	(166)	-
Comprehensive income	694	744
Less: Comprehensive income (loss) attributable to noncontrolling interests	38	(12)
Comprehensive income attributable to BlackRock, Inc.	$ 656	$ 756

[1] The tax benefit (expense) was not material for the three months ended March 31, 2014.

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(in millions)	**Additional Paid-in Capital[1]**	**Retained Earnings**	**Appropriated Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock Common**	**Total BlackRock Stockholders Equity**	**Nonredeemable Noncontrolling Interests**	**Nonredeemable Noncontrolling Interests of Consolidated VIEs**	**Total Permanent Equity**	**Redeemable Noncontrolling Interests / Temporary Equity**
December 31, 2014	$19,388	$10,164	$(19)	$(273)	$(1,894)	$27,366	$104	$15	$27,485	$35
Net income	-	822	-	-	-	822	(1)	35	856	4
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	35	-	-	35	-	(35)	-	-
Dividends paid	-	(389)	-	-	-	(389)	-	-	(389)	-
Stock-based compensation	143	-	-	-	-	143	-	-	143	-
Issuance of common shares related to employee stock transactions	(458)	-	-	-	465	7	-	-	7	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(223)	(223)	-	-	(223)	-
Shares repurchased	-	-	-	-	(275)	(275)	-	-	(275)	-
Net tax benefit (shortfall) from stock-based compensation	55	-	-	-	-	55	-	-	55	-
Subscriptions (redemptions/ distributions) noncontrolling interest holders	-	-	-	-	-	-	(14)	(3)	(17)	123
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	18
Other comprehensive income (loss)	-	-	-	(166)	-	(166)	-	-	(166)	-
March 31, 2015	**$19,128**	**$10,597**	**$16**	**($439)**	**($1,927)**	**$27,375**	**$89**	**$12**	**$27,476**	**$180**

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

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(in millions)	**Additional Paid-in Capital[1]**	**Retained Earnings**	**Appropriated Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock Common**	**Total BlackRock Stockholders' Equity**	**Nonredeemable Noncontrolling Interests**	**Nonredeemable Noncontrolling Interests of Consolidated VIEs**	**Total Permanent Equity**	**Redeemable Noncontrolling Interests / Temporary Equity**
December 31, 2013	$19,475	$8,208	$22	($35)	($1,210)	$26,460	$135	$21	$26,616	$54
Net income	-	756	-	-	-	756	3	(16)	743	1
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	(16)	-	-	(16)	-	16	-	-
Dividends paid	-	(366)	-	-	-	(366)	-	-	(366)	-
Stock-based compensation	126	-	-	-	1	127	-	-	127	-
Issuance of common shares related to employee stock transactions	(603)	-	-	-	604	1	-	-	1	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(325)	(325)	-	-	(325)	-
Shares repurchased	-	-	-	-	(250)	(250)	-	-	(250)	-
Net tax benefit (shortfall) from stock-based compensation	91	-	-	-	-	91	-	-	91	-
Subscriptions (redemptions/distributions)-noncontrolling interest holders	-	-	-	-	-	-	(21)	(3)	(24)	49
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	(16)
March 31, 2014	**$19,089**	**$8,598**	**$6**	**($35)**	**($1,180)**	**$26,478**	**$117**	**$18**	**$26,613**	**$88**

[1] Amounts include $2 million of common stock at both March 31, 2014 and December 31, 2013.

See accompanying notes to condensed consolidated financial statements.

5

Table of Contents

BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in millions)	Three Months Ended March 31, 2015	2014
Cash flows from operating activities		
Net income	$860	$744
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	63	73
Amortization of deferred sales commissions	13	15
Stock-based compensation	143	127
Deferred income tax expense (benefit)	87	165
Other gains	(40)	-
Net (gains) losses on nontrading investments	19	(47)
Purchases of investments within consolidated sponsored investment funds	(5)	(7)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	18	69
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	209	(46)
Net (gains) losses within consolidated VIEs	(35)	16
Net (purchases) proceeds within consolidated VIEs	(177)	169
(Earnings) losses from equity method investees	(33)	(39)
Distributions of earnings from equity method investees	9	7
Changes in operating assets and liabilities:		
Accounts receivable	(750)	(624)
Investments, trading	(336)	(95)
Other assets	(91)	(82)
Accrued compensation and benefits	(1,188)	(1,079)
Accounts payable and accrued liabilities	654	521
Other liabilities	90	(93)
Cash flows from operating activities	(490)	(206)
Cash flows from investing activities		
Purchases of investments	(101)	(123)
Proceeds from sales and maturities of investments	152	266
Distributions of capital from equity method investees	9	8
Net consolidations (deconsolidations) of sponsored investment funds	27	(3)
Acquisition	(88)	-
Purchases of property and equipment	(98)	(15)
Cash flows from investing activities	(99)	133
Cash flows from financing activities		
Proceeds from long-term borrowings	-	997
Cash dividends paid	(389)	(366)
Repurchases of common stock	(498)	(575)
Net proceeds from (repayments of) borrowings by consolidated VIEs	(29)	(120)
Net (redemptions/distributions paid) / subscriptions received from noncontrolling interests holders	106	25
Excess tax benefit from stock-based compensation	55	102
Other financing activities	7	1
Cash flows from financing activities	(748)	64
Effect of exchange rate changes on cash and cash equivalents	(93)	13

Net increase (decrease) in cash and cash equivalents	(1,430)	4
Cash and cash equivalents, beginning of period	5,723	4,390
Cash and cash equivalents, end of period	$4,293	$4,394
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$40	$23
Interest on borrowings of consolidated VIEs	$30	$27
Income taxes (net of refunds)	$133	$178
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	$458	$603
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	$18	($16)
Increase (decrease) in borrowings due to consolidation of VIEs	$603	-

See accompanying notes to condensed consolidated financial statements.

