

BlackRock Inc.  
Form 10-Q  
May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

OR

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

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

Commission file number 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware 32-0174431  
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)

Incorporation or Organization)

55 East 52nd Street, New York, NY 10055

(Address of Principal Executive Offices)

(Zip Code)

(212) 810-5300

(Registrant's Telephone Number, Including Area Code)

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

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

Yes ☒ No

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

Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No ☒

As of April 30, 2018, there were 160,169,656 shares of the registrant’s common stock outstanding.

BlackRock, Inc.

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PART I

FINANCIAL INFORMATION

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

BlackRock, Inc.

## Condensed Consolidated Statements of Financial Condition

(unaudited)

|  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| (in millions, except shares and per share data)  |                   |                      |
| Assets   |                   |                      |
| Cash and cash equivalents  | \$5,978           | \$ 6,894             |
| Accounts receivable  | 2,677             | 2,699                |
| Investments  | 2,050             | 1,981                |
| Assets of consolidated variable interest entities:   |                   |                      |
| Cash and cash equivalents  | 103               | 144                  |
| Investments  | 1,637             | 1,493                |
| Other assets   | 113               | 66                   |
| Separate account assets  | 142,871           | 149,937              |
| Separate account collateral held under securities lending agreements   | 27,247            | 24,190               |
| Property and equipment (net of accumulated depreciation of \$698 and \$658 at March 31,<br>2018 and December 31, 2017, respectively) | 589               | 592                  |
| Intangible assets (net of accumulated amortization of \$210 and \$219 at March 31, 2018<br>and December 31, 2017, respectively)      | 17,378            | 17,389               |
| Goodwill   | 13,217            | 13,220               |
| Other assets   | 2,157             | 1,636                |
| Total assets   | \$ 216,017        | \$ 220,241           |
| Liabilities  |                   |                      |
| Accrued compensation and benefits  | \$ 788            | \$ 2,153             |
| Accounts payable and accrued liabilities   | 1,421             | 1,161                |
| Liabilities of consolidated variable interest entities   | 425               | 369                  |
| Borrowings   | 5,036             | 5,014                |
| Separate account liabilities   | 142,871           | 149,937              |
| Separate account collateral liabilities under securities lending agreements  | 27,247            | 24,190               |
| Deferred income tax liabilities  | 3,516             | 3,527                |
| Other liabilities  | 2,130             | 1,626                |
| Total liabilities  | 183,434           | 187,977              |
| Commitments and contingencies (Note 12)  |                   |                      |
| Temporary equity   |                   |                      |
| Redeemable noncontrolling interests  | 561               | 416                  |
| Permanent Equity   |                   |                      |
| BlackRock, Inc. stockholders' equity   |                   |                      |
| Common stock, \$0.01 par value;  | 2                 | 2                    |
| Shares authorized: 500,000,000 at March 31, 2018 and December 31, 2017;  |                   |                      |

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Shares issued: 171,252,185 at March 31, 2018 and December 31, 2017;

Shares outstanding: 160,308,362 and 159,977,115 at March 31, 2018 and

December 31, 2017, respectively

|  |        |        |
|--|--------|--------|
| Preferred stock (Note 17)  | —      | —      |
| Additional paid-in capital   | 18,856 | 19,256 |
| Retained earnings  | 17,529 | 16,939 |
| Accumulated other comprehensive loss   | (301 ) | (432 ) |
| Treasury stock, common, at cost (10,943,823 and 11,275,070 shares held at March 31, 2018 and |        |        |

|  |            |            |
|--|------------|------------|
| December 31, 2017, respectively)                         | (4,108 )   | (3,967 )   |
| Total BlackRock, Inc. stockholders' equity               | 31,978     | 31,798     |
| Nonredeemable noncontrolling interests                   | 44         | 50         |
| Total permanent equity                                   | 32,022     | 31,848     |
| Total liabilities, temporary equity and permanent equity | \$ 216,017 | \$ 220,241 |

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Income

(unaudited)

| (in millions, except shares and per share data)    | Three Months Ended |         |
|--|--------------------|---------|
|  | March 31,<br>2018  | 2017    |
| Revenue  |                    |         |
| Investment advisory, administration fees and       |                    |         |
| securities lending revenue                         |                    |         |
| Related parties                                    | \$2,112            | \$1,768 |
| Other third parties                                | 835                | 755     |
| Total investment advisory, administration fees and |                    |         |
| securities lending revenue                         | 2,947              | 2,523   |
| Investment advisory performance fees               | 70                 | 70      |
| Technology and risk management revenue             | 184                | 154     |
| Distribution fees                                  | 311                | 287     |
| Advisory and other revenue                         | 71                 | 58      |
| Total revenue                                      | 3,583              | 3,092   |
| Expense  |                    |         |
| Employee compensation and benefits                 | 1,121              | 1,021   |
| Distribution and servicing costs                   | 432                | 401     |
| Direct fund expense                                | 261                | 206     |
| General and administration                         | 383                | 296     |
| Amortization of intangible assets                  | 11                 | 25      |
| Total expense                                      | 2,208              | 1,949   |
| Operating income                                   | 1,375              | 1,143   |
| Nonoperating income (expense)                      |                    |         |
| Net gain (loss) on investments                     | 15                 | 51      |
| Interest and dividend income                       | 15                 | 7       |
| Interest expense                                   | (46)               | (65)    |
| Total nonoperating income (expense)                | (16)               | (7)     |
| Income before income taxes                         | 1,359              | 1,136   |
| Income tax expense                                 | 265                | 268     |
| Net income   | 1,094              | 868     |
| Less:  |                    |         |
| Net income (loss) attributable to noncontrolling   |                    |         |
| interests  | 5                  | 9       |
| Net income attributable to BlackRock, Inc.         | \$1,089            | \$859   |
| Earnings per share attributable to BlackRock, Inc. |                    |         |
| common stockholders:                               |                    |         |
| Basic  | \$6.75             | \$5.27  |
| Diluted  | \$6.68             | \$5.21  |

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|   |             |             |
|---|-------------|-------------|
| Cash dividends declared and paid per share  | \$2.88      | \$2.50      |
| Weighted-average common shares outstanding: |             |             |
| Basic                                       | 161,250,018 | 163,016,599 |
| Diluted                                     | 162,918,961 | 164,856,183 |

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

| (in millions)   | Three Months<br>Ended<br>March 31, |       |
|---|------------------------------------|-------|
|   | 2018                               | 2017  |
| Net income  | \$1,094                            | \$868 |
| Other comprehensive income:                             |                                    |       |
| Foreign currency translation adjustments <sup>(1)</sup> | 137                                | 40    |
| Other   | —                                  | (1 )  |
| Other comprehensive income (loss)                       | 137                                | 39    |
| Comprehensive income                                    | 1,231                              | 907   |
| Less: Comprehensive income (loss) attributable to       |                                    |       |
| noncontrolling interests                                | 5                                  | 9     |
| Comprehensive income attributable to BlackRock, Inc.    | \$1,226                            | \$898 |

<sup>(1)</sup> Amounts for the three months ended March 31, 2018 and 2017 include a loss from a net investment hedge of \$16 million (net of a tax benefit of \$5 million) and \$7 million (net of a tax benefit of \$4 million), respectively. See accompanying notes to condensed consolidated financial statements.



BlackRock, Inc.

