BlackRock Inc.
Form 10-Q
May 08, 2015
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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
Smaller reporting company (Do not check if a smaller reporting company)

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

Yes No X

As of April 30, 2015, there were 164,616,254 shares of the registrant s common stock outstanding.

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BlackRock, Inc.

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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.

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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.

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BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in millions)	Three Months Ended March 31,	
	2015	**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.

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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.

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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.

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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.

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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

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(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.

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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.

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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.

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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.

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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)

March 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying 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.

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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.

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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.

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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).

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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,

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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.

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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.

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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.

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Realized and Unrealized Gains (Losses) for Level 3 Assets and Liabilities. Realized and unrealized gains (losses) recorded for Level 3 assets and liabilities are reported in nonoperating income (expense) on the condensed consolidated statements of income. A portion of net income (loss) for consolidated 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.

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

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

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

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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.

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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.

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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.

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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**

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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

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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.

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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

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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.

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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.

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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

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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.

	Three Months Ended March 31,	
(in millions)		
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)	**March 31, 2015**	**December 31, 2014**
Long-lived Assets		
Americas	$ 13,238	$ 13,151
Europe	187	194
Asia-Pacific	87	83
Total long-lived assets	$ 13,512	$ 13,428

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

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19. Subsequent Events

Debt Offering. In May 2015, the Company issued 700 million (or approximately $760 million based on an exchange rate of $1.09 per 1) of 1.25% senior unsecured notes maturing on May 6, 2025 (the 2025 Notes). The notes are expected to be listed on the New York Stock Exchange. The net proceeds of the 2025 Notes will be used for general corporate purposes, including refinancing of outstanding indebtedness. Interest of approximately $10 million per year based on current exchange rates is payable annually on May 6 of each year. The 2025 Notes may be redeemed in whole or in part prior to maturity at any time at the option of the Company at a make-whole redemption price. The 2025 Notes were issued at a discount of approximately $3 million that will be amortized over the term of the 2025 Notes.

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, BlackRock or the Company) is a leading publicly traded investment management firm with $4.774 trillion of AUM at March 31, 2015. With approximately 12,300 employees in more than 30 countries, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

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

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

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

At March 31, 2015, 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.

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

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EXECUTIVE SUMMARY

(in millions, except shares and per share data)	Three Months Ended March 31, 2015	2014
GAAP basis:		
Total revenue	$ 2,723	$ 2,670
Total expense	1,656	1,619
Operating income	$ 1,067	$ 1,051
Operating margin	*39.2%*	*39.4%*
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests[1]	13	29
Income tax expense	(258)	(324)
Net income attributable to BlackRock	$ 822	$ 756
Diluted earnings per common share	$ 4.84	$ 4.40
Effective tax rate	23.9%	30.0%
As adjusted[2]:		
Total revenue	$ 2,723	$ 2,670
Total expense	1,646	1,608
Operating income	$ 1,077	$ 1,062
Operating margin	*41.2%*	*41.4%*
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests[1]	11	26
Income tax expense	(258)	(326)
Net income attributable to BlackRock	$ 830	$ 762
Diluted earnings per common share	$ 4.89	$ 4.43
Effective tax rate	23.7%	30.0%
Other:		
Assets under management (end of period)	$ 4,774,192	$ 4,400,925
Diluted weighted-average common shares outstanding[3]	169,723,167	171,933,803
Common and preferred shares outstanding (end of period)	167,084,582	169,138,109
Book value per share[4]	$ 163.74	$ 156.51
Cash dividends declared and paid per share	$ 2.18	$ 1.93

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

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

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

(4) Total BlackRock stockholders equity, excluding appropriated retained earnings of $16 million and $6 million for the three months ended March 31, 2015 and 2014, respectively, divided by total common and preferred shares outstanding at March 31 of the respective period-end.

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THREE MONTHS ENDED MARCH 31, 2015 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2014

GAAP. Operating income of $1,067 million increased $16 million and operating margin of 39.2% declined 20 bps from the first quarter of 2014. Operating income reflected the impact of $252 billion of net new inflows over the last twelve months and continued strong growth in *Aladdin* fees, partially offset by a higher level of transaction-related revenue in last year s first quarter and significant negative foreign exchange movements. Nonoperating income (expense), less net income (loss) attributable to NCI, decreased $16 million due to lower positive marks in the first quarter of 2015. Earnings per diluted common share rose $0.44, or 10%, compared with the first quarter of 2014 due to higher net income and the benefit of share repurchases.

As Adjusted. Operating income of $1,077 million increased $15 million and operating margin of 41.2% declined 20 bps from the first quarter of 2014. Earnings per diluted common share rose $0.46, or 10%, from the first quarter of 2014.

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

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

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NON-GAAP FINANCIAL MEASURES

BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP); however, management believes evaluating the Company s ongoing operating results may be enhanced if investors have additional non-GAAP financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock s financial performance over time. Management also uses non-GAAP financial measures as a benchmark to compare its performance with other companies and to enhance the comparability of this information for the reporting periods presented. Non-GAAP measures may pose limitations because they do not include all of BlackRock s revenue and expense. BlackRock s management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

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

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

Management believes operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock s financial performance over time and, therefore, provide useful disclosure to investors.

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Operating income, GAAP basis	**$1,067**	**$1,051**
Non-GAAP expense adjustments:		
PNC LTIP funding obligation	8	8
Compensation expense related to appreciation (depreciation) on deferred compensation plans	2	3
Operating income, as adjusted	**1,077**	**1,062**
Closed-end fund launch costs / commissions	-	-
Operating income used for operating margin measurement	$1,077	$1,062
Revenue, GAAP basis	$2,723	$2,670
Non-GAAP adjustments:		
Distribution and servicing costs	(99)	(89)
Amortization of deferred sales commissions	(13)	(15)
Revenue used for operating margin measurement	$2,611	$2,566
Operating margin, GAAP basis	**39.2%**	**39.4%**
Operating margin, as adjusted	**41.2%**	**41.4%**

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

Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and related commissions. Management

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

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

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

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

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Nonoperating income (expense), GAAP basis	$ 51	$ 17
Less: Net income (loss) attributable to NCI	38	(12)
Nonoperating income (expense), net of NCI	13	29
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(2)	(3)
Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted	$ 11	$ 26

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

	Three Months Ended March 31,	
(in millions, except per share data)	**2015**	**2014**
Net income attributable to BlackRock, GAAP basis	**$ 822**	**$ 756**
Non-GAAP adjustments, net of tax:		
PNC LTIP funding obligation	5	6
Income tax matters	3	-
Net income attributable to BlackRock, as adjusted	**$ 830**	**$ 762**
Diluted weighted-average common shares outstanding[4]	169.7	171.9
Diluted earnings per common share, GAAP basis[4]	**$ 4.84**	**$ 4.40**
Diluted earnings per common share, as adjusted[4]	**$ 4.89**	**$ 4.43**

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

For each period presented, the non-GAAP adjustment related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustments.