Table of Contents

BlackRock, Inc.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

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

At March 31, 2015, The PNC Financial Services Group, Inc. (PNC) held 20.9% of the Company s voting common stock and 22.0% of the Company s capital stock, which includes outstanding common and nonvoting preferred stock.

2. Significant Accounting Policies

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

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and notes related thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission (SEC) on February 27, 2015 (2014 Form 10-K).

The interim financial information at March 31, 2015 and for the three months ended March 31, 2015 and 2014 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company s results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Fair Value Measurements.

Hierarchy of Fair Value Inputs. The Company uses a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices

Table of Contents

(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 in fair values are equal to the earnings of such funds), ETFs, listed equities and certain exchange-traded derivatives.

Level 2 Inputs:

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

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

Level 3 Inputs:

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

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

Level 3 liabilities include borrowings of consolidated collateralized loan obligations (CLOs) valued based upon nonbinding single-broker quotes and contingent liabilities related to acquisitions valued based upon discounted cash flow analysis using unobservable market data.

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

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

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

Table of Contents

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

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

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

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

Derivative Instruments and Hedging Activities. The Company does not use derivative financial instruments for trading or speculative purposes. The Company may use derivative financial instruments primarily for purposes of hedging exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, and market exposures for certain seed investments. The Company may also use derivatives within its separate account assets, which are segregated funds held for purposes of funding individual and group pension contracts. In addition, certain consolidated sponsored investment funds may also invest in derivatives as a part of their investment strategy.

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

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

Table of Contents

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

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During the three months ended March 31, 2015 and 2014, the Company had not resold or repledged any of the collateral received under these arrangements. At March 31, 2015 and December 31, 2014, the fair value of loaned securities held by separate accounts was approximately $32.5 billion and $30.6 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $35.4 billion and $33.7 billion, respectively.

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

Recent Accounting Pronouncements Not Yet Adopted

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

Amendments to the Consolidation Analysis, and Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. In August 2014, the FASB issued ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* (ASU 2014-13). ASU 2014-13 provides an entity that consolidates a collateralized financing entity (CFE) that had elected the fair value option for the financial assets and financial liabilities of such CFE an alternative to current fair value measurement guidance. If elected, the Company could measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The election would effectively eliminate any measurement difference previously recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as an adjustment to appropriated retained earnings.

Table of Contents

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which significantly amends the consolidation analysis required under current consolidation guidance. The amendments include changes to: (i) the VIE analysis for limited partnerships; (ii) the criteria for evaluating whether fees paid to a decision maker or a service provider are a variable interest; (iii) the effect of fee arrangements on the primary beneficiary (PB) determination; (iv) the effect of related parties on the PB determination; and (v) the consolidation evaluation for certain investment funds. This includes a scope exception for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

ASU 2014-13 and ASU 2015-02 are effective for the Company on January 1, 2016, with retrospective or modified retrospective approach required. ASU 2014-13 and ASU 2015-02 permit early adoption in an interim period with any adjustments reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently expecting to deconsolidate CLOs and consolidate certain other investment products.

Debt Issuance Costs. In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is effective for the Company on January 1, 2016, with early adoption permitted for financial statements that have not been previously issued. The guidance also requires retrospective application to all prior periods presented. The Company does not expect the adoption of ASU 2015-03 to be material to the condensed consolidated financial statements.

Disclosures for Investments in Certain Entities that Calculate NAV Per Share. In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. ASU 2015-07 is effective for the Company on January 1, 2016, with early adoption permitted. The guidance also requires retrospective application to all prior periods presented. The Company does not expect the adoption of ASU 2015-07 to be material to the condensed consolidated financial statements.

3. Investments

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

(in millions)	**March 31, 2015**	**December 31, 2014**
Available-for-sale investments	$203	$201
Held-to-maturity investments	13	79
Trading investments:		
Consolidated sponsored investment funds	787	443
Other equity and debt securities	16	29
Deferred compensation plan mutual funds	66	64
Total trading investments	869	536
Other investments:		
Consolidated sponsored investment funds	255	270
Equity method investments	656	633
Deferred compensation plan equity method investments	21	21
Cost method investments[1]	96	96
Carried interest	91	85
Total other investments	1,119	1,105
Total investments	$2,204	$1,921

(1) Amounts primarily include Federal Reserve Bank (FRB) Stock.

Table of Contents

At March 31, 2015, the Company consolidated $1,042 million of investments held by consolidated sponsored investment funds (excluding variable interest entities (VIEs)) of which $787 million and $255 million were classified as trading investments and other investments, respectively. At December 31, 2014, the Company consolidated $713 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which $443 million and $270 million were classified as trading investments and other investments, respectively.