## Condensed Consolidated Statements of Changes in Equity

(unaudited)

|   | Additional             |           | Accumulated                | Treasury    |               | Total     | BlackRock      | Nonredeemable | Redeemable  |
|---|------------------------|-----------|----------------------------|-------------|---------------|-----------|----------------|---------------|-------------|
|   | Paid-in                | Retained  | Other Comprehensive Income | Stock       | Stockholders' | Equity    | Noncontrolling | Equity        | Interests / |
| (in millions)   | Capital <sup>(1)</sup> | Earnings  | (Loss)                     | Common      | Equity        | Interests | Equity         | Equity        |             |
| December 31, 2017   | \$ 19,258              | \$ 16,939 | \$ (432 )                  | \$ (3,967 ) | \$ 31,798     | \$ 50     | \$ 31,848      | \$ 416        |             |
| Net income  | —                      | 1,089     | —                          | —           | 1,089         | (1 )      | 1,088          | 6             |             |
| Dividends paid  | —                      | (505 )    | —                          | —           | (505 )        | —         | (505 )         | —             |             |
| Stock-based compensation  | 175                    | —         | —                          | —           | 175           | —         | 175            | —             |             |
| PNC preferred stock capital contribution                            | 58                     | —         | —                          | —           | 58            | —         | 58             | —             |             |
| Retirement of preferred stock                                       | (58 )                  | —         | —                          | —           | (58 )         | —         | (58 )          | —             |             |
| Issuance of common shares related to employee stock transactions    | (575 )                 | —         | —                          | 578         | 3             | —         | 3              | —             |             |
| Employee tax withholdings related to employee stock transactions    | —                      | —         | —                          | (384 )      | (384 )        | —         | (384 )         | —             |             |
| Shares repurchased  | —                      | —         | —                          | (335 )      | (335 )        | —         | (335 )         | —             |             |
| Subscriptions (redemptions/distributions) — noncontrolling          | —                      | —         | —                          | —           | —             | —         | —              | —             |             |
| interest holders  | —                      | —         | —                          | —           | —             | (5 )      | (5 )           | 352           |             |
| Net consolidations (deconsolidations) of sponsored investment funds | —                      | —         | —                          | —           | —             | —         | —              | (213 )        |             |
| Other comprehensive income (loss)                                   | —                      | —         | 137                        | —           | 137           | —         | 137            | —             |             |
| Adoption of new accounting pronouncements                           | —                      | 6         | (6 )                       | —           | —             | —         | —              | —             |             |
| March 31, 2018  | \$ 18,858              | \$ 17,529 | \$ (301 )                  | \$ (4,108 ) | \$ 31,978     | \$ 44     | \$ 32,022      | \$ 561        |             |

<sup>(1)</sup> Amounts include \$2 million of common stock at both March 31, 2018 and December 31, 2017.

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

## Condensed Consolidated Statements of Changes in Equity

(unaudited)

|   |                        |           | Accumulated   |             | Total                   |                | Redeemable     |           |
|---|------------------------|-----------|---------------|-------------|-------------------------|----------------|----------------|-----------|
|   |                        |           | Other         |             | BlackRock Nonredeemable |                | Noncontrolling |           |
|   | Additional             |           | Comprehensive | Treasury    | Stockholders'           | Noncontrolling | Interests      |           |
|   | Paid-in                | Retained  | Income        | Stock       | Equity                  | Equity         | Permanent      | Temporary |
| (in millions)   | Capital <sup>(1)</sup> | Earnings  | (Loss)        | Common      | Equity                  | Interests      | Equity         | Equity    |
| December 31, 2016   | \$ 19,339              | \$ 13,650 | \$ (716 )     | \$ (3,185 ) | \$ 29,088               | \$ 52          | \$ 29,140      | \$ 194    |
| Net income  | —                      | 859       | —             | —           | 859                     | 1              | 860            | 8         |
| Dividends paid  | —                      | (447 )    | —             | —           | (447 )                  | —              | (447 )         | —         |
| Stock-based compensation  | 162                    | —         | —             | —           | 162                     | —              | 162            | —         |
| PNC preferred stock capital contribution                            | 193                    | —         | —             | —           | 193                     | —              | 193            | —         |
| Retirement of preferred stock                                       | (193 )                 | —         | —             | —           | (193 )                  | —              | (193 )         | —         |
| Issuance of common shares related to employee stock transactions    | (573 )                 | —         | —             | 576         | 3                       | —              | 3              | —         |
| Employee tax withholdings related to employee stock transactions    | —                      | —         | —             | (287 )      | (287 )                  | —              | (287 )         | —         |
| Shares repurchased  | —                      | —         | —             | (275 )      | (275 )                  | —              | (275 )         | —         |
| Subscriptions (redemptions/distributions) — noncontrolling          | —                      | —         | —             | —           | —                       | —              | —              | —         |
| interest holders  | —                      | —         | —             | —           | —                       | (3 )           | (3 )           | 135       |
| Net consolidations (deconsolidations) of sponsored investment funds | —                      | —         | —             | —           | —                       | —              | —              | (28 )     |
| Other comprehensive income (loss)                                   | —                      | —         | 39            | —           | 39                      | —              | 39             | —         |
| Adoption of new accounting pronouncement                            | 3                      | (2 )      | —             | —           | 1                       | —              | 1              | —         |
| March 31, 2017  | \$ 18,931              | \$ 14,060 | \$ (677 )     | \$ (3,171 ) | \$ 29,143               | \$ 50          | \$ 29,193      | \$ 309    |

<sup>(1)</sup> Amounts include \$2 million of common stock at both March 31, 2017 and December 31, 2016.

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

## Condensed Consolidated Statements of Cash Flows

(unaudited)

| (in millions)   | Three Months<br>Ended<br>March 31, |         |
|---|------------------------------------|---------|
|   | 2018                               | 2017    |
| Cash flows from operating activities  |                                    |         |
| Net income  | \$1,094                            | \$868   |
| Adjustments to reconcile net income to cash flows from operating activities:    |                                    |         |
| Depreciation and amortization   | 53                                 | 63      |
| Stock-based compensation  | 175                                | 162     |
| Deferred income tax expense (benefit)   | 10                                 | 198     |
| Net (gains) losses within consolidated VIEs                                     | (2 )                               | (33 )   |
| Net (purchases) proceeds within consolidated VIEs                               | (342 )                             | (96 )   |
| (Earnings) losses from equity method investees                                  | (33 )                              | (32 )   |
| Distributions of earnings from equity method investees                          | 10                                 | 5       |
| Changes in operating assets and liabilities:                                    |                                    |         |
| Accounts receivable   | 35                                 | 5       |
| Investments, trading  | (21 )                              | (188 )  |
| Other assets  | (474 )                             | (975 )  |
| Accrued compensation and benefits   | (1,362)                            | (1,110) |
| Accounts payable and accrued liabilities  | 268                                | 59      |
| Other liabilities   | 448                                | 910     |
| Cash flows from operating activities  | (141 )                             | (164 )  |
| Cash flows from investing activities  |                                    |         |
| Purchases of investments  | (94 )                              | (61 )   |
| Proceeds from sales and maturities of investments                               | 122                                | 21      |
| Distributions of capital from equity method investees                           | 5                                  | 10      |
| Net consolidations (deconsolidations) of sponsored investment funds (VIEs/VREs) | (53 )                              | —       |
| Purchases of property and equipment   | (33 )                              | (19 )   |
| Cash flows from investing activities  | (53 )                              | (49 )   |
| Cash flows from financing activities  |                                    |         |
| Proceeds from long-term borrowings  | —                                  | 697     |
| Cash dividends paid   | (505 )                             | (447 )  |
| Repurchases of common stock   | (719 )                             | (562 )  |
| Net (redemptions/distributions paid)/subscriptions received from noncontrolling |                                    |         |
| interest holders  | 347                                | 132     |
| Other financing activities  | 3                                  | —       |
| Cash flows from financing activities  | (874 )                             | (180 )  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash   | 115                                | 32      |
| Net increase (decrease) in cash, cash equivalents and restricted cash           | (953 )                             | (361 )  |
| Cash, cash equivalents and restricted cash, beginning of period                 | 7,096                              | 6,192   |
| Cash, cash equivalents and restricted cash, end of period                       | \$6,143                            | \$5,831 |
| Supplemental disclosure of cash flow information:                               |                                    |         |

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|   |          |         |
|---|----------|---------|
| Cash paid for:  |          |         |
| Interest  | \$29     | \$40    |
| Income taxes (net of refunds)   | \$74     | \$82    |
| Supplemental schedule of noncash investing and financing transactions:                        |          |         |
| Issuance of common stock  | \$575    | \$573   |
| PNC preferred stock capital contribution  | \$58     | \$193   |
| Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of |          |         |
| sponsored investment funds  | \$(213 ) | \$(28 ) |

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

BlackRock’s diverse platform of alpha-seeking active, index and cash management 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 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 trusts and other pooled investment vehicles. BlackRock also offers the investment and risk management technology platform, Aladdin®, risk analytics, advisory and technology services and solutions to a broad base of institutional and wealth management clients.

At March 31, 2018, The PNC Financial Services Group, Inc. (“PNC”) held 21.2% of the Company’s voting common stock and 21.7% 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, 2017, which was filed with the Securities and Exchange Commission (“SEC”) on February 28, 2018 (“2017 Form 10-K”).

The interim financial information at March 31, 2018 and for the three months ended March 31, 2018 and 2017 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.

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

Accounting Pronouncements Adopted in the Three Months Ended March 31, 2018.

Revenue from Contracts with Customers. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, and several amendments (collectively, "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 previous revenue recognition guidance, including industry-specific guidance. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.