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

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Assets Under Management

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

AUM and Net Inflows (Outflows) by Client Type

	AUM			Net Inflows (Outflows)	
(in millions)	March 31, 2015	December 31, 2014	March 31, 2014	Three Months Ended March 31, 2015	Twelve Months Ended March 31, 2015
Retail	$ 550,980	$ 534,329	$ 508,717	$ 14,172	$ 55,114
iShares	1,074,130	1,024,228	930,380	35,478	128,321
Institutional:					
Active	984,282	959,160	939,654	17,984	20,174
Index	1,854,205	1,816,124	1,726,855	2,806	21,358
Total institutional	2,838,487	2,775,284	2,666,509	20,790	41,532
Total long-term	**4,463,597**	**4,333,841**	**4,105,606**	**70,440**	**224,967**
Cash management	292,495	296,353	263,533	561	38,690
Advisory[1]	18,100	21,701	31,786	(2,297)	(11,697)
Total	**$ 4,774,192**	**$ 4,651,895**	**$ 4,400,925**	**$ 68,704**	**$ 251,960**

AUM and Net Inflows (Outflows) by Product Type

	AUM			Net Inflows (Outflows)	
(in millions)	March 31, 2015	December 31, 2014	March 31, 2014	Three Months Ended March 31, 2015	Twelve Months Ended March 31, 2015
Equity	$ 2,527,130	$ 2,451,111	$ 2,347,934	$ 20,941	$ 69,520
Fixed income	1,428,480	1,393,653	1,289,014	36,289	117,072
Multi-asset	395,312	377,837	353,231	12,792	36,706
Alternatives					
Core	89,086	88,006	87,865	(201)	926
Currency and commodities[2]	23,589	23,234	27,562	619	743
Subtotal	112,675	111,240	115,427	418	1,669
Total long-term	**4,463,597**	**4,333,841**	**4,105,606**	**70,440**	**224,967**
Cash management	292,495	296,353	263,533	561	38,690
Advisory[1]	18,100	21,701	31,786	(2,297)	(11,697)
Total	**$ 4,774,192**	**$ 4,651,895**	**$ 4,400,925**	**$ 68,704**	**$ 251,960**

AUM and Net Inflows (Outflows) by Investment Style

(in millions)	AUM			Net Inflows (Outflows)	
	March 31, 2015	**December 31, 2014**	**March 31, 2014**	**Three Months Ended March 31, 2015**	**Twelve Months Ended March 31, 2015**
Active	$ 1,496,210	$ 1,453,613	$ 1,417,546	$ 31,547	$ 66,131
Index and *iShares*	2,967,387	2,880,228	2,688,060	38,893	158,836
Total long-term	**4,463,597**	**4,333,841**	**4,105,606**	**70,440**	**224,967**
Cash management	292,495	296,353	263,533	561	38,690
Advisory[1]	18,100	21,701	31,786	(2,297)	(11,697)
Total	**$ 4,774,192**	**$ 4,651,895**	**$ 4,400,925**	**$ 68,704**	**$ 251,960**

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

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Component Changes in AUM for the Three Months Ended March 31, 2015

The following table presents the component changes in AUM by client type and product for the quarter ended March 31, 2015.

(in millions)	December 31, 2014	Net inflows (outflows)	Acquisition[1]	Market change	FX impact[2]	March 31, 2015	Average AUM[3]
Retail:							
Equity	$ 200,445	$ 332	$ -	$ 5,102	($ 4,173)	$ 201,706	$ 201,052
Fixed income	189,820	12,787	-	962	(2,164)	201,405	195,821
Multi-asset	125,341	1,402	-	2,426	(767)	128,402	127,031
Alternatives	18,723	(349)	1,293	296	(496)	19,467	18,671
Retail subtotal	534,329	14,172	1,293	8,786	(7,600)	550,980	542,575
iShares:							
Equity	790,067	16,725	-	28,200	(10,656)	824,336	804,294
Fixed income	217,671	18,595	-	2,591	(5,674)	233,183	228,005
Multi-asset	1,773	(18)	-	30	(13)	1,772	1,827
Alternatives	14,717	176	-	49	(103)	14,839	14,954
iShares subtotal	1,024,228	35,478	-	30,870	(16,446)	1,074,130	1,049,080
Institutional:							
Active:							
Equity	125,143	168	-	6,206	(3,481)	128,036	126,662
Fixed income	518,590	5,723	-	9,546	(7,742)	526,117	525,711
Multi-asset	242,913	11,717	-	12,549	(10,095)	257,084	250,197
Alternatives	72,514	376	-	1,094	(939)	73,045	72,734
Active subtotal	959,160	17,984	-	29,395	(22,257)	984,282	975,304
Index:							
Equity	1,335,456	3,716	-	53,361	(19,481)	1,373,052	1,354,904
Fixed income	467,572	(816)	-	16,183	(15,164)	467,775	469,931
Multi-asset	7,810	(309)	-	818	(265)	8,054	7,928
Alternatives	5,286	215	-	(27)	(150)	5,324	5,359
Index subtotal	1,816,124	2,806	-	70,335	(35,060)	1,854,205	1,838,122
Institutional subtotal	2,775,284	20,790	-	99,730	(57,317)	2,838,487	2,813,426
Long-term	**4,333,841**	**70,440**	**1,293**	**139,386**	**(81,363)**	**4,463,597**	**$ 4,405,081**
Cash management	296,353	561	-	(42)	(4,377)	292,495	
Advisory[4]	21,701	(2,297)	-	526	(1,830)	18,100	
Total	**$ 4,651,895**	**$ 68,704**	**$ 1,293**	**$ 139,870**	**($ 87,570)**	**$ 4,774,192**	

(1) Amount represents $1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(4) Advisory AUM represents long-term portfolio liquidation assignments.

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The following table presents component changes in AUM by product for the three months ended March 31, 2015.