Available-for-Sale Investments

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

(in millions)		Gross Unrealized		Carrying
March 31, 2015	**Cost**	**Gains**	**Losses**	**Value**
Equity securities of sponsored investment funds	$200	$7	($4)	$203
December 31, 2014				
Equity securities of sponsored investment funds	$205	$5	($9)	$201

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

Held-to-Maturity Investments

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

Trading Investments

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

(in millions)	**March 31, 2015**		**December 31, 2014**	
	Cost	**Carrying Value**	**Cost**	**Carrying Value**
Trading investments:				
Deferred compensation plan mutual funds	$48	$66	$48	$64
Equity securities/multi-asset mutual funds	202	230	210	239
Debt securities/fixed income mutual funds:				
Corporate debt	250	252	109	110
Government debt	257	264	100	103
Asset/mortgage backed debt	57	57	20	20
Total trading investments	$814	$869	$487	$536

At March 31, 2015, trading investments included $572 million of debt securities and $215 million of equity securities held by consolidated sponsored investment funds, $66 million of certain deferred compensation plan mutual fund investments and $16 million of other equity and debt securities.

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

12

Table of Contents

Other Investments

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

(in millions)	March 31, 2015		December 31, 2014	
	Cost	Carrying Value	Cost	Carrying Value
Other investments:				
Consolidated sponsored investment funds	$268	$255	$268	$270
Equity method	519	656	518	633
Deferred compensation plan equity method investments	20	21	21	21
Cost method investments:				
Federal Reserve Bank stock	92	92	92	92
Other	4	4	4	4
Total cost method investments	96	96	96	96
Carried interest	-	91	-	85
Total other investments	$903	$1,119	$903	$1,105

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.

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. (PennyMac) as an equity method investment. At March 31, 2015 and December 31, 2014 the Company s investment in PennyMac was excluded from the balances in the table above and included in other assets on the condensed consolidated statements of financial condition. The carrying value and fair value of the Company s interest (approximately 20% or 16 million shares and units) was approximately $179 million and $264 million, respectively, at March 31, 2015 and approximately $167 million and $269 million, respectively, at December 31, 2014. The fair value of the Company s interest reflected the PennyMac stock price at March 31, 2015 and December 31, 2014, respectively (a Level 1 input).

Cost method investments include nonmarketable securities, including FRB stock, which is held for regulatory purposes and is restricted from sale. At March 31, 2015 and December 31, 2014, there were no indicators of impairment on these investments.

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

Table of Contents

4. Consolidated Sponsored Investment Funds

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

(in millions)	**March 31, 2015**	**December 31, 2014**
Cash and cash equivalents	$ 180	$120
Investments:		
Trading investments	787	443
Other investments	255	270
Other assets	46	20
Other liabilities	(122)	(18)
Noncontrolling interests	(269)	(139)
BlackRock s net interests in consolidated sponsored investment funds	$877	$696

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

In addition, at March 31, 2015 and December 31, 2014, several consolidated CLOs and one sponsored investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, *Variable Interest Entities*, for further discussion on these consolidated investment products. See Note 2, *Significant Accounting Policies-Recent Accounting Pronouncements Not Yet Adopted*, for further information on ASU 2015-02.

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

Table of Contents

5. Fair Value Disclosures

Fair Value Hierarchy

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

March 31, 2015 *(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]**	**March 31, 2015**
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 200	$ 3	$ -	$ -	**$ 203**
Held-to-maturity debt securities	-	-	-	13	**13**
Trading:					
Deferred compensation plan mutual funds	66	-	-	-	**66**
Equity/Multi-asset mutual funds	230	-	-	-	**230**
Debt securities / fixed income mutual funds	1	572	-	-	**573**
Total trading	297	572	-	-	**869**
Other investments:					
Consolidated sponsored investment funds private / public equity[2]	12	7	236	-	**255**
Equity method:					
Hedge funds / Funds of hedge funds	-	164	73	1	**238**
Private equity investments	-	-	168	-	**168**
Real estate funds	-	21	90	7	**118**
Fixed income mutual funds	10	-	-	-	**10**
Other	122	-	-	-	**122**
Total equity method	132	185	331	8	**656**
Deferred compensation plan equity method investments	-	-	21	-	**21**
Cost method investments	-	-	-	96	**96**
Carried interest	-	-	-	91	**91**
Total investments	641	767	588	208	**2,204**
Separate account assets	115,164	45,628	-	1,254	**162,046**
Separate account collateral held under securities lending agreements:					
Equity securities	32,523	-	-	-	**32,523**
Debt securities	-	2,844	-	-	**2,844**
Total separate account collateral held under securities lending agreements	32,523	2,844	-	-	**35,367**
Assets of consolidated VIEs:					
Bank loans and other assets	-	3,622	171	41	**3,834**
Bonds	-	29	18	-	**47**
Private / public equity[3]	-	4	10	-	**14**

Total assets of consolidated VIEs		-		3,655		199		41	**3,895**
Total	$	148,328	$	52,894	$	787	$	1,503	**$ 203,512**
Liabilities:									
Borrowings of consolidated VIEs	$	-	$	-	$	3,964	$	-	**$ 3,964**
Separate account collateral liabilities under securities lending agreements		32,523		2,844		-		-	**35,367**
Other liabilities[4]		-		6		51		-	**57**
Total	$	32,523	$	2,850	$	4,015	$	-	**$ 39,388**

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

(2) Level 3 amounts include $157 million and $79 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Level 3 amounts include $10 million of underlying third-party private equity funds held by a consolidated private equity fund of funds.