The Company adopted ASU 2014-09 effective January 1, 2018 on a full retrospective basis, which required the Company to recast 2016 and 2017 previously reported amounts. The key impact of the standard relates to the Company's presentation of certain revenue contracts and associated contract costs. The most significant of these changes relates to the presentation of certain distribution costs, which were previously presented net against revenue (contra-revenue) and are now presented as an expense on a gross basis. Revenue recognition related to investment advisory, administration fees and securities lending revenue as well as performance fees remained unchanged, which represents a substantial portion of the Company's revenue. However, under ASU 2014-09, the Company may recognize certain performance fees, including carried interest, earlier than under the prior revenue recognition guidance. The impact to the condensed consolidated statement of financial condition upon adoption was related to a change in timing of recognition for certain technology and risk management revenue and related costs that resulted in an increase to other assets and other liabilities of \$19 million and \$25 million, respectively. The cumulative adjustment to retained earnings as of January 1, 2016 was a net decrease of \$6 million.

The following table presents the impact of the adoption to the condensed consolidated statement of income for the three months ended March 31, 2017.

|  | Three Months Ended<br>March 31, 2017          |            |         |
|--|---|------------|---------|
|  | Adoption of<br>the New<br>Revenue<br>Standard |            | Recast  |
| (in millions, except shares and per share data)    | Previous<br>Reported                          | Adjustment |         |
| Total revenue                                      | \$2,824                                       | \$ 268     | \$3,092 |
| Total expense                                      | 1,677   | 272        | 1,949   |
| Operating income                                   | \$1,147                                       | \$ (4)     | \$1,143 |
| Income tax expense                                 | \$269   | \$ (1)     | \$268   |
| Net income   | \$871   | \$ (3)     | \$868   |
| Net income attributable to BlackRock, Inc.         | \$862   | \$ (3)     | \$859   |
| Earnings per share attributable to BlackRock, Inc. |   |            |         |
| common stockholders:                               |   |            |         |
| Basic  | \$5.29  | \$ (0.02)  | \$5.27  |
| Diluted  | \$5.23  | \$ (0.02)  | \$5.21  |

Recognition and Measurement of Financial Instruments. In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 amends guidance on the classification and measurement of financial instruments, including requiring an entity to measure substantially all equity securities (other than those accounted for under the equity method of accounting) at fair value through earnings. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. The Company adopted ASU 2016-01 using a modified retrospective approach on January 1, 2018. The reclassification of unrealized gains (losses) on equity securities within accumulated other comprehensive income to retained earnings was not material upon adoption.

Cash Flow Classification. In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which amends and clarifies the current guidance to reduce diversity in practice of the classification of certain cash receipts and payments in the consolidated statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018 retrospectively to all periods presented. The adoption of ASU 2016-15 did not have a material impact on the condensed consolidated statement of cash flows.

Restricted Cash. In November 2016, the FASB issued 2016-18, Restricted Cash, which clarifies the classification and presentation of restricted cash in the statement of cash flows (“ASU 2016-18”). The Company adopted ASU 2016-18 on January 1, 2018 retrospectively to all periods presented. The adoption of ASU 2016-18 did not have a material impact on the condensed consolidated statement of cash flows. See Note 3, Cash, Cash Equivalents and Restricted Cash, for additional disclosure requirements related to restricted cash.

Reclassifications from Accumulated Other Comprehensive Income. In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”). ASU 2018-02 allows reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted ASU 2018-02 prospectively on January 1, 2018. The adoption of ASU 2018-02 did not have a material impact on the condensed consolidated statement of financial condition.

#### Revenue Recognition.

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the “transaction price”). The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct. Consideration for the Company’s services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside of the Company’s influence. The Company includes variable consideration as part of its transaction price when it is no longer probable of significant reversal, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company has discretion to involve a third party in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

Investment Advisory, Administration Fees and Securities Lending Revenue. Investment advisory and administration fees are recognized as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, assets under management (“AUM”) or committed capital. These fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. In addition, the Company may contract with third parties to provide sub-advisory services on its behalf. The Company presents the investment advisory fees and associated costs to such advisors on a gross basis in the condensed consolidated statements of income where it is deemed to be the principal.

The Company earns revenue by lending securities on behalf of clients, primarily to highly rated banks and broker-dealers. Revenue is recognized over time as services are performed. Generally, the securities lending fees are shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed.

Investment Advisory Performance Fees / Carried Interest. The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annually or longer measurement periods. A portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period.

The Company is allocated carried interest from certain alternative investment products upon exceeding performance thresholds. BlackRock may be required to reverse/return all, or part, of such carried interest allocations depending upon future performance of these funds. Therefore, carried interest subject to such clawback provisions is recorded in investments/investments of consolidated VIEs or cash/cash of consolidated VIEs to the extent that it is distributed, on its condensed consolidated statements of financial condition.

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund’s investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each

reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest its sales proceeds.

The Company records a contract liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2018 and December 31, 2017, the Company had \$224 million and \$219 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A

portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown.

**Technology and risk management revenue.** BlackRock offers investment management technology systems, risk management services, wealth management and digital distribution tools on a fee basis. Clients include banks, insurance companies, official institutions, pension funds, asset managers, retail distributors and other investors. Fees earned for technology and risk management revenue are recorded as services are performed and are generally determined using the value of positions on the Aladdin platform or on a fixed-rate basis.

**Distribution Fees.** The Company accounts for fund distribution services and shareholder servicing as distinct services, separate from fund management services, because customers can benefit from each of the services on their own and because the services are separately identifiable (that is, the nature of the promised services is to transfer each service individually). The Company records upfront and ongoing sales commissions as distribution fee revenue for serving as the principal underwriter and/or distributor for certain mutual funds that it manages. The Company recognizes the upfront fees for front-end load funds on a trade date basis when the services are performed and the amount the Company is entitled to is known. The on-going distribution fees are generally based on net asset values and are recognized when the amount is known. Distribution services are satisfied at a point in time. Consequently, a portion of the on-going distribution fees the Company recognized may be related to the services performed in prior periods that met the recognition criteria in the current period. The Company recognizes ongoing shareholder servicing fee revenue when and as shareholder services are performed over time. The Company contracts with third parties for various fund distribution services and shareholder servicing of certain funds to be performed on its behalf. These arrangements are generally priced as a portion of the fee paid to the Company by the fund or as an agreed-upon percentage of net asset value. The Company presents its distribution fees and distribution and servicing costs incurred on a gross basis in the condensed consolidated statements of income as it is deemed to be the principal in such transactions.

**Advisory and other revenue.** Advisory and other revenue primarily includes fees earned for advisory services, fees earned for transition management services primarily comprised of commissions recognized in connection with buying and selling securities on behalf of customers, and equity method investment earnings related to certain strategic investments.

Advisory services fees are determined using fixed-rate fees and are recognized over time as the related services are performed.

Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur.

**Investments.**

**Investments in Debt Securities.** BlackRock classifies debt investments as available-for-sale, held-to-maturity or trading based on the Company's intent to sell the security or, its intent and ability to hold the debt security to maturity.

Available-for-sale debt securities are those securities that are not classified as trading or held-to-maturity. Available-for-sale debt securities include certain investments in collateralized loan obligations ("CLOs") and are carried at fair value on the condensed consolidated statements of financial condition with changes in fair value recorded in the accumulated other comprehensive income (loss) component of stockholders' equity in the period of the change. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income (loss) to nonoperating income (expense) on the condensed consolidated statements of income.

Held-to-maturity debt securities are purchased with the positive intent and ability to be held to maturity and are recorded at amortized cost on the condensed consolidated statements of financial condition.

Trading securities are those investments that are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the condensed consolidated statements of financial condition with changes in fair value recorded in nonoperating income (expense) on the condensed consolidated statements of income in the period of the change. Trading securities include certain investments in CLOs for which the fair value option is elected in order to reduce operational complexity of bifurcating embedded derivatives.

Investments in Equity Securities. Equity securities are generally carried at fair value on the condensed consolidated statements of financial condition with changes in the fair value recorded through net income ("FVTNI") within nonoperating income (expense) in the period of change. For nonmarketable equity securities, the Company generally elected to apply the practicality exception to apply fair value measurement, under which such securities will be measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the

same issuer with such changes recorded in the condensed consolidated statements of income in the period of the change. Dividends received from the investment are recorded as dividend income within nonoperating income (expense).

**Equity Method.** For equity investments where BlackRock does not control the investee, and where it is not the primary beneficiary (“PB”) of a VIE, but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting. BlackRock’s share of the investee’s underlying net income or loss is recorded as net gain (loss) on investments within nonoperating income (expense) and as other revenue for certain strategic investments since such companies are considered to be an extension of BlackRock’s core business. BlackRock’s share of net income of the investee is recorded based upon the most current information available at the time, which may precede the date of the condensed consolidated statement of financial condition. Distributions received from the investment reduce the Company’s carrying value of the investee and the cost basis if deemed to be a return of capital.