(in millions)	December 31, 2014	Net inflows (outflows)	Acquisition[1]	Market change	FX impact[2]	March 31, 2015	Average AUM[3]
Equity:							
Active	$ 292,802	$ 546	$ -	$ 11,445	($6,675)	$ 298,118	$ 295,297
iShares	790,067	16,725	-	28,200	(10,656)	824,336	804,294
Non-ETF index	1,368,242	3,670	-	53,224	(20,460)	1,404,676	1,387,321
Equity subtotal	2,451,111	20,941	-	92,869	(37,791)	2,527,130	2,486,912
Fixed income:							
Active	701,324	17,855	-	10,447	(9,532)	720,094	714,317
iShares	217,671	18,595	-	2,591	(5,674)	233,183	228,005
Non-ETF index	474,658	(161)	-	16,244	(15,538)	475,203	477,146
Fixed income subtotal	1,393,653	36,289	-	29,282	(30,744)	1,428,480	1,419,468
Multi-asset	377,837	12,792	-	15,823	(11,140)	395,312	386,983
Alternatives:							
Core	88,006	(201)	1,293	1,425	(1,437)	89,086	88,062
Currency and commodities[4]	23,234	619	-	(13)	(251)	23,589	23,656
Alternatives subtotal	**111,240**	**418**	**1,293**	**1,412**	**(1,688)**	**112,675**	**111,718**
Long-term	**4,333,841**	**70,440**	**1,293**	**139,386**	**(81,363)**	**4,463,597**	**$ 4,405,081**
Cash management	296,353	561	-	(42)	(4,377)	292,495	
Advisory[5]	21,701	(2,297)	-	526	(1,830)	18,100	
Total	**$ 4,651,895**	**$ 68,704**	**$ 1,293**	**$ 139,870**	**($87,570)**	**$ 4,774,192**	

(1) Amount represents $1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(4) Amounts include commodity *iShares*.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased $122.3 billion, or 3%, to $4.774 trillion at March 31, 2015 from $4.652 trillion at December 31, 2014, driven largely by net market appreciation and positive net inflows, partially offset by negative foreign exchange movements.

Net market appreciation of $139.9 billion included $92.9 billion from equity products due to higher U.S. and global equity markets and $29.3 billion from fixed income products.

AUM decreased $87.6 billion from foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar, largely against the euro and pound sterling.

Net Inflows (Outflows). Net inflows of $68.7 billion reflected $70.4 billion of long-term net inflows across all client types, including $35.5 billion, $20.8 billion and $14.2 billion from *iShares,* institutional and retail clients, respectively. Net inflows in long-term products of $70.4 billion reflected the following:

- *iShares* net inflows of $35.5 billion, which were led by fixed income net inflows of $18.6 billion, diversified across exposures and geographies. Equity net inflows of $16.7 billion were driven by the Core Series as well as demand for European equities;
- Active fixed income net inflows of $17.9 billion, which were led by retail active fixed income net inflows of $12.1 billion. Active fixed income net inflows were diversified across exposures, and included strong flows into the unconstrained Strategic Income Opportunities fund, high yield and the Total Return fund. Institutional active fixed income net inflows of $5.7 billion were driven by unconstrained and total return mandates; and

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- Multi-asset net inflows of $12.8 billion were driven by $11.7 billion of institutional active net inflows, reflecting strong solutions-based insurance wins and ongoing demand for the *LifePath*® target-date product suite.

Cash Management Net Inflows. Cash management net inflows of $0.6 billion were primarily comprised of net inflows from EMEA institutional clients concentrated in offshore funds, partially offset by net outflows from Americas institutional clients from prime and government strategies.

Advisory Net Outflows. Advisory net outflows of $2.3 billion were driven by portfolio liquidations.

Component Changes in AUM for the Twelve Months Ended March 31, 2015

The following table presents the component changes in AUM by client type and product for the twelve months ended March 31, 2015.

(in millions)	March 31, 2014	Net inflows (outflows)	Acquisition[1]	Market change	FX impact[2]	March 31, 2015	Average AUM[3]
Retail:							
Equity	$ 208,238	($ 269)	$ -	$ 4,219	($10,482)	$ 201,706	$ 206,939
Fixed income	160,448	43,724	-	1,806	(4,573)	201,405	180,458
Multi-asset	121,548	11,131	-	(2,418)	(1,859)	128,402	125,831
Alternatives	18,483	528	1,293	316	(1,153)	19,467	18,897
Retail subtotal	508,717	55,114	1,293	3,923	(18,067)	550,980	532,125
iShares:							
Equity	723,973	75,417	-	48,942	(23,996)	824,336	775,337
Fixed income	188,022	51,979	-	4,635	(11,453)	233,183	210,296
Multi-asset	1,437	311	-	45	(21)	1,772	1,649
Alternatives	16,948	614	-	(2,450)	(273)	14,839	16,090
iShares subtotal	930,380	128,321	-	51,172	(35,743)	1,074,130	1,003,372
Institutional:							
Active:							
Equity	132,374	(10,447)	-	14,632	(8,523)	128,036	129,656
Fixed income	509,692	5,802	-	32,841	(22,218)	526,117	520,137
Multi-asset	223,865	24,701	-	30,326	(21,808)	257,084	241,399
Alternatives	73,723	118	-	1,911	(2,707)	73,045	72,917
Active subtotal	939,654	20,174	-	79,710	(55,256)	984,282	964,109
Index:							
Equity	1,283,349	4,819	-	141,113	(56,229)	1,373,052	1,331,971
Fixed income	430,852	15,567	-	59,601	(38,245)	467,775	453,205
Multi-asset	6,381	563	-	2,124	(1,014)	8,054	7,284
Alternatives	6,273	409	-	(997)	(361)	5,324	5,948
Index subtotal	1,726,855	21,358	-	201,841	(95,849)	1,854,205	1,798,408
Institutional subtotal	2,666,509	41,532	-	281,551	(151,105)	2,838,487	2,762,517
Long-term	**4,105,606**	**224,967**	**1,293**	**336,646**	**(204,915)**	**4,463,597**	**$ 4,298,014**
Cash management	263,533	38,690	-	546	(10,274)	292,495	
Advisory[4]	31,786	(11,697)	-	1,400	(3,389)	18,100	
Total	**$ 4,400,925**	**$ 251,960**	**$ 1,293**	**$ 338,592**	**($218,578)**	**$ 4,774,192**	

(1) Amount represents $1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents long-term portfolio liquidation assignments.

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The following table presents component changes in AUM by product for the twelve months ended March 31, 2015.