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

Table of Contents

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

December 31, 2014 (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]	December 31, 2014
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 198	$ 3	$ -	$ -	$ 201
Held-to-maturity debt securities	-	-	-	79	79
Trading:					
Deferred compensation plan mutual funds	64	-	-	-	64
Equity/Multi-asset mutual funds	239	-	-	-	239
Debt securities / fixed income mutual funds	11	222	-	-	233
Total trading	314	222	-	-	536
Other investments:					
Consolidated sponsored investment funds private / public equity[2]	11	11	248	-	270
Equity method:					
Hedge funds / Funds of hedge funds	-	213	64	5	282
Private equity investments	-	-	107	-	107
Real estate funds	-	21	88	8	117
Fixed income mutual funds	29	-	-	-	29
Other	98	-	-	-	98
Total equity method	127	234	259	13	633
Deferred compensation plan equity method investments	-	-	21	-	21
Cost method investments	-	-	-	96	96
Carried interest	-	-	-	85	85
Total investments	650	470	528	273	1,921
Separate account assets	113,566	46,866	-	855	161,287
Separate account collateral held under securities lending agreements:					
Equity securities	30,387	-	-	-	30,387
Debt securities	-	3,267	-	-	3,267
Total separate account collateral held under securities lending agreements	30,387	3,267	-	-	33,654
Assets of consolidated VIEs:					
Bank loans and other assets	-	2,958	302	32	3,292
Bonds	-	29	18	-	47
Private / public equity[3]	-	3	10	-	13
Total assets of consolidated VIEs	-	2,990	330	32	3,352
Total	$ 144,603	$ 53,593	$ 858	$ 1,160	$ 200,214
Liabilities:					
Borrowings of consolidated VIEs	$ -	$ -	$ 3,389	$ -	$ 3,389
Separate account collateral liabilities under securities lending agreements	30,387	3,267	-	-	33,654

Other liabilities[4]	-	5	39	-	44
Total	$ 30,387	$ 3,272	$ 3,428	$ -	$ 37,087

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

(2) Level 3 amounts include $168 million and $80 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Level 3 amounts include $10 million of underlying third-party private equity funds held by a consolidated private equity fund of funds.

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

Level 3 Assets. Level 3 investments of $588 million and $528 million at March 31, 2015 and December 31, 2014, respectively, primarily related to equity method investments and private equity funds held by consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal and third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled $79 million and $80 million at March 31, 2015 and December 31, 2014, respectively. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies,

Table of Contents

market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For investments utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

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

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

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

Table of Contents

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2015

(in millions)	December 31, 2014	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	March 31, 2015	Total net unrealized gains (losses) included in earnings[2]
Assets:									
Investments:									
Consolidated sponsored investment funds:									
Private equity	$248	($12)	$5	($5)	$-	$-	$-	**$236**	($ 11)
Equity method:									
Hedge funds / Funds of hedge funds	64	7	8	(4)	(2)	-	-	**73**	9
Private equity investments	107	(5)	73	-	(7)	-	-	**168**	(7)
Real estate funds	88	1	1	-	-	-	-	**90**	2
Deferred compensation plan equity method investments	21	1	-	-	(1)	-	-	**21**	1
Total Level 3 investments	528	(8)	87	(9)	(10)	-	-	**588**	(6)
Assets of consolidated VIEs:									
Bank loans	302	1	17	(12)	26	72	(235)	**171**	
Bonds	18	-	-	-	-	-	-	**18**	
Private equity	10	-	-	-	-	-	-	**10**	
Total Level 3 assets of consolidated VIEs	330	1	17	(12)	26	72	(235)	**199**	N/A[3]
Total Level 3 assets	$858	($7)	$104	($21)	$16	$72	($235)	**$787**	
Liabilities:									
Borrowings of consolidated VIEs	$3,389	($1)	$-	$-	$574	$-	$-	**$3,964**	N/A[3]
Other liabilities	39	2	-	-	14	-	-	**51**	-
Total Level 3 liabilities	$3,428	$1	$-	$-	$588	$-	$-	**$4,015**	

N/A not applicable

(1) Amount primarily includes distributions from equity method investees and loans and net proceeds from borrowings of consolidated VIEs. Amounts also include a contingent liability related to an acquisition.

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

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

18

Table of Contents

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2014

(in millions)	December 31, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[(1)]	Transfers into Level 3[(2)]	Transfers out of Level 3	March 31, 2014	Total net unrealized gains (losses) included in earnings[(3)]
Assets:									
Investments									
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	$24	$1	$-	($12)	($1)	$-	$-	$12	$-
Private equity	223	1	5	(14)	-	41	-	256	1
Equity method:									
Hedge funds / Funds of hedge funds	99	2	4	(11)	(3)	-	-	91	2
Private equity investments	101	3	3	-	(6)	-	-	101	4
Real estate funds	98	2	2	-	(2)	-	-	100	1
Deferred compensation plan equity method investments	29	2	-	-	-	-	-	31	2
Total Level 3 investments	574	11	14	(37)	(12)	41	-	591	10
Assets of consolidated VIEs:									
Bank loans	129	-	16	(13)	-	73	(58)	147	
Bonds	35	-	-	(7)	-	-	-	28	
Private equity	14	-	-	(1)	-	-	-	13	
Total Level 3 assets of consolidated VIEs	178	-	16	(21)	-	73	(58)	188	N/A[(4)]
Total Level 3 assets	$752	$11	$30	($58)	($12)	$114	($58)	$779	
Liabilities:									
Borrowings of consolidated VIEs	$2,369	$5	$-	$-	($120)	$-	$-	$2,244	N/A[(4)]
Other liabilities	42	-	-	-	-	-	-	42	-
Total Level 3 liabilities	$2,411	$5	$-	$-	($120)	$-	$-	$2,286	

N/A not applicable

(1) Amount primarily includes distributions from equity method investees and repayment of borrowings of consolidated VIEs.