**Impairments of Investments.** Management periodically assesses equity method, available-for-sale and held-to-maturity investments for other-than-temporary impairment (“OTTI”). If an OTTI exists, an impairment charge would be recorded in the condensed consolidated statements of income.

For equity method investments and held-to-maturity investments, if circumstances indicate that an OTTI may exist, the investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the Company determines an OTTI exists, an impairment charge is recognized for the excess of the carrying amount of the investment over its estimated fair value.

For the Company’s investments in CLOs, the Company reviews cash flow estimates over the life of each CLO investment. On a quarterly basis, if the present value of the estimated future cash flows is lower than the carrying value of the investment and there is an adverse change in estimated cash flows, an impairment is considered to be other-than-temporary. An impairment charge is recognized for the excess of the carrying amount of the investment over its estimated fair value.

In addition, for nonmarketable equity securities that are accounted for under the measurement alternative to fair value, the Company applies the simplified impairment model that does not require the Company to consider whether the impairment is other than temporary.

#### Fair Value Measurements.

**Hierarchy of Fair Value Inputs.** The Company uses a fair value hierarchy that prioritizes inputs to valuation approaches used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

##### Level 1 Inputs:

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

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

##### Level 2 Inputs:

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

Level 2 assets may include debt securities, investments in CLOs, short-term floating-rate notes, asset-backed securities, securities held within consolidated hedge funds, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

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### Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

Level 3 assets may include direct private equity investments held within consolidated funds and investments in CLOs.

Level 3 liabilities include contingent liabilities related to acquisitions valued based upon discounted cash flow analyses using unobservable market data.

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

A significant number of inputs used to value equity, debt securities and investments in CLOs 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 approaches, including the general assumptions and methods used to value various asset classes, and operational processes with these vendors. On a quarterly basis, meetings are held with key vendors to identify any significant changes to the vendors' processes.

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

**Investments Measured at Net Asset Values.** As a practical expedient, the Company uses net asset value ("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 hedge funds, real assets 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 could be used as an input to value these investments.

**Derivative Instruments and Hedging Activities.** The Company does not use derivative financial instruments for trading or speculative purposes. The Company uses 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. However, certain consolidated sponsored investment funds may also utilize derivatives as a part of their investment strategy.

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

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is not U.S. dollars. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within accumulated other comprehensive income on the condensed consolidated statements of financial condition. The Company reassesses the effectiveness of its net investment hedge on a quarterly basis.

**Money Market Fee Waivers.** The Company may voluntarily waive a portion of its management fees on certain money market funds to ensure that they maintain a targeted level of daily net investment income (the “Yield Support waivers”). During the three months ended March 31, 2018 and 2017, waivers that resulted in a reduction of management fees were immaterial. BlackRock may increase or decrease the level of Yield Support waivers in future periods.

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

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

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income. During the three months ended March 31, 2018 and 2017, the Company had not resold or repledged any of the collateral received under these arrangements. At March 31, 2018 and December 31, 2017, the fair value of loaned securities held by separate accounts was approximately \$24.8 billion and \$22.3 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$27.2 billion and \$24.2 billion, respectively.

**Recent Accounting Pronouncements Not Yet Adopted.**

**Leases.** In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”), which requires lessees to recognize assets and liabilities arising from most operating leases on the condensed consolidated statements of financial condition. The Company expects to record assets and liabilities for its current operating leases upon adoption of ASU 2016-02 and does not expect the adoption to have a material impact on its results of operations or cash flows. ASU 2016-02 is effective for the Company on January 1, 2019, and the Company intends to apply the practical expedients allowed by the standard upon transition. See Note 13 of the 2017 Form 10-K for information on the Company’s operating lease commitments.



## 3. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash and cash equivalents reported within the condensed consolidated statements of financial condition to the cash, cash equivalents, and restricted cash reported within the condensed consolidated statements of cash flows.

| (in millions)                                    | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Cash and cash equivalents                        | \$ 5,978          | \$ 6,894             |
| Cash and cash equivalents of consolidated VIEs   | 103               | 144                  |
| Restricted cash included in Other assets         | 62                | 58                   |
| Total cash, cash equivalents and restricted cash | \$ 6,143          | \$ 7,096             |

## 4. Investments

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

| (in millions)   | March 31,<br>2018 <sup>(1)</sup> |       |
|---|----------------------------------|-------|
| Debt securities:  |                                  |       |
| Available-for-sale investments  | \$                               | 151   |
| Held-to-maturity investments  |                                  | 132   |
| Trading securities (\$266 debt securities of consolidated sponsored investment funds)           |                                  | 293   |
| Total debt securities   |                                  | 576   |
| Equity securities at FVTNI (\$284 equity securities of consolidated sponsored investment funds) |                                  | 648   |
| Equity method investments <sup>(2)</sup>  |                                  | 703   |
| Federal Reserve Bank stock <sup>(3)</sup>   |                                  | 91    |
| Carried interest <sup>(4)</sup>   |                                  | 32    |
| Total investments   | \$                               | 2,050 |
|   | December 31,                     |       |
| (in millions)   | 2017 <sup>(1)</sup>              |       |
| Available-for-sale investments  | \$                               | 103   |
| Held-to-maturity investments  |                                  | 102   |
| Trading investments:  |                                  |       |
| Consolidated sponsored investment funds:  |                                  |       |
| Debt securities   |                                  | 267   |

|  |    |       |
|--|----|-------|
| Equity securities                        |    | 245   |
| Other equity and debt securities         |    | 267   |
| Deferred compensation plan               |    |       |
| mutual funds                             |    | 56    |
| Total trading investments                |    | 835   |
| Equity method investments <sup>(2)</sup> |    | 816   |
| Cost method investments <sup>(3)</sup>   |    | 93    |
| Carried interest <sup>(4)</sup>          |    | 32    |
| Total investments                        | \$ | 1,981 |

(1) Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, Significant Accounting Policies, for further information. Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.

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

(3) Amounts include Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At December 31, 2017, amount also includes other nonmarketable securities, which were immaterial. At March 31, 2018 and December 31, 2017, there were no indicators of impairment on these investments.

(4) Carried interest of consolidated sponsor investment funds accounted for as voting rights entities ("VREs") 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.

## Available-for-Sale Investments

At both March 31, 2018 and December 31, 2017, available-for-sale investments primarily included certain investments in CLOs. The cost of these investments approximated carrying value.

## Held-to-Maturity Investments

The carrying value of held-to-maturity investments was \$132 million and \$102 million at March 31, 2018 and December 31, 2017, respectively. Held-to-maturity investments included foreign government debt held primarily for regulatory purposes and certain investments in CLOs. The amortized cost (carrying value) of these investments approximated fair value. At March 31, 2018, \$12 million of these investments mature between five to ten years and \$120 million mature after ten years.

## Equity and Trading Debt Securities

A summary of the cost and carrying value of equity and trading debt securities is as follows:

|  | March 31,<br>2018 <sup>(1)</sup> |        |
|--|----------------------------------|--------|
|  | Carrying                         |        |
| (in millions)                              | Cost                             | Value  |
| Trading debt securities:                   |                                  |        |
| Corporate debt                             | \$ 166                           | \$ 169 |
| Government debt                            | 62                               | 62     |
| Asset/mortgage-backed debt                 | 62                               | 62     |
| Equity securities at FVTNI:                |                                  |        |
| Equity securities/multi-asset mutual funds | 577                              | 614    |
| Deferred compensation plan mutual funds    | 21                               | 34     |
| Total equity and trading debt securities   | \$ 888                           | \$ 941 |

|  | December 31,<br>2017 <sup>(1)</sup> |        |
|--|-------------------------------------|--------|
|  | Carrying                            |        |
| (in millions)                              | Cost                                | Value  |
| Trading investments:                       |                                     |        |
| Deferred compensation plan mutual funds    | \$ 34                               | \$ 56  |
| Equity securities/multi-asset mutual funds | 446                                 | 493    |
| Debt securities                            |                                     |        |
| Corporate debt                             | 152                                 | 157    |
| Government debt                            | 72                                  | 73     |
| Asset/mortgage backed debt                 | 56                                  | 56     |
| Total trading investments                  | \$ 760                              | \$ 835 |

(1)

Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, Significant Accounting Policies, for further information. Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.