(in millions)	March 31, 2014	Net inflows (outflows)	Acquisition[1]	Market change	FX impact[2]	March 31, 2015	Average AUM[3]
Equity:							
Active	$ 314,850	($ 17,420)	$ -	$ 17,196	($ 16,508)	$ 298,118	$ 306,332
iShares	723,973	75,417	-	48,942	(23,996)	824,336	775,337
Non-ETF index	1,309,111	11,523	-	142,768	(58,726)	1,404,676	1,362,234
Equity subtotal	2,347,934	69,520	-	208,906	(99,230)	2,527,130	2,443,903
Fixed income:							
Active	665,151	47,006	-	33,861	(25,924)	720,094	694,165
iShares	188,022	51,979	-	4,635	(11,453)	233,183	210,296
Non-ETF index	435,841	18,087	-	60,387	(39,112)	475,203	459,635
Fixed income subtotal	1,289,014	117,072	-	98,883	(76,489)	1,428,480	1,364,096
Multi-asset	353,231	36,706	-	30,077	(24,702)	395,312	376,163
Alternatives:							
Core	87,865	926	1,293	2,426	(3,424)	89,086	88,189
Currency and commodities[4]	27,562	743	-	(3,646)	(1,070)	23,589	25,663
Alternatives subtotal	**115,427**	**1,669**	**1,293**	**(1,220)**	**(4,494)**	**112,675**	**113,852**
Long-term	**4,105,606**	**224,967**	**1,293**	**336,646**	**(204,915)**	**4,463,597**	**$ 4,298,014**
Cash management	263,533	38,690	-	546	(10,274)	292,495	
Advisory[5]	31,786	(11,697)	-	1,400	(3,389)	18,100	
Total	**$ 4,400,925**	**$ 251,960**	**$ 1,293**	**$ 338,592**	**($218,578)**	**$ 4,774,192**	

(1) Amount represents $1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC in March 2015.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Amounts include commodity *iShares*.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased $373.3 billion, or 8%, to $4.774 trillion at March 31, 2015 from $4.401 trillion at March 31, 2014, driven largely by net market appreciation and positive net inflows, partially offset by negative foreign exchange movements.

Net market appreciation of $338.6 billion reflected $208.9 billion of growth from equity products, primarily due to higher U.S. and global equity markets, and net appreciation in fixed income and multi-asset products of $98.9 billion and $30.1 billion, respectively, across the majority of strategies.

AUM decreased $218.6 billion from foreign exchange movements primarily resulting from the strengthening of the U.S. dollar, largely against the euro, pound sterling and Japanese yen.

Net Inflows (Outflows). Net inflows of $252.0 billion reflected $225.0 billion of long-term net inflows across all client types, including $128.3 billion, $55.1 billion and $41.5 billion from *iShares,* retail and institutional clients, respectively. Net inflows in long-term products of $225.0 billion reflected the following:

Net Inflows

- *iShares* net inflows of $128.3 billion, including equity *iShares* and fixed income *iShares* net inflows of $75.4 billion and $52.0 billion, respectively. Equity *iShares* net inflows were led by the Core Series and developed-markets equity offerings. Strong demand for local currency and U.S. Sector-specific mandates drove fixed income *iShares* net inflows;
- Active fixed income net inflows of $47.0 billion, led by retail active fixed income net inflows of $41.2 billion, which reflected strong interest in unconstrained fixed income, high yield and core bond offerings;

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- Multi-asset net inflows of $36.7 billion, led by $24.7 billion of institutional active net inflows, which reflected strong demand for the *LifePath* target-date series, the dynamic diversified growth strategy and solutions-based insurance mandates. Retail net inflows of $11.1 billion were concentrated in Multi-Asset Income funds;
- Non-ETF index fixed income net inflows of $18.1 billion, driven by strong demand for local currency and U.S. core strategies; and
- Non-ETF index equity net inflows of $11.5 billion, driven by net inflows into global mandates, partially offset by outflows from U.S. equity strategies.

Net Outflows

- Active equity net outflows of $17.4 billion, driven by fundamental equity outflows of $16.4 billion.

Cash Management Net Inflows. Cash management net inflows of $38.7 billion were primarily comprised of net inflows from Americas institutional clients into government strategies and net inflows from EMEA institutional clients in offshore funds.

Advisory Net Outflows. Advisory net outflows of $11.7 billion were driven by portfolio liquidations.

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DISCUSSION OF FINANCIAL RESULTS

The Company s results of operations for the three months ended March 31, 2015 and 2014 are discussed below. For a further description of the Company s revenue and expense, see the Company s Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K).

Revenue

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Investment advisory, administration fees and securities lending revenue:		
Equity:		
Active	$ 422	$ 463
iShares	684	634
Non-ETF index	163	158
Equity subtotal	1,269	1,255
Fixed income:		
Active	373	324
iShares	130	113
Non-ETF index	68	58
Fixed income subtotal	571	495
Multi-asset	304	286
Alternatives:		
Core	154	159
Currency and commodities	19	22
Alternatives subtotal	173	181
Long-term	2,317	2,217
Cash management	73	74
Total base fees	2,390	2,291
Investment advisory performance fees:		
Equity	37	22
Fixed income	4	8
Multi-asset	8	3
Alternatives	59	125
Total	108	158
BlackRock Solutions and advisory	147	154
Distribution fees	17	19
Other revenue	61	48
Total revenue	**$ 2,723**	**$ 2,670**

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

	Mix of Base Fees Three months ended March 31,		Mix of Average AUM by Asset Class[1] Three months ended March 31,	
	2015	**2014**	**2015**	**2014**
Equity:				
Active	**17%**	20%	**7%**	7%
iShares	**29%**	28%	**17%**	17%
Non-ETF index	**7%**	7%	**29%**	30%
Equity subtotal	**53%**	55%	**53%**	54%
Fixed income:				
Active	**16%**	14%	**15%**	15%
iShares	**5%**	5%	**5%**	4%
Non-ETF index	**3%**	3%	**10%**	10%
Fixed income subtotal	**24%**	22%	**30%**	29%
Multi-asset	**13%**	12%	**8%**	8%
Alternatives:				
Core	**6%**	7%	**2%**	2%
Currency and commodities	**1%**	1%	**1%**	1%
Alternatives subtotal	**7%**	8%	**3%**	3%
Long-term	**97%**	97%	94%	94%
Cash management	**3%**	3%	**6%**	6%
Total excluding Advisory AUM	**100%**	100%	**100%**	100%

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

Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

Revenue increased $53 million, or 2%, from the first quarter of 2014, reflecting strong organic growth and market appreciation, which outpaced the impact of divergent beta and foreign exchange movements, partially offset by a decline in performance fees.