(2) Includes investments previously held at cost.

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

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

Table of Contents

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

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

Assets of Consolidated VIEs. During the three months ended March 31, 2015 and 2014, there were $235 million and $58 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three months ended March 31, 2015 and 2014, there were $72 million and $73 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

Significant Issuances and Other Settlements. During the three months ended March 31, 2015, other settlements included $603 million of borrowings due to the consolidation of one additional CLO and $29 million of repayments of borrowings of consolidated CLOs. During the three months ended March 31, 2014, other settlements included $120 million of repayments of borrowings of consolidated CLOs.

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

	March 31, 2015		**December 31, 2014**		
(in millions)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Fair Value Hierarchy**
Financial Assets:					
Cash and cash equivalents	$ 4,293	$ 4,293	$ 5,723	$ 5,723	Level 1[(1)]/ [(2)]
Accounts receivable	2,836	2,836	2,120	2,120	Level 1[(3)]
Cash and cash equivalents of consolidated VIEs	279	279	278	278	Level 1[(1)]
Financial Liabilities:					
Accounts payable and accrued liabilities	1,714	1,714	1,035	1,035	Level 1[(3)]
Long-term borrowings	4,938	5,365	4,938	5,309	Level 2[(4)]

(1) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.

(2) At March 31, 2015 and December 31, 2014, approximately $184 million and $100 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund.

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

(4) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of March 2015 and December 2014, respectively. See Note 10, *Borrowings*, for the fair value of each of the Company s long-term borrowings.

Table of Contents

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

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

March 31, 2015

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$157	$ 21	N/R	N/R
Equity method:(1)					
Hedge funds/funds of hedge funds	(b)	237	39	Daily/Monthly (37%)	1 90 days
				Quarterly (32%)	
				N/R (31%)	
Private equity funds	(c)	168	68	N/R	N/R
Real estate funds	(d)	111	-	Quarterly (19%)	60 days
				N/R (81%)	
Deferred compensation plan investments	(e)	21	5	N/R	N/R
Consolidated VIEs:					
Private equity fund	(f)	10	1	N/R	N/R
Total		$704	$ 134		

December 31, 2014

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$168	$22	N/R	N/R
Equity method:(1)					
Hedge funds/funds of hedge funds	(b)	277	39	Daily/Monthly (29%)	1 90 days
				Quarterly (48%)	

				N/R (23%)	
Private equity funds	(c)	107	61	N/R	N/R
Real estate funds	(d)	109	1	Quarterly (19%)	60 days
				N/R (81%)	
Deferred compensation plan investments	(e)	21	5	N/R	N/R
Consolidated VIEs:					
Private equity fund	(f)	10	1	N/R	N/R
Total		$692	$ 129		

N/R not redeemable

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

(a) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the

Table of Contents

Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately six years and seven years at March 31, 2015 and December 31, 2014, respectively. The total remaining unfunded commitments to other third-party funds were $21 million at March 31, 2015 and $22 million at December 31, 2014. The Company had contractual obligations to the consolidated funds of $31 million at both March 31, 2015 and December 31, 2014.

(b) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company s ownership interest in partners capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately two years at both March 31, 2015 and December 31, 2014.

(c) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company s ownership interest in the funds as well as other performance inputs. The Company s investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately four years at both March 31, 2015 and December 31, 2014.

(d) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company s ownership interest in the funds. A majority of the Company s investments are not subject to redemption or are not currently redeemable and are normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at both March 31, 2015 and December 31, 2014.

(e) This category includes investments in several real estate funds . The fair values of the investments in this category have been estimated using capital accounts representing the Company s ownership interest in partners capital as well as performance inputs. The investments are not subject to redemption; however, distributions as a result of the liquidation of the underlying assets will be used to settle certain deferred compensation liabilities over time.

(f) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately one year at both March 31, 2015 and December 31, 2014. Total remaining unfunded commitments to other third-party funds were not material at both March 31, 2015 and December 31, 2014, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

Fair Value Option.

The following table summarizes information at March 31, 2015 and December 31, 2014 related to those assets and liabilities for which the fair value option was elected:

(in millions)	**March 31, 2015**	**December 31, 2014**
CLO Bank Loans:		
Aggregate principal amounts outstanding	$3,827	$3,338
Fair value	3,793	3,260
Aggregate unpaid principal balance in excess of (less than) fair value	$34	$78
Unpaid principal balance of loans more than 90 days past due	$4	$6
Aggregate fair value of loans more than 90 days past due	-	2
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	$4	$4
CLO Borrowings:		
Aggregate principal amounts outstanding	$4,088	$3,508
Fair value	$3,964	$3,389

At March 31, 2015, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2027.