## Other

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At March 31, 2018 and December 31, 2017 the Company's investment in PennyMac was excluded from investments 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 \$363 million and \$352 million, respectively, at March 31, 2018 and approximately \$342 million and \$348 million, respectively, at December 31, 2017. The fair value of the Company's interest reflected the PennyMac stock price at March 31, 2018 and December 31, 2017, respectively (a Level 1 input). The fair value of the Company's interest in the non-public units held of PennyMac is based on the stock price of the PennyMac public securities at March 31, 2018 and December 31, 2017.

## 5. Consolidated Voting Rights Entities

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

| (in millions)                                  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Cash and cash equivalents                      | \$ 44             | \$ 63                |
| Investments:                                   |                   |                      |
| Trading debt securities                        | 266               | 267                  |
| Equity securities at FVTNI                     | 284               | 245                  |
| Total investments                              | 550               | 512                  |
| Other assets                                   | 15                | 13                   |
| Other liabilities                              | (42 )             | (37 )                |
| Noncontrolling interests ("NCI")               | (87 )             | (91 )                |
| BlackRock's net interests in consolidated VREs | \$ 480            | \$ 460               |

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

The Company cannot readily access cash and cash equivalents held by consolidated VREs to use in its operating activities.

## 6. Variable Interest Entities

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, which may be considered variable interest entities ("VIEs"). The Company may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company's involvement in financing the operations of the VIEs is generally limited to its investments in the entity. The Company

consolidates entities when it is determined to be the PB.

Consolidated VIEs. The Company's consolidated VIEs include certain sponsored investment funds in which BlackRock has an investment and as the investment manager is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment funds. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company.

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Consolidated VIE assets and liabilities are presented after intercompany eliminations in the following table:

| (in millions)                                  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Assets of consolidated VIEs:                   |                   |                      |
| Cash and cash equivalents                      | \$ 103            | \$ 144               |
| Investments:                                   |                   |                      |
| Trading debt securities                        | 769               | 475                  |
| Equity securities at FVTNI                     | 295               | 440                  |
| Other investments                              | 300               | 312                  |
| Carried interest                               | 273               | 266                  |
| Other assets                                   | 113               | 66                   |
| Total investments and other assets             | 1,750             | 1,559                |
| Liabilities of consolidated VIEs               | (425 )            | (369 )               |
| Noncontrolling interests                       | (518 )            | (375 )               |
| BlackRock's net interests in consolidated VIEs | \$ 910            | \$ 959               |

Net gain (loss) related to consolidated VIEs is presented in the following table:

| (in millions)  | Three<br>Months<br>Ended<br>March 31,<br>2018 | 2017  |
|--|---|-------|
| Nonoperating net gain (loss) on consolidated VIEs          | \$ 2  | \$ 33 |
| Net income (loss) attributable to NCI on consolidated VIEs | \$ 5  | \$ 8  |

Non-Consolidated VIEs. At March 31, 2018 and December 31, 2017, the Company's carrying value of assets and liabilities included on the condensed consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

| (in millions)                 |             | Advisory<br>Fee<br>Receivables | Other Net<br>Assets<br>(Liabilities) | Maximum<br>Risk of Loss <sup>(1)</sup> |
|-------------------------------|-------------|--------------------------------|--------------------------------------|--|
| At March 31, 2018             | Investments |                                |                                      |  |
| Sponsored investment products | \$ 342      | \$ 30                          | \$ (7 )                              | \$ 389                                 |
| At December 31, 2017          |             |                                |                                      |  |
| Sponsored investment products | \$ 263      | \$ 15                          | \$ (7 )                              | \$ 295                                 |

(1)

At both March 31, 2018 and December 31, 2017, BlackRock's maximum risk of loss associated with these VIEs primarily related to BlackRock's investments and the collection of advisory fee receivables. The net assets of sponsored investment products that are nonconsolidated VIEs approximated \$6 billion and \$5 billion at March 31, 2018 and December 31, 2017, respectively.

## 7. Fair Value Disclosures

## Fair Value Hierarchy

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

|   | Quoted Prices in |                   |              |                    |                      |         |
|---|------------------|-------------------|--------------|--------------------|----------------------|---------|
|   | Active           |                   |              | Significant        |                      |         |
|   | Markets for      |                   |              | Other Assets       |                      |         |
|   | Identical        | Significant Other | Unobservable | Investments        | Not Held at Fair     | March   |
| March 31, 2018 <sup>(1)</sup>                     | Assets           | Observable Inputs | Inputs       | Measured at        | Value <sup>(3)</sup> | 31,     |
| (in millions)                                     | (Level 1)        | (Level 2)         | (Level 3)    | NAV <sup>(2)</sup> | Value <sup>(3)</sup> | 2018    |
| Assets:   |                  |                   |              |                    |                      |         |
| Investments:                                      |                  |                   |              |                    |                      |         |
| Equity securities at FVTNI:                       |                  |                   |              |                    |                      |         |
| Deferred compensation plan mutual funds           | \$ 34            | \$ —              | \$ —         | \$ —               | \$ —                 | \$34    |
| Equity securities/Multi-asset mutual funds        | 614              | —                 | —            | —                  | —                    | 614     |
| Total equity securities                           | 648              | —                 | —            | —                  | —                    | 648     |
| Debt securities:                                  |                  |                   |              |                    |                      |         |
| Available-for-sale                                | —                | 125               | 26           | —                  | —                    | 151     |
| Trading securities                                | —                | 288               | 5            | —                  | —                    | 293     |
| Held-to-maturity securities                       | —                | —                 | —            | —                  | 132                  | 132     |
| Total debt securities                             | —                | 413               | 31           | —                  | 132                  | 576     |
| Equity method:                                    |                  |                   |              |                    |                      |         |
| Equity and fixed income mutual funds              | 116              | —                 | —            | 15                 | —                    | 131     |
| Other   | —                | —                 | —            | 569                | 3                    | 572     |
| Total equity method                               | 116              | —                 | —            | 584                | 3                    | 703     |
| Federal Reserve Bank Stock                        | —                | —                 | —            | —                  | 91                   | 91      |
| Carried interest                                  | —                | —                 | —            | —                  | 32                   | 32      |
| Total investments                                 | 764              | 413               | 31           | 584                | 258                  | 2,050   |
| Investments of consolidated VIEs:                 |                  |                   |              |                    |                      |         |
| Equity securities                                 | 295              | —                 | —            | —                  | —                    | 295     |
| Trading debt securities                           | —                | 769               | —            | —                  | —                    | 769     |
| Private / public equity <sup>(4)</sup>            | 3                | 3                 | 116          | 56                 | 72                   | 250     |
| Other   | —                | —                 | —            | 50                 | —                    | 50      |
| Carried interest                                  | —                | —                 | —            | —                  | 273                  | 273     |
| Total investments of consolidated VIEs            | 298              | 772               | 116          | 106                | 345                  | 1,637   |
| Other assets <sup>(5)</sup>                       | —                | 35                | —            | —                  | —                    | 35      |
| Separate account assets                           | 107,095          | 35,063            | —            | —                  | 712                  | 142,871 |
| Separate account collateral held under securities |                  |                   |              |                    |                      |         |

|   |            |           |        |        |          |           |
|---|------------|-----------|--------|--------|----------|-----------|
| lending agreements:                           |            |           |        |        |          |           |
| Equity securities                             | 18,543     | —         | —      | —      | —        | 18,543    |
| Debt securities                               | —          | 8,704     | —      | —      | —        | 8,704     |
| Total separate account collateral held under  |            |           |        |        |          |           |
| securities lending agreements                 | 18,543     | 8,704     | —      | —      | —        | 27,247    |
| Total   | \$ 126,700 | \$ 44,987 | \$ 147 | \$ 690 | \$ 1,315 | \$173,840 |
| Liabilities:                                  |            |           |        |        |          |           |
| Separate account collateral liabilities under |            |           |        |        |          |           |
| securities lending agreements                 | \$ 18,543  | \$ 8,704  | \$ —   | \$ —   | \$ —     | \$27,247  |
| Other liabilities <sup>(6)</sup>              | —          | 7         | 242    | —      | —        | 249       |
| Total   | \$ 18,543  | \$ 8,711  | \$ 242 | \$ —   | \$ —     | \$27,496  |

- (1) Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, Significant Accounting Policies, for further information.
- (2) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.
- (3) 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.
- (4) Level 3 amounts primarily include direct investments in private equity companies held by private equity funds.
- (5) Amounts include fair value of forward foreign currency exchange contracts (see Note 8, Derivatives and Hedging, for more information).
- (6) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 12, Commitments and Contingencies, for more information).