Investment advisory, administration fees and securities lending revenue of $2,390 million for the current quarter increased $99 million from $2,291 million in the first quarter of 2014 driven by strong organic growth and market appreciation, which outpaced the impact of divergent beta and foreign exchange movements. Securities lending fees of $114 million in the current quarter increased $9 million from the first quarter of 2014, primarily reflecting an increase in average balances of securities on loan.

Investment advisory performance fees of $108 million in the current quarter decreased $50 million from the first quarter of 2014, primarily due to the impact of a large fee associated with the liquidation of a closed-end mortgage fund in last year s first quarter.

BlackRock Solutions and advisory revenue of $147 million in the current quarter decreased $7 million from $154 million in the first quarter of 2014 due to reduced Financial Markets Advisory Services (FMA) revenue from disposition-related advisory assignments, partially offset by higher revenue from the *Aladdin* platform. *BlackRock Solutions* and advisory revenue included $126 million in *Aladdin* revenue in the current quarter compared with $112 million in the first quarter of 2014.

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Expense

(in millions)	Three Months Ended March 31, 2015	2014
Expense, GAAP:		
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:		
Marketing and promotional	95	89
Occupancy and office related	67	62
Portfolio services	54	50
Technology	41	41
Professional services	29	25
Communications	9	10
Other general and administration	44	36
Total general and administration expense	339	313
Amortization of intangible assets	35	41
Total expense, GAAP	**$ 1,656**	**$ 1,619**
Less non-GAAP expense adjustments:		
Employee compensation and benefits:		
PNC LTIP funding obligation	8	8
Compensation expense related to appreciation (depreciation) on deferred compensation plans	2	3
Total non-GAAP expense adjustments	**10**	**11**
Expense, as adjusted:		
Employee compensation and benefits	971	971
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, as adjusted	**$ 1,646**	**$ 1,608**

Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

GAAP. Expense increased $37 million, or 2%, from the first quarter of 2014, primarily reflecting higher general and administration expense.

Employee compensation and benefits expense decreased $1 million from the first quarter of 2014, reflecting the impact of foreign exchange movements, partially offset by higher headcount. Employees at March 31, 2015 totaled approximately 12,300 compared with approximately 11,500 at March 31, 2014.

Distribution and servicing costs totaled $99 million in the current quarter compared with $89 million in the first quarter of 2014. These costs included payments to Bank of America/Merrill Lynch under a global distribution agreement and payments to PNC, as well as other third parties, primarily associated with the distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs for the first quarter of 2015 and 2014 included $47 million and $46 million, respectively, attributable to Bank of America/Merrill Lynch.

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General and administration expense increased $26 million from the first quarter of 2014, primarily reflecting higher marketing and promotional expense, higher portfolio and professional services expense, and the impact of a benefit from the reversal of a real estate-related retirement obligation which was no longer required to be funded in last year s first quarter.

As Adjusted. Expense, as adjusted, increased $38 million, or 2%, to $1,646 million in the current quarter from $1,608 million in the first quarter of 2014. The increase in total expense, as adjusted, is primarily attributable to higher general and administration expense.

NONOPERATING RESULTS

Nonoperating income (expense), less net income (loss) attributable to NCI for the quarters ended March 31, 2015 and 2014 was as follows:

	Three Month Ended March 31,	
(in millions)	**2015**	**2014**
Nonoperating income (expense), GAAP basis[1]	$51	$17
Less: Net income (loss) attributable to NCI	38	(12)
Nonoperating income (expense)[2]	13	29
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(2)	(3)
Nonoperating income (expense), as adjusted[2]	$11	$26

(1) Amounts included gains of $35 million and losses of $16 million attributable to consolidated variable interest entities (VIEs) for the three months ended March 31, 2015 and 2014, respectively.

(2) Net of net income (loss) attributable to NCI.

The components of nonoperating income (expense), less net income (loss) attributable to NCI, for the quarters ended March 31, 2015 and 2014 were as follows:

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Net gain (loss) on investments[1]		
Private equity	$1	$44
Real estate	2	2
Other alternatives[2]	4	21
Other investments[3]	6	2
Subtotal	13	69
Other gains[4]	45	-
Investments related to deferred compensation plans	2	3
Total net gain (loss) on investments[1]	60	72
Interest and dividend income	4	10
Interest expense	(51)	(53)
Net interest expense	(47)	(43)
Total nonoperating income (expense)[1]	13	29
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(2)	(3)

Nonoperating income (expense), as adjusted[1]	$11	$26

(1) Net of net income (loss) attributable to NCI.
(2) Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions. The prior year quarter also included net gains related to opportunistic credit strategies.
(3) Amounts include net gains (losses) related to equity and fixed income investments, and BlackRock s seed capital hedging program.
(4) Amount primarily includes a gain related to the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC.

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Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

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

Net gains on investments of $60 million in the current quarter decreased $12 million from the first quarter of 2014 due to lower positive marks in the first quarter of 2015.

Income Tax Expense

(in millions)	GAAP Three Months Ended March 31,		As adjusted Three Months Ended March 31,	
	2015	2014	2015	2014
Income before income taxes[1]	$ 1,080	$ 1,080	$ 1,088	$ 1,088
Income tax expense	$ 258	$ 324	$ 258	$ 326
Effective tax rate	*23.9%*	*30.0%*	*23.7%*	*30.0%*

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

Income tax expense in the first quarter of 2015 benefited from $69 million of nonrecurring items.

BALANCE SHEET OVERVIEW

As Adjusted Balance Sheet

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

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

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

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

In addition, the Company records on its condensed consolidated statements of financial condition the separate account collateral received under BlackRock Life Limited securities lending arrangements as its own asset in

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addition to an equal and offsetting separate account collateral liability for the obligation to return the collateral. The collateral is not available to creditors of the Company, and the borrowers under the securities lending arrangements have no recourse to the Company s assets.

Consolidated VIEs

At March 31, 2015, BlackRock s consolidated VIEs included multiple CLOs and one private investment fund. The assets of these VIEs are not available to creditors of the Company and the Company has no obligation to settle the liabilities of the VIEs. While BlackRock has no material economic interest in these assets or liabilities, BlackRock earns an investment advisory fee, as well as a potential performance fee, for the service of managing these assets on behalf of clients. See Note 2, *Significant Accounting Policies- Recent Accounting Pronouncements Not Yet Adopted*, for further information on ASU 2015-02.

Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such funds. 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.