During the three months ended March 31, 2015 and 2014, the change in fair value of the bank loans and bonds held by the CLOs resulted in an $84 million and a $27 million gain, respectively, which were partially offset by a $39 million and a $22 million loss, respectively, from the change in fair value of the CLO borrowings.

Table of Contents

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

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

6. Variable Interest Entities

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

In order to determine whether the Company is the PB of a VIE, management must make significant estimates and assumptions of probable future cash flows of the VIEs. Assumptions made in such analyses may include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, prepayments, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes. See Note 2, *Significant Accounting Policies in the 2014 Form 10-K*, for more information.

Consolidated VIEs. Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund because it absorbed the majority of the variability due to its de facto related-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At March 31, 2015 and December 31, 2014, the following balances related to VIEs were recorded on the condensed consolidated statements of financial condition:

(in millions)	**March 31, 2015**	**December 31, 2014**
Assets of consolidated VIEs:		
Cash and cash equivalents	$279	$278
Bank loans	3,793	3,260
Bonds	47	47
Other investments and other assets	55	45
Total bank loans, bonds, other investments and other assets	3,895	3,352
Liabilities of consolidated VIEs:		
Borrowings	(3,964)	(3,389)
Other liabilities	(182)	(245)
Appropriated retained earnings	(16)	19
Noncontrolling interests of consolidated VIEs	(12)	(15)
Total BlackRock net interests in consolidated VIEs	$-	$-

The Company recorded $35 million of nonoperating income and $16 million of nonoperating expense and an equal and offsetting income/loss attributable to nonredeemable noncontrolling interests related to consolidated VIEs during the three months ended March 31, 2015 and 2014, respectively.

At both March 31, 2015 and December 31, 2014, the weighted-average maturity of the bank loans and bonds was approximately 4.9 years.

Table of Contents

See Note 2, *Significant Accounting Policies-Recent Accounting Pronouncements Not Yet Adopted*, for further information on ASU 2015-02.

Non-Consolidated VIEs. At March 31, 2015 and December 31, 2014, the Company s carrying value of assets and liabilities pertaining to its variable interests in VIEs and its maximum risk of loss related to VIEs for which it was the sponsor or in which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
At March 31, 2015	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss**[(1)]
CDOs/CLOs	$-	$1	($6)	$18
Other sponsored investment funds:				
Collective trusts	-	212	-	212
Other	52	163	(3)	215
Total	$52	$376	($9)	$445
At December 31, 2014				
CDOs/CLOs	$-	$2	($5)	$19
Other sponsored investment funds:				
Collective trusts	-	191	-	191
Other	57	177	(3)	234
Total	$57	$370	($8)	$444

(1) At both March 31, 2015 and December 31, 2014, BlackRock s maximum risk of loss associated with these VIEs primarily related to collecting advisory fee receivables and BlackRock s investments.

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

CDOs/CLOs

(in billions)	**March 31, 2015**	**December 31, 2014**
Assets at fair value	$1	$1
Liabilities[(1)]	2	2
Net assets	($1)	($1)

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

The net assets of other sponsored investment funds that are nonconsolidated VIEs approximated $1.7 trillion to $1.8 trillion at both March 31, 2015 and December 31, 2014. Net assets included approximately $1.5 trillion of collective trusts at March 31, 2015 and approximately $1.4 trillion of collective trusts at December 31, 2014. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments, partially offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

7. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At March 31, 2015, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately $260 million and $99 million, respectively. At December 31, 2014, the Company had outstanding total return swaps and interest rate swaps with aggregate notional values of approximately $238 million and $84 million, respectively.

Table of Contents

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

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At March 31, 2015 and December 31, 2014, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately $215 million and $201 million, respectively.

Gains (losses) on total return swaps and interest rate swaps are recorded in nonoperating income (expense) and were not material to the condensed consolidated statements of income for the three months ended March 31, 2015 and 2014.

Gains (losses) on forward foreign currency exchange contracts are recorded in other general and administration expense and were not material to the condensed consolidated statements of income for the three months ended March 31, 2015 and 2014.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds investment strategies. Gains (losses) on such derivatives are recorded in nonoperating income (expense) and were not material for the three months ended March 31, 2015 and 2014.

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

8. Goodwill

Goodwill activity during the three months ended March 31, 2015 was as follows:

(in millions)	
December 31, 2014	$12,961
BKCA acquisition	19
Goodwill adjustment related to Quellos[1]	(5)
March 31, 2015	**$12,975**

[1] The decrease in goodwill during the three months ended March 31, 2015 resulted from tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the Quellos Transaction). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $255 million and $263 million at March 31, 2015 and December 31, 2014, respectively.

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

9. Intangible Assets

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

(in millions)	**Indefinite-lived intangible assets**	**Finite-lived intangible assets**	**Total intangible assets**
December 31, 2014	$16,988	$356	$17,344
Amortization expense	-	(35)	(35)

BKCA acquisition	120	-	120
March 31, 2015	**$17,108**	**$321**	**$17,429**

Table of Contents

Indefinite-lived Acquired Management Contracts

Indefinite-lived intangible assets increased by $120 million in the three months ended March 31, 2015, as a result of the BKCA acquisition.

10. Borrowings

Short-Term Borrowings

2015 Revolving Credit Facility. In April 2015, the Company s credit facility was amended to extend the maturity date to March 2020 and to increase the amount of the aggregate commitment to $4.0 billion (the 2015 credit facility). The 2015 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2015 credit facility to an aggregate principal amount not to exceed $5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2015 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at March 31, 2015. The 2015 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2015, the Company had no amount outstanding under the 2015 credit facility.