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

|  | Quoted Prices in |                   |                   |                         |                        |                   |
|--|------------------|-------------------|-------------------|-------------------------|------------------------|-------------------|
|  | Active           |                   | Significant       |                         |                        |                   |
|  | Markets for      |                   | Significant Other | Unobservable            | Other Assets           |                   |
| December 31, 2017 <sup>(1)</sup>   | Identical Assets | Observable Inputs | Inputs            | Investments Measured at | Not Held at Fair Value | December 31, 2017 |
| (in millions)  | (Level 1)        | (Level 2)         | (Level 3)         | NAV <sup>(2)</sup>      | Value <sup>(3)</sup>   |                   |
| Assets:  |                  |                   |                   |                         |                        |                   |
| Investments  |                  |                   |                   |                         |                        |                   |
| Available-for-sale   | \$ 7             | \$ 96             | \$ —              | \$ —                    | \$ —                   | \$ 103            |
| Held-to-maturity debt securities   | —                | —                 | —                 | —                       | 102                    | 102               |
| Trading:   |                  |                   |                   |                         |                        |                   |
| Deferred compensation plan mutual funds                                    | 56               | —                 | —                 | —                       | —                      | 56                |
| Equity/Multi-asset mutual funds  | 493              | —                 | —                 | —                       | —                      | 493               |
| Debt securities / fixed income mutual funds                                | 2                | 284               | —                 | —                       | —                      | 286               |
| Total trading  | 551              | 284               | —                 | —                       | —                      | 835               |
| Equity method:   |                  |                   |                   |                         |                        |                   |
| Equity and fixed income mutual funds                                       | 183              | —                 | —                 | 12                      | —                      | 195               |
| Other  | —                | —                 | —                 | 609                     | 12                     | 621               |
| Total equity method  | 183              | —                 | —                 | 621                     | 12                     | 816               |
| Cost method investments  | —                | —                 | —                 | —                       | 93                     | 93                |
| Carried interest   | —                | —                 | —                 | —                       | 32                     | 32                |
| Total investments  | 741              | 380               | —                 | 621                     | 239                    | 1,981             |
| Separate account assets  | 114,422          | 34,582            | —                 | —                       | 933                    | 149,937           |
| Separate account collateral held under securities lending agreements:      |                  |                   |                   |                         |                        |                   |
| Equity securities  | 18,778           | —                 | —                 | —                       | —                      | 18,778            |
| Debt securities  | —                | 5,412             | —                 | —                       | —                      | 5,412             |
| Total separate account collateral held under securities lending agreements | 18,778           | 5,412             | —                 | —                       | —                      | 24,190            |
| Investments of consolidated VIEs:  |                  |                   |                   |                         |                        |                   |
| Trading:   |                  |                   |                   |                         |                        |                   |
| Equity securities  | 440              | —                 | —                 | —                       | —                      | 440               |
| Debt securities  | —                | 475               | —                 | —                       | —                      | 475               |
| Private / public equity <sup>(4)</sup>                                     | 6                | 2                 | 116               | 59                      | 76                     | 259               |
| Other  | —                | —                 | —                 | 53                      | —                      | 53                |
| Carried interest   | —                | —                 | —                 | —                       | 266                    | 266               |
| Total investments of consolidated VIEs                                     | 446              | 477               | 116               | 112                     | 342                    | 1,493             |
| Total  | \$ 134,387       | \$ 40,851         | \$ 116            | \$ 733                  | \$ 1,514               | \$ 177,601        |
| Liabilities:   |                  |                   |                   |                         |                        |                   |
|  | \$ 18,778        | \$ 5,412          | \$ —              | \$ —                    | \$ —                   | \$ 24,190         |

Separate account collateral liabilities  
under

|                                  |           |          |        |      |      |           |
|----------------------------------|-----------|----------|--------|------|------|-----------|
| securities lending agreements    |           |          |        |      |      |           |
| Other liabilities <sup>(5)</sup> | —         | 7        | 236    | —    | —    | 243       |
| Total                            | \$ 18,778 | \$ 5,419 | \$ 236 | \$ — | \$ — | \$ 24,433 |

- (1) Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.
- (2) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.
- (3) 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.
- (4) Level 3 amounts include direct investments in private equity companies held by private equity funds.
- (5) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 12, Commitments and Contingencies, for more information).



**Level 3 Assets.** Level 3 investments of consolidated VIEs of \$116 million at both March 31, 2018 and December 31, 2017, related to direct investments in private equity companies held by consolidated private equity funds.

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

Level 3 assets may include investments in CLOs valued based on single-broker nonbinding quotes and direct private equity investments valued using the market approach or the income approach as described above.

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

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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, 2018

| (in millions)                                | Realized and Unrealized Gains (Losses) in Earnings |         |           |            |                     |                        |                          |                               | Total Net Unrealized Gains (Losses) Included in Earnings <sup>(2)</sup> |
|--|--|---------|-----------|------------|---------------------|------------------------|--------------------------|-------------------------------|---|
|  | December 31, 2017                                  | and OCI | Purchases | Maturities | Issuances and other | Transfers into Level 3 | Transfers out of Level 3 | March 31, 2018 <sup>(1)</sup> |   |
| Assets:                                      |  |         |           |            |                     |                        |                          |                               |   |
| Investments:                                 |  |         |           |            |                     |                        |                          |                               |   |
| Debt securities:                             |  |         |           |            |                     |                        |                          |                               |   |
| Available-for-sale securities <sup>(3)</sup> | \$ —   | \$ —    | \$ 26     | \$ —       | \$ —                | \$ —                   | \$ —                     | \$ 26                         |   |
| Trading securities                           | —  | —       | 5         | —          | —                   | —                      | —                        | 5                             |   |
| Total investments                            | —  | —       | 31        | —          | —                   | —                      | —                        | 31                            |   |
| Assets of consolidated VIEs -                |  |         |           |            |                     |                        |                          |                               |   |
| Private equity                               | 116  | —       | —         | —          | —                   | —                      | —                        | 116                           |   |
| Total Level 3 assets                         | \$ 116   | \$ —    | \$ 31     | \$ —       | \$ —                | \$ —                   | \$ —                     | \$ 147                        |   |
| Liabilities:                                 |  |         |           |            |                     |                        |                          |                               |   |
| Other liabilities <sup>(4)</sup>             | \$ 236   | (6 )    | \$ —      | \$ —       | \$ —                | \$ —                   | \$ —                     | \$ 242                        | \$ (6 )   |

(1) Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, Significant Accounting Policies, for further information.

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

(3) Amounts include investments in CLOs.

(4) Other liabilities amount includes contingent liabilities in connection with certain acquisitions.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2017<sup>(1)</sup>

|  | Realized and Unrealized Gains (Losses) in |                  |           |                      |                                 |                        |   |                | Total Net Unrealized Gains (Losses) |  |
|--|---|------------------|-----------|----------------------|---------------------------------|------------------------|---|----------------|-------------------------------------|--|
|  | December 31, 2016                         | Earnings and OCI | Purchases | Sales and Maturities | Issuances and other Settlements | Transfers into Level 3 | Transfers out of Level 3 <sup>(2)</sup> | March 31, 2017 | Included in Earnings <sup>(3)</sup> |  |
| (in millions)                                |   |                  |           |                      |                                 |                        |   |                |                                     |  |
| Assets:                                      |   |                  |           |                      |                                 |                        |   |                |                                     |  |
| Investments:                                 |   |                  |           |                      |                                 |                        |   |                |                                     |  |
| Available-for-sale securities <sup>(4)</sup> | \$ 24                                     | \$ —             | \$ —      | \$ —                 | \$ —                            | \$ —                   | \$ (24 )                                | \$ —           |                                     |  |
| Trading                                      | 7   | —                | —         | —                    | —                               | —                      | (7 )                                    | —              |                                     |  |
| Total investments                            | 31  | —                | —         | —                    | —                               | —                      | (31 )                                   | —              |                                     |  |
| Assets of consolidated VIEs -                |   |                  |           |                      |                                 |                        |   |                |                                     |  |
| Private equity                               | 112                                       | 1                | —         | —                    | —                               | —                      | —                                       | 113            | \$ 1                                |  |
| Total Level 3 assets                         | \$ 143                                    | \$ 1             | \$ —      | \$ —                 | \$ —                            | \$ —                   | \$ (31 )                                | \$ 113         |                                     |  |
| Liabilities:                                 |   |                  |           |                      |                                 |                        |   |                |                                     |  |
| Other liabilities <sup>(5)</sup>             | \$ 115                                    | \$ 2             | \$ —      | \$ —                 | \$ —                            | \$ —                   | \$ —                                    | \$ 113         | \$ 2                                |  |

(1) Amounts at March 31, 2017 reflect accounting guidance prior to ASU 2016-01.