		March 31, 2015			
		Segregated client assets generating advisory fees in which BlackRock has no economic interest or liability			
(in millions)	GAAP Basis	Separate Account Assets/ Collateral	Consolidated VIEs	Consolidated Sponsored Investment Funds	As Adjusted
Assets					
Cash and cash equivalents	$ 4,293	$ -	$ -	$ 180	$ 4,113
Accounts receivable	2,836	-	-	-	2,836
Investments	2,204	-	-	165	2,039
Assets of consolidated VIEs	4,174	-	4,174	-	-
Separate account assets and collateral held under securities lending agreements	197,413	197,413	-	-	-
Other assets[1]	1,390	-	-	46	1,344
Subtotal	212,310	197,413	4,174	391	10,332
Goodwill and intangible assets, net	30,404	-	-	-	30,404
Total assets	$ 242,714	$ 197,413	$ 4,174	$ 391	$ 40,736
Liabilities					
Accrued compensation and benefits	$ 684	$ -	$ -	$ -	$ 684
Accounts payable and accrued liabilities	1,714	-	-	-	1,714
Liabilities of consolidated VIEs	4,146	-	4,146	-	-
Borrowings	4,938	-	-	-	4,938
Separate account liabilities and collateral liabilities under securities lending agreements	197,413	197,413	-	-	-
Deferred income tax liabilities	5,077	-	-	-	5,077
Other liabilities	1,086	-	-	122	964
Total liabilities	215,058	197,413	4,146	122	13,377
Equity					

Total stockholders equity[2]	27,375	-	16	-	27,359
Noncontrolling interests	281	-	12	269	-
Total equity	27,656	-	28	269	27,359
Total liabilities and equity	$ 242,714	$ 197,413	$ 4,174	$ 391	$ 40,736

(1) Amounts include property and equipment and other assets.
(2) GAAP amount includes $16 million of appropriated retained earnings related solely to consolidated CLOs in which the Company has no equity exposure.

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The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of March 31, 2015 and December 31, 2014 contained in Part I, Item 1 of this filing. The discussion does not include changes related to assets and liabilities that are equal and offsetting and have no impact on BlackRock s stockholders equity.

Assets. Cash and cash equivalents at March 31, 2015 and December 31, 2014 included $180 million and $120 million, respectively, of cash held by consolidated sponsored investment funds (see *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during the three months ended March 31, 2015).

Accounts receivable at March 31, 2015 increased $716 million from December 31, 2014 due to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within accounts payable and accrued liabilities). Investments increased $283 million from December 31, 2014 (for more information see *Investments* herein). Goodwill and intangible assets increased $99 million from December 31, 2014, primarily due to the BKCA acquisition, partially offset by $35 million of amortization of intangible assets. Other assets (including property, plant and equipment) increased $222 million from December 31, 2014, primarily related to an increase in property and equipment, and an increase in current taxes receivable and other assets.

Liabilities. Accrued compensation and benefits at March 31, 2015 decreased $1,181 million from December 31, 2014, primarily due to 2014 incentive compensation cash payments in the first quarter of 2015, partially offset by the effect of 2015 incentive compensation accruals. Accounts payable and accrued liabilities at March 31, 2015 increased $679 million from December 31, 2014 due to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within accounts receivable) and increased accruals, including direct fund expense.

Net deferred income tax liabilities at March 31, 2015 increased $88 million, primarily due to the effects of temporary differences associated with stock compensation and the BKCA acquisition. Other liabilities increased $200 million from December 31, 2014, primarily resulting from an increase in consolidated funds and other operating liabilities.

Investments

Investments totaled $2,204 million at March 31, 2015 and $1,921 million at December 31, 2014. Investments include consolidated investments held by sponsored investment funds deemed to be controlled by BlackRock. Management reviews BlackRock s investments on an economic basis, which eliminates the portion of investments that does not impact BlackRock s book value or net income attributable to BlackRock. BlackRock s management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

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

(in millions)	**March 31, 2015**	**December 31, 2014**
Total investments, GAAP	**$ 2,204**	**$ 1,921**
Investments held by consolidated sponsored investment funds[1]	(1,042)	(713)
Net exposure to consolidated investment funds	877	696
Total investments, as adjusted	**2,039**	**1,904**
Federal Reserve Bank stock	(92)	(92)
Carried interest	(91)	(85)
Deferred compensation investments	(87)	(85)
Hedged investments	(358)	(323)
Total economic investment exposure	**$ 1,411**	**$ 1,319**

(1) At March 31, 2015 and December 31, 2014, approximately $1,042 million and $713 million, respectively, of BlackRock s total GAAP investments were held in sponsored investment funds that were deemed to be controlled by BlackRock in accordance with GAAP, and, therefore, are consolidated even though BlackRock may not economically own a majority of such funds.

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

(in millions)	**March 31, 2015**	**December 31, 2014**
Private equity	$ 358	$ 314
Real estate	118	117
Other alternatives[1]	247	289
Other investments[2]	688	599
Total economic investment exposure	**$ 1,411**	**$ 1,319**

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

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

As adjusted investment activity for the three months ended March 31, 2015 was as follows:

(in millions)	
Investments, as adjusted, December 31, 2014	**$ 1,904**
Purchases/capital contributions	330

Sales/maturities	(181)
Distributions[1]	(32)
Market valuations/earnings from equity method investments	12
Carried interest capital allocations	6
Investments, as adjusted, March 31, 2015	**$ 2,039**

[1] Amounts include distributions representing return of capital and return on investments

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LIQUIDITY AND CAPITAL RESOURCES

BlackRock Cash Flows Excluding the Impact of Consolidated Sponsored Investment Funds and VIEs

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

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

(in millions)	GAAP Basis	Impact on Cash Flows of Consolidated Sponsored Investment Funds	Impact on Cash Flows of Consolidated VIEs	Cash Flows Excluding Impact of Consolidated Sponsored Investment Funds and VIEs
Cash and cash equivalents, December 31, 2014	**$ 5,723**	**$ 120**	**$ -**	**$ 5,603**
Cash flows from operating activities	(490)	(61)	32	(461)
Cash flows from investing activities	(99)	12	-	(111)
Cash flows from financing activities	(748)	109	(32)	(825)
Effect of exchange rate changes on cash and cash equivalents	(93)	-	-	(93)
Net change in cash and cash equivalents	(1,430)	60	-	(1,490)
Cash and cash equivalents, March 31, 2015	**$ 4,293**	**$ 180**	**$ -**	**$ 4,113**

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

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

Cash outflows from investing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the three months ended March 31, 2015 were $111 million and primarily reflected $103 million of investment purchases, $98 million of purchases of property and equipment and $88 million related to the BKCA acquisition, partially offset by $169 million of net proceeds from sales and maturities of certain investments.