Commercial Paper Program. The maximum aggregate amount for which the Company can issue unsecured commercial paper notes (the CP Notes) on a private-placement basis up to a maximum aggregate amount outstanding at any time is $3.990 billion. The commercial paper program is currently supported by the 2015 credit facility. At March 31, 2015, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices at March 31, 2015 included the following:

(in millions)	**Maturity Amount**	**Unamortized Discount**	**Carrying Value**	**Fair Value**
1.375% Notes due 2015	$750	$ -	$750	$751
6.25% Notes due 2017	700	(1)	699	785
5.00% Notes due 2019	1,000	(2)	998	1,136
4.25% Notes due 2021	750	(3)	747	840
3.375% Notes due 2022	750	(3)	747	793
3.50% Notes due 2024	1,000	(3)	997	1,060
Total Long-term Borrowings	$4,950	($12)	$4,938	$5,365

Long-term borrowings at December 31, 2014 had a carrying value of $4.938 billion and a fair value of $5.309 billion determined using market prices at the end of December 2014.

See Note 19, *Subsequent Events*, for information on the May 2015 debt offering and Note 12, *Borrowings*, in the 2014 Form 10-K for more information regarding the Company s borrowings.

11. Commitments and Contingencies

Investment Commitments. At March 31, 2015, the Company had $353 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds, infrastructure funds, opportunistic funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. In addition to the capital

26

commitments of $353 million, the Company had approximately $30 million of contingent commitments for certain funds which have investment periods that have expired. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

Contingencies

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

Contingent Payments Related to Business Acquisitions. In connection with the acquisition of Credit Suisse s ETF franchise, BlackRock is required to make contingent payments annually to Credit Suisse, subject to achieving specified thresholds during a seven-year period, subsequent to the 2013 acquisition date. BlackRock is required to make contingent payments related to the acquisition of MGPA during a five-year period, subject to achieving specified thresholds, subsequent to the 2013 acquisition date. In addition, BlackRock is required to make contingent payments in connection with the BKCA acquisition over a three-year period, subject to the acquired business achieving specified performance targets. The fair value of the remaining aggregate contingent payments at March 31, 2015 is not significant to the condensed consolidated statement of financial condition and is included in other liabilities.

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

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

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

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower s failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower s obligation under the securities lending agreement. At March 31, 2015, the Company indemnified certain of its clients for their securities lending loan balances of approximately $153.9 billion. The Company held as agent, cash and securities totaling $164.4 billion as collateral for indemnified securities on loan at March 31, 2015. The fair value of these indemnifications was not material at March 31, 2015.

Table of Contents

12. Stock-Based Compensation

Restricted stock and restricted stock units (RSUs) activity for the three months ended March 31, 2015 is summarized below:

Outstanding at	Restricted Stock and RSUs	Weighted-Average Grant Date Fair Value
December 31, 2014	3,401,909	$257.01
Granted	1,260,795	$343.91
Converted	(1,531,673)	$228.31
Forfeited	(4,768)	$304.46
March 31, 2015[1]	**3,126,263**	**$306.04**

(1) At March 31, 2015, approximately 2.9 million awards are expected to vest and 0.1 million awards have vested but have not been converted.

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock s common stock price. In January 2015, the Company granted 952,329 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant and 303,999 RSUs to employees that cliff vest 100% on January 31, 2018.

At March 31, 2015, the intrinsic value of outstanding RSUs was $1.1 billion reflecting a closing stock price of $365.84.

At March 31, 2015, total unrecognized stock-based compensation expense related to unvested RSUs was $601 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.6 years.

Market Performance-based RSUs.

Market performance-based RSUs outstanding at both March 31, 2015 and December 31, 2014 were 1,425,319 with a weighted average exercise price of $137.31. At March 31, 2015, approximately 1.4 million awards are expected to vest and an immaterial amount of awards have vested but have not been converted. No market performance based RSUs were granted during the three months ended March 31, 2015.

At March 31, 2015, the intrinsic value of outstanding market performance-based RSUs was $521 million reflecting a closing stock price of $365.84.

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

At March 31, 2015, total unrecognized stock-based compensation expense related to unvested market performance-based awards was $87 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.7 years.

Performance-Based RSUs.

Pursuant to the BlackRock, Inc. Amended and Restated 1999 Stock Award and Incentive Plan, performance-based RSUs may be granted to certain employees. Each performance-based award consists of a base number of restricted stock units granted to the employee. The number of shares that an employee ultimately receives at vesting will be equal to the base number of performance-based RSUs granted, multiplied by a predetermined percentage determined in accordance with the level of attainment of Company performance measures during the performance period and could be higher or lower than the original RSU grant. The awards are generally forfeited

Table of Contents

if the employee leaves the Company before the vesting date. Performance-based RSUs are not considered participating securities as the dividend equivalents are subject to forfeiture prior to vesting of the award.

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

Performance-based RSU activity for the three months ended March 31, 2015 is summarized below:

Outstanding at	Performance-Based RSUs	Weighted-Average Grant Date Fair Value
December 31, 2014	-	$-
Granted	262,847	$343.86
March 31, 2015[1]	**262,847**	**$ 343.86**

[1] At March 31, 2015, approximately 0.3 million awards are expected to vest and no awards have vested and have not been converted.