(2) Amounts include transfers out of Level 3 due to availability of observable market inputs from pricing vendors.

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

(4) Amounts include investments in CLOs.

(5) Other liabilities amount includes contingent liabilities in connection with certain acquisitions.

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

Transfers in and/or out of Levels. Transfers in and/or out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the carrying value of certain equity method investments no longer represents fair value as determined under valuation methodologies.

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At March 31, 2018 and December 31, 2017, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

| (in millions)                                  | March 31, 2018 |          | December 31, 2017 |          |            |         |
|--|----------------|----------|-------------------|----------|------------|---------|
|  | Estimated      |          | Estimated         |          | Fair Value |         |
|  | Carrying       |          | Carrying          |          |            |         |
|  | Fair           |          | Fair              |          |            |         |
|  | Amount         | Value    | Amount            | Value    | Hierarchy  |         |
| Financial Assets:                              |                |          |                   |          |            |         |
| Cash and cash equivalents                      | \$5,978        | \$ 5,978 | \$6,894           | \$ 6,894 | Level 1    | (1) (2) |
| Cash and cash equivalents of consolidated VIEs | 103            | 103      | 144               | 144      | Level 1    | (1) (2) |
| Other assets                                   | 62             | 62       | 70                | 70       | Level 1    | (1) (3) |
| Financial Liability:                           |                |          |                   |          |            |         |
| Long-term borrowings                           | 5,036          | 5,134    | 5,014             | 5,225    | 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, 2018 and December 31, 2017, approximately \$204 million and \$163 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. In addition, at March 31, 2018 and December 31, 2017, approximately \$13 million and \$14 million, respectively, of money market funds were recorded within cash and cash equivalents of consolidated VIEs. Money market funds are valued based on quoted market prices, or \$1.00 per share, which generally is the NAV of the fund.

(3) Other assets primarily include restricted cash.

(4) Long-term borrowings are recorded at amortized cost net of debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of March 2018 and December 2017, respectively. See Note 11, Borrowings, for the fair value of each of the Company's long-term borrowings.

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

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

March 31, 2018

|                                  |                | Total       |                     |               |  |
|----------------------------------|----------------|-------------|---------------------|---------------|--|
|                                  |                | Unfunded    | Redemption          | Redemption    |  |
| (in millions)                    | Ref Fair Value | Commitments | Frequency           | Notice Period |  |
| Equity method: <sup>(1)</sup>    |                |             |                     |               |  |
| Hedge funds/funds of hedge funds | (a) \$ 168     | \$ 64       | Daily/Monthly (30%) | 1 – 90 days   |  |
|                                  |                |             | Quarterly (29%)     |               |  |
|                                  |                |             | N/R (41%)           |               |  |
| Private equity funds             | (b) 99         | 85          | N/R                 | N/R           |  |
| Real assets funds                | (c) 302        | 79          | Quarterly (78%)     | 60 days       |  |
|                                  |                |             | N/R (22%)           |               |  |
| Other                            | 15             | 15          | Daily/Monthly (79%) | 3 – 5 days    |  |
|                                  |                |             | N/R (21%)           |               |  |
| Consolidated VIEs:               |                |             |                     |               |  |
| Private equity funds of funds    | (d) 56         | 18          | N/R                 | N/R           |  |
| Hedge fund                       | (a) 14         | —           | Quarterly           | 90 days       |  |
| Real assets funds                | (c) 36         | 48          | N/R                 | N/R           |  |
| Total                            | \$ 690         | \$ 309      |                     |               |  |

December 31, 2017

|                                  |                | Total       |                     |               |  |
|----------------------------------|----------------|-------------|---------------------|---------------|--|
|                                  |                | Unfunded    | Redemption          | Redemption    |  |
| (in millions)                    | Ref Fair Value | Commitments | Frequency           | Notice Period |  |
| Equity method: <sup>(1)</sup>    |                |             |                     |               |  |
| Hedge funds/funds of hedge funds | (a) \$ 230     | \$ 48       | Daily/Monthly (21%) | 1 – 90 days   |  |
|                                  |                |             | Quarterly (49%)     |               |  |
|                                  |                |             | N/R (30%)           |               |  |
| Private equity funds             | (b) 94         | 86          | N/R                 | N/R           |  |
| Real assets funds                | (c) 282        | 69          | Quarterly (83%)     | 60 days       |  |
|                                  |                |             | N/R (17%)           |               |  |
| Other                            | 15             | 14          | Daily (80%)         | 5 days        |  |

|                               |     |        |        |           |         |
|-------------------------------|-----|--------|--------|-----------|---------|
|                               |     |        |        | N/R (20%) |         |
| Consolidated VIEs:            |     |        |        |           |         |
| Private equity funds of funds | (d) | 59     | 20     | N/R       | N/R     |
| Hedge fund                    | (a) | 19     | —      | Quarterly | 90 days |
| Real assets funds             | (c) | 34     | 49     | N/R       | N/R     |
| Total                         |     | \$ 733 | \$ 286 |           |         |

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 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 seven years at both March 31, 2018 and December 31, 2017.
- (b) 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 six years at both March 31, 2018 and December 31, 2017.

- (c) This category includes several real assets funds that invest directly and indirectly in real estate and infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The Company's investments that are not subject to redemption or are not currently redeemable are normally returned through distributions and realizations of the underlying assets of the funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately eight years at both March 31, 2018 and December 31, 2017. The total remaining unfunded commitments to real assets funds were \$128 million and \$117 million at March 31, 2018 and December 31, 2017, respectively. The Company had contractual obligations to the real assets funds of \$108 million at March 31, 2018 and \$98 million at December 31, 2017.
- (d) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately five years at both March 31, 2018 and December 31, 2017. The total remaining unfunded commitments to other third-party funds were \$18 million and \$20 million at March 31, 2018 and December 31, 2017, respectively. The Company had contractual obligations to the consolidated funds of \$23 million at both March 31, 2018 and December 31, 2017.

## 8. 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, 2018, the Company had outstanding total return swaps with an aggregate notional value of approximately \$546 million. At December 31, 2017, the Company had outstanding total return swaps with an aggregate notional value of approximately \$587 million.

Gains (losses) on total return swaps recorded in nonoperating income (expense) were not material for the three months ended March 31, 2018 and were \$(35) million for the three months ended March 31, 2017.

Gains (losses) on interest rate swaps are recorded in nonoperating income (expense) and were not material for the three months ended March 31, 2018 and 2017.

At both March 31, 2018 and December 31, 2017, the Company had a derivative providing credit protection of approximately \$17 million to a counterparty, 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 outflows under the arrangement.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At both March 31, 2018 and December 31, 2017, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately \$1.5 billion. The fair value of the outstanding forward foreign currency exchange contracts was \$35 million at March 31, 2018 and was not material at December 31, 2017.

Gains (losses) on the forward foreign currency exchange contracts are recorded in other general and administration expense and were \$30 million for the three months ended March 31, 2018. Gains (losses) on the forward foreign currency exchange contracts were not material for the three months ended March 31, 2017.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for the three months ended March 31, 2018 and 2017.

The fair values of the outstanding total return swaps and the credit default swap were not material to the condensed consolidated statement of financial condition at March 31, 2018. The fair value of the outstanding derivatives mentioned above was not material to the condensed consolidated statement of financial condition at December 31, 2017.

See Note 12, Borrowings, in the 2017 Form 10-K for more information on the Company's net investment hedge.



## 9. Goodwill

Goodwill activity during the three months ended March 31, 2018 was as follows:

|  |          |
|--|----------|
| (in millions)  |          |
| December 31, 2017                                      | \$13,220 |
| Goodwill adjustments related to Quellos <sup>(1)</sup> | (3 )     |
| March 31, 2018   | \$13,217 |

<sup>(1)</sup>The decrease in goodwill during the three months ended March 31, 2018 resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the “Quellos Transaction”). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately \$161 million and \$168 million at March 31, 2018 and December 31, 2017, respectively.