Cash outflows from financing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the three months ended March 31, 2015 were $825 million, primarily resulting from $498 million of share repurchases, including $275 million in open market transactions and $223 million of employee tax withholdings related to employee stock transactions and $389 million of cash dividend payments, partially offset by $55 million of excess tax benefits from vested stock-based compensation awards.

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The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at March 31, 2015 and December 31, 2014 were as follows:

(in millions)	March 31, 2015	December 31, 2014
Cash and cash equivalents	$ 4,293	$ 5,723
Cash and cash equivalents held by consolidated sponsored investment funds[(1)]	(180)	(120)
Subtotal	4,113	5,603
Credit facility undrawn	4,000	3,990
Total liquidity	$ 8,113	$ 9,593

(1) The Company can not readily access such cash to use in its operating activities.

Total liquidity decreased $1,480 million during the three months ended March 31, 2015, primarily reflecting cash payments of 2014 year-end incentive awards, share repurchases of $498 million and cash dividend payments.

A significant portion of the Company s $2,039 million of total investments, as adjusted, is illiquid in nature and, as such, can not be readily convertible to cash.

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.

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

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

The Company was required to maintain approximately $1.1 billion at both March 31, 2015 and December 31, 2014 in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom and the Company s broker-dealers. At such date, the Company was in compliance with all applicable regulatory net capital requirements.

Short-Term Borrowings

2015 Revolving Credit Facility. In April 2015, the Company s credit facility was amended to extend the maturity date to March 2020 and to increase the amount of the aggregate commitment to $4.0 billion (the 2015 credit facility). The 2015 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2015 credit facility to an aggregate principal amount not to exceed $5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2015 credit facility requires the Company not to

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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 and December 31, 2014, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

At March 31, 2015, the principal amount of long-term borrowings outstanding was $4.950 billion. See Note 12, *Borrowings*, in the 2014 Form 10-K for more information on borrowings outstanding as of December 31, 2014. During the quarter ended March 31, 2015, the Company paid approximately $39 million of interest on long-term borrowings. Future principal repayments and interest requirements at March 31, 2015 were as follows:

(in millions)

Year	Principal	Interest	Total Payments
Remainder of 2015	$750	$ 152	$902
2016	-	186	186
2017	700	186	886
2018	-	142	142
2019	1,000	142	1,142
2020	-	92	92
Thereafter	2,500	177	2,677
Total	$4,950	$1,077	$6,027

In May 2015, the Company issued 700 million (or approximately $760 million based on an exchange rate of $1.09 per 1) of 1.25% senior unsecured notes maturing on May 6, 2025 (the 2025 Notes). The notes are expected to be listed on the New York Stock Exchange. The net proceeds of the 2025 Notes will be used for general corporate purposes, including refinancing of outstanding indebtedness. Interest of approximately $10 million per year based on current exchange rates is payable annually on May 6 of each year. The 2025 Notes may be redeemed in whole or in part prior to maturity at any time at the option of the Company at a make-whole redemption price. The 2025 Notes were issued at a discount of approximately $3 million.

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 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.

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

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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.

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

Indemnifications. On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has issued certain indemnifications to certain securities lending clients against potential losses resulting from a borrower s failure to fulfill its obligations should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower s obligations under the securities lending agreement. At 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 indemnified securities was not material at March 31, 2015.

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

Critical Accounting Policies

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the condensed consolidated financial statements. For a summary of these and additional accounting policies see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements contained in Part I, Item 1 of this filing and *Critical Accounting Policies* in Management s Discussion and Analysis of Financial Condition and Results of Operations in the 2014 Form 10-K and Note 2, *Significant Accounting Policies*, in the 2014 Form 10-K for further information.

Consolidation of Variable Interest Entities. In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations (CDOs) or CLOs and sponsored investment funds, which may be considered VIEs. At March 31, 2015, the Company s consolidated VIEs consisted primarily of CLOs.

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CLOs. At March 31, 2015, BlackRock was the manager of over 20 CLOs/CDOs and other securitization entities. BlackRock was determined to be the primary beneficiary (PB) for certain of these CLOs that were determined to be VIEs, which required BlackRock to consolidate them. BlackRock was deemed to be the PB because it has the power to direct the activities of the CLOs that most significantly impact the entities economic performance and has the right to receive benefits that potentially could be significant to the VIE. At March 31, 2015, the Company had $4,162 million and $4,146 million in assets and liabilities, respectively, on its condensed consolidated statement of financial condition related to these consolidated CLOs. The Company recorded appropriated retained earnings for the difference between the assets and liabilities of the CLOs recorded on the condensed consolidated statement of financial condition as the CLO noteholders ultimately will receive the benefits or absorb the losses associated with the CLOs assets and liabilities. Changes in the fair value of the assets and liabilities of these CLOs have no impact on net income attributable to BlackRock or its cash flows. Excluding outstanding management fee receivables, the Company has no risk of loss related to its involvement with these VIEs. See Note 2, *Significant Accounting Policies-Recent Accounting Pronouncements Not Yet Adopted*, for further information on ASU 2015-02.

Fair Value Measurements. The Company s assessment of the significance of a particular input to the fair value measurement according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined) in its entirety requires judgment and considers factors specific to the financial instrument. See Note 2, *Significant Accounting Policies*, in the Company s condensed consolidated financial statements contained in Part I, Item 1 of this filing for more information on fair value measurements.

Level 3 inputs include the most currently available information, including capital account balances for its partnership interests in various alternative investments, which may be adjusted by using the returns of certain market indices. Certain investments that are valued using net asset values and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3. BlackRock s $588 million of Level 3 investments, or 27% of total GAAP investments at March 31, 2015, primarily included co-investments in private equity funds of funds and private equity funds, funds of hedge funds as well as alternative hedge funds that invest in distressed credit, opportunistic funds and mortgage securities and real estate equity products. Many of these investees are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund, which could include BlackRock employees. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals from third-party sources. However, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations to value these investments.

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

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

The Company records a deferred carried interest liability to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2015 and December 31, 2014, the Company had $115 million and $105 million, respectively, of deferred carried interest recorded in other liabilities on the condensed consolidated statements of financial condition. The ultimate timing of the recognition of performance fee revenue, if any, for these products is unknown.