At March 31, 2015, total unrecognized stock-based compensation expense related to unvested performance-based awards was $84 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 2.8 years.

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

At March 31, 2015, the intrinsic value of outstanding performance-based RSUs was $96.2 million reflecting a closing stock price of $365.84.

Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans (LTIP). The current share surrender agreement commits PNC to provide BlackRock series C nonvoting participating preferred stock to fund the remaining committed shares. As of March 31, 2015, 2.7 million shares had been surrendered by PNC.

At March 31, 2015, the remaining shares committed by PNC of 1.3 million were available to fund certain future long-term incentive awards.

Stock Options. Stock option activity for the three months ended March 31, 2015 is summarized below:

Outstanding at	Shares under option	Weighted average exercise price
December 31, 2014[1]	906,719	$ 167.76
Exercised[1]	(32,116)	$ 167.76
March 31, 2015[1]	**874,603**	**$ 167.76**

[1] The aggregate intrinsic value of options exercised during the three months ended March 31, 2015 was $6.2 million. At March 31, 2015, all options were vested.

The remaining average life of stock options outstanding at March 31, 2015 is approximately two years.

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 equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers.

Capital Requirements. At March 31, 2015, the Company was required to maintain approximately $1.1 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a chartered national bank whose powers are limited to trust activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company s broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

14. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in AOCI by component for the three months ended March 31, 2015 and 2014:

(in millions)	**Unrealized gains (losses) on available-for-sale investments**[1]	**Benefit plans**	**Foreign currency translation adjustments**	**Total**
December 31, 2014	$ 2	$ 4	($ 279)	($ 273)
Other comprehensive income (loss) before reclassifications	-	(1)	(165)	(166)
Amount reclassified from AOCI	-	-	-	-
Net other comprehensive income (loss) for the three months ended March 31, 2015	-	(1)	(165)	(166)
March 31, 2015	**$ 2**	**$ 3**	**($ 444)**	**($ 439)**

(in millions)	**Unrealized gains (losses) on available-for-sale investments**[1]	**Benefit plans**	**Foreign currency translation adjustments**	**Total**
December 31, 2013	$ 7	$ 6	($ 48)	($ 35)
Other comprehensive income (loss) before reclassifications	-	-	8	8
Amount reclassified from AOCI[2],[3]	(8)	-	-	(8)
Net other comprehensive income (loss) for the three months ended March 31, 2014	(8)	-	8	-
March 31, 2014	($ 1)	$ 6	($ 40)	($ 35)

(1) All amounts are net of tax.
(2) The tax benefit (expense) was not material for the three months ended March 31, 2014.
(3) The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

Table of Contents

15. Capital Stock

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

	March 31, 2015	December 31, 2014
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[(1)]	823,188	823,188
Series C		
Shares authorized, $0.01 par value	6,000,000	6,000,000
Shares issued and outstanding[(1)]	1,311,887	1,311,887
Series D		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	-	-

[(1)] Shares held by PNC.

Share Repurchases. The Company repurchased 0.8 million common shares in open market-transactions under the share repurchase program for approximately $275 million during the three months ended March 31, 2015.

In January 2015, the Board of Directors approved an increase in the availability of shares that may be repurchased under the Company s existing share repurchase program to allow for the repurchase of up to a total of 9.4 million additional shares of BlackRock common stock. At March 31, 2015, there were 8.6 million shares still authorized to be repurchased.

16. Income Taxes

The first quarter of 2015 included nonrecurring tax benefits of $69 million, primarily due to the realization of losses from changes in the Company s organizational tax structure and the resolution of certain outstanding tax matters.

17. Earnings Per Share

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

The following table sets forth the computation of basic and diluted EPS for the three months ended March 31, 2015 and 2014 under the treasury stock method:

	Three Months Ended March 31,	
(in millions, except per share data)	2015	2014
Net income attributable to BlackRock	$822	$756
Basic weighted-average shares outstanding	167,089,037	169,081,421
Dilutive effect of nonparticipating RSUs and stock options	2,634,130	2,852,382
Total diluted weighted-average shares outstanding	169,723,167	171,933,803

Basic earnings per share	$4.92	$4.47
Diluted earnings per share	$4.84	$4.40

Table of Contents

18. Segment Information

The Company s management directs BlackRock s operations as one business, the asset management business. As such, the Company operates in one business segment.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions* and advisory revenue, distribution fees and other revenue for the three months ended March 31, 2015 and 2014.

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Equity	$ 1,306	$ 1,277
Fixed income	575	503
Multi-asset	312	289
Alternatives	232	306
Cash management	73	74
Total investment advisory, administration fees, securities lending revenue and performance fees	2,498	2,449
BlackRock Solutions and advisory	147	154
Distribution fees	17	19
Other revenue	61	48
Total revenue	$ 2,723	$ 2,670

The following table illustrates total revenue for the three months ended March 31, 2015 and 2014 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(in millions)	Three Months Ended March 31,	
Revenue	**2015**	**2014**
Americas	$ 1,851	$ 1,782
Europe	743	757
Asia-Pacific	129	131
Total revenue	$ 2,723	$ 2,670

The following table illustrates long-lived assets that consist of goodwill and property and equipment at March 31, 2015 and December 31, 2014 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

(in millions)