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The following table presents changes in the deferred carried interest liability for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
(in millions)	**2015**	**2014**
Beginning balance	$ 105	$ 108
Net additional allocations	12	18
Performance fee revenue recognized	(2)	(54)
Ending balance	$ 115	$ 72

Accounting Developments

For recent accounting pronouncements not yet adopted, see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements contained in Part I, Item 1 of this filing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

AUM Market Price Risk. BlackRock s investment advisory and administration fees are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At March 31, 2015, the majority of the Company s investment advisory and administration fees were based on average or period end AUM of the applicable investment funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates or all three could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

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

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

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes, including real estate, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record, to hedge exposure to certain deferred compensation plans or for regulatory purposes. Currently, the Company has a seed capital hedging program in which it enters into swaps to hedge market and interest rate exposure to certain investments. At 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 March 31, 2015, approximately $1,042 million of BlackRock s total investments were maintained in sponsored investment funds deemed to be controlled by BlackRock in accordance with GAAP and, therefore, are consolidated even though BlackRock may not own a majority of such funds. Excluding the impact of the Federal Reserve Bank stock, carried interest, investments made to hedge exposure to certain deferred compensation plans and certain investments that are hedged via the seed capital hedging program, the Company s economic exposure to its investment portfolio is $1,411 million. See *Balance Sheet Overview-Investments* in Management s Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company s investments.

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Equity Market Price Risk. At March 31, 2015, the Company s net exposure to equity market price risk in its investment portfolio was approximately $707 million of the Company s total economic investment exposure. Investments subject to market price risk include private equity and real estate investments, hedge funds and funds of funds as well as mutual funds. The Company estimates that a hypothetical 10% adverse change in market prices would result in a decrease of approximately $70.7 million in the carrying value of such investments.

Interest Rate/Credit Spread Risk. At March 31, 2015, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately $704 million of investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately $13.7 million in the carrying value of such investments.

Foreign Exchange Rate Risk. As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the pound sterling and euro, was $179 million at March 31, 2015. A 10% adverse change in the applicable foreign exchange rates would result in approximately a $17.9 million decline in the carrying value of such investments.

Other Market Risks. The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange risk movements. At March 31, 2015, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $215 million.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures. Under the direction of BlackRock s Chief Executive Officer and Chief Financial Officer, BlackRock evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, BlackRock s Chief Executive Officer and Chief Financial Officer have concluded that BlackRock s disclosure controls and procedures were effective.

Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Consob alleges that Mr. Bolton, on behalf of certain BlackRock clients, sold, or influenced the sale of, approximately 10.7 million shares of Saipem using material, non-public information thereby avoiding client losses of over 114.5 million. The EET s sale of Saipem shares occurred between January 25 and January 29, 2013, and Saipem announced negative news following the market close on January 29, 2013. While BlackRock is not charged in the proceeding, it may be liable for the actions of its employee.

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

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

On April 20, 2015, the Securities and Exchange Commission (SEC) announced an agreement with BlackRock Advisors, LLC (BlackRock Advisors), a subsidiary of BlackRock, Inc. (BlackRock), to settle charges relating to BlackRock Advisors handling and disclosure of a former portfolio manager s personal investments and involvement in a family business. On June 27, 2014, BlackRock announced that it had received a written Wells Notice from the SEC staff indicating the staff s preliminary determination to recommend that the SEC file an action against BlackRock Advisors. As part of the settlement with the SEC, BlackRock Advisors agreed to pay a $12 million penalty and consent to the entry of an Administrative Order containing findings that BlackRock Advisors violated Sections 206(2) and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder, as well as causing a violation of Rule 38a-1 of the Investment Company Act of 1940 and ordering BlackRock Advisors to cease and desist from committing or causing any violations and any future violations of those provisions. BlackRock neither admitted nor denied the SEC s findings. As part of the settlement, BlackRock will be required to retain an independent compliance consultant to review its outside activity policy and any related conflicts. BlackRock does not expect this matter to have a material adverse effect on its results of operations, financial position or cash flows.

On May 27, 2014, certain purported investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the Funds) filed a consolidated complaint (the Consolidated Complaint) in the U.S. District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited (collectively, the Defendants) under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the Defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015,

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the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. The allegations and legal claims in both complaints are substantially similar, with the new complaint purporting to challenge fees received by Defendants after the plaintiffs filed their prior complaint. Both complaints seek, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by Defendants in the twelve month period preceding the start of each lawsuit, along with purported lost investment returns on those amounts, plus interest. On March 25, 2015, Defendants motion to dismiss the Consolidated Complaint was denied. The Defendants believe the claims in both lawsuits are without merit and intend to vigorously defend the actions.

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

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

During the three months ended March 31, 2015, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[1]
January 1, 2015 through January 31, 2015	887,906[2]	$343.44	253,142	9,107,325
February 1, 2015 through February 28, 2015	459,309[2]	$368.68	457,003	8,650,322
March 1, 2015 through March 31, 2015	63,064[2]	$373.08	47,597	8,602,725
Total	1,410,279	$352.99	757,742	

(1) In January 2015, the Board of Directors approved an increase in the availability under the Company s existing share repurchase program to allow for the repurchase of up to 9.4 million shares of BlackRock common stock with no stated expiration date.

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

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Item 6. Exhibits

Exhibit No.	Description
4.1[(1)]	Officers Certificate, dated May 6, 2015, for the 1.250% Notes due 2025 issued pursuant to the Indenture, dated as of September 17, 2007, between BlackRock, as issuer, and The Bank of New York, as trustee, relating to senior debt securities.
10.1[(2)]	Amendment No. 4, dated as of April 2, 2015, to BlackRock, Inc. s Five-Year Revolving Credit Agreement, dated as of March 10, 2011, as amended by Amendment No. 1 thereto, dated as of March 30, 2012, Amendment No. 2 thereto, dated as of March 28, 2013, and Amendment No. 3 thereto, dated as of March 28, 2014, by and among BlackRock, Inc., certain of its subsidiaries, Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender, L/C agent and a lender, and the banks and other financial institutions referred to therein.
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to BlackRock s Current Report on Form 8-K filed on May 6, 2015
(2) Incorporated by reference to BlackRock s Current Report on Form 8-K filed on April 3, 2015

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SIGNATURES

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

BLACKROCK, INC.
(Registrant)

Date: May 8, 2015

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

Chief Financial Officer

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EXHIBIT INDEX

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12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

[1] Incorporated by reference to BlackRock s Current Report on Form 8-K filed on May 6, 2015
[2] Incorporated by reference to BlackRock s Current Report on Form 8-K filed on April 3, 2015