## 10. Intangible Assets

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

|                      |                  |              |          |
|----------------------|------------------|--------------|----------|
| (in millions)        | Indefinite-lived | Finite-lived | Total    |
| December 31, 2017    | \$ 17,178        | \$ 211       | \$17,389 |
| Amortization expense | —                | (11 )        | (11 )    |
| March 31, 2018       | \$ 17,178        | \$ 200       | \$17,378 |

## 11. Borrowings

## Short-Term Borrowings

**2018 Revolving Credit Facility.** The Company’s credit facility has an aggregate commitment amount of \$4.0 billion and was amended in April 2018 to extend the maturity date to March 2023 (the “2018 credit facility”). The 2018 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 2018 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 2018 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, 2018. The 2018 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2018, the Company had no amount outstanding under the credit facility.

**Commercial Paper Program.** 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 of \$4.0 billion. The commercial paper program is currently supported by the 2018 credit facility. At March 31, 2018, BlackRock had no CP Notes

outstanding.

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## Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices and foreign exchange rates at March 31, 2018 included the following:

| Unamortized                |                 |                |                |            |
|----------------------------|-----------------|----------------|----------------|------------|
| Discount                   |                 |                |                |            |
| and Debt                   |                 |                |                |            |
| (in millions)              | Maturity Amount | Issuance Costs | Carrying Value | Fair Value |
| 5.00% Notes due 2019       | \$ 1,000        | \$ —           | \$ 1,000       | \$ 1,039   |
| 4.25% Notes due 2021       | 750             | (2 )           | 748            | 774        |
| 3.375% Notes due 2022      | 750             | (4 )           | 746            | 759        |
| 3.50% Notes due 2024       | 1,000           | (6 )           | 994            | 1,006      |
| 1.25% Notes due 2025       | 861             | (6 )           | 855            | 877        |
| 3.20% Notes due 2027       | 700             | (7 )           | 693            | 679        |
| Total Long-term Borrowings | \$ 5,061        | \$ (25 )       | \$ 5,036       | \$ 5,134   |

See Note 12, Borrowings, in the 2017 Form 10-K for more information regarding the Company's borrowings.

## 12. Commitments and Contingencies

**Investment Commitments.** At March 31, 2018, the Company had \$304 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic 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. 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.

**Lease Commitment.** In May 2017, the Company entered into an agreement with 50 HYMC Owner LLC, for the lease of approximately 847,000 square feet of office space located at 50 Hudson Yards, New York, New York. The term of the lease is twenty years from the date that rental payments begin, expected to occur in May 2023, with the option to renew for a specified term. The lease requires annual base rental payments of approximately \$51 million per year during the first five years of the lease term, increasing every five years to \$58 million, \$66 million and \$74 million per year (or approximately \$1.2 billion in base rent over its twenty-year term).

## Contingencies

**Contingent Payments Related to Business Acquisitions.** In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31, 2018 totaled \$242 million, and is included in other liabilities on the condensed consolidated statements of financial condition.

**Other Contingent Payments.** The Company acts as the portfolio manager in a derivative transaction and has a maximum potential exposure of \$17 million between the Company and counterparty. See Note 8, Derivatives and Hedging, for further discussion.

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

On May 27, 2014, certain 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 under the caption In re BlackRock Mutual Funds Advisory Fee Litigation. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. 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. The defendants believe the claims in both lawsuits are without merit and are vigorously defending the actions. On September 25, 2017, the defendants filed a motion for summary judgment to dismiss the lawsuit, which is pending.

In November 2015, BlackRock, Inc., BlackRock Realty Advisors, Inc. (“BRA”), BlackRock US Core Property Fund, Inc. (formerly known as BlackRock Granite Property Fund, Inc.) (“Granite Fund”), and certain other Granite Fund related entities (collectively, the “BlackRock Parties”) were named as defendants in thirteen lawsuits filed in the Superior Court of the State of California for the County of Alameda arising out of the June 16, 2015 collapse of a balcony at the Library Gardens apartment complex in Berkeley, California (the “Property”). The Property is indirectly owned by the Granite Fund, which is managed by BRA. The plaintiffs also named as defendants in the lawsuits Greystar, which manages the Property, and certain other non-BlackRock related entities, including the developer of the Property, building contractors and building materials suppliers. The plaintiffs alleged, among other things, that the BlackRock Parties were negligent in their ownership, control and maintenance of the Property’s balcony, and sought monetary, including punitive, damages. Additionally, on March 16, 2016, three former tenants of the Library Gardens apartment unit who were not physically injured but experienced the balcony collapse sued the BlackRock Parties for emotional damages. In November 2017, the BlackRock Parties settled all of the lawsuits relating to Library Gardens and the cases were formally dismissed in March and April 2018.

On June 16, 2016, iShares Trust, BlackRock, Inc. and certain of its advisory affiliates, and the directors and certain officers of the iShares ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain iShares ETFs (the “ETFs”), and alleges the defendants violated the federal securities laws, purportedly by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs’ shareholders in the event of a “flash crash.” Plaintiffs seek unspecified monetary damages. The plaintiffs’ complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. The defendants filed a motion for judgment on the pleadings dismissing that complaint. On September 18, 2017, the court dismissed the lawsuit. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. (“BTC”), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the U.S. District Court for the Northern District of California by a former employee on behalf of all BlackRock employee 401(k) Plan (the “Plan”) participants and beneficiaries in the Plan from April 5, 2011, to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated with investment options managed by BlackRock. While the complaint does not contain any specific amount in alleged damages, it claims that the purported underperformance and hidden fees cost Plan participants more than \$60 million. On October 10, 2017, the plaintiffs filed an Amended Complaint, which, among other things, adds as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also includes a new purported class claim on behalf of investors in certain Collective Trust Funds (“CTFs”) managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the lending agent on terms that

plaintiffs claim were excessive. The defendants believe the claims in this lawsuit are without merit and are vigorously defending the action. BlackRock moved to dismiss the Amended Complaint on November 8, 2017.

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, 2018, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$219 billion. The Company held, as agent, cash and securities totaling \$232 billion as collateral for indemnified securities on loan at March 31, 2018. The fair value of these indemnifications was not material at March 31, 2018.

## 13. Revenue

The table below presents the Company's revenue for the three months ended March 31, 2018 and 2017, respectively, and disaggregates investment advisory, administration fees and securities lending revenue and performance fees by product type and investment style. See Note 2, Significant Accounting Policies, for further information on the Company's revenue recognition and the adoption of ASU 2014-09.

| (in millions)                                    |  | Three Months<br>Ended<br>March 31, |       |
|--|--|------------------------------------|-------|
|  |  | 2018                               | 2017  |
| Investment advisory, administration fees and     |  |                                    |       |
| securities lending revenue:                      |  |                                    |       |
| Equity:  |  |                                    |       |
| Active   |  | \$438                              | \$400 |
| iShares ETFs                                     |  | 926                                | 721   |
| Non-ETF index                                    |  | 176                                | 160   |
| Equity subtotal                                  |  | 1,540                              | 1,281 |
| Fixed income:                                    |  |                                    |       |
| Active   |  | 456                                | 407   |
| iShares ETFs                                     |  | 208                                | 185   |
| Non-ETF index                                    |  | 93                                 | 85    |
| Fixed income subtotal                            |  | 757                                | 677   |
| Multi-asset                                      |  | 296                                | 272   |
| Alternatives:                                    |  |                                    |       |
| Core   |  | 178                                | 144   |
| Currency and commodities                         |  | 25                                 | 22    |
| Alternatives subtotal                            |  | 203                                | 166   |
| Long-term  |  | 2,796                              | 2,396 |
| Cash management                                  |  | 151                                | 127   |
| Total base fees                                  |  | 2,947                              | 2,523 |
| Investment advisory performance fees:            |  |                                    |       |
| Equity   |  | 18                                 | 15    |
| Fixed income                                     |  | 3                                  | 10    |
| Multi-asset                                      |  | 5                                  | 5     |
| Alternatives                                     |  | 44                                 | 40    |
| Total performance fees                           |  | 70                                 | 70    |
| Technology and risk management revenue           |  | 184                                | 154   |
| Distribution fees:                               |  |                                    |       |
| Retrocessions                                    |  | 192                                | 155   |
| 12b-1 fees (U.S. mutual funds distribution fees) |  | 108                                | 122   |
| Other  |  | 11                                 | 10    |
| Total distribution fees                          |  | 311                                | 287   |
| Advisory and other revenue                       |  |                                    |       |
| Advisory   |  | 21                                 | 24    |
| Other  |  | 50                                 | 34    |



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|                            |         |         |
|----------------------------|---------|---------|
| Advisory and other revenue | 71      | 58      |
| Total revenue              | \$3,583 | \$3,092 |

The table below presents the investment advisory, administration fees and securities lending revenue by client type, investment style and product type, respectively:

| (in millions)   | For the Three<br>Months Ended<br>March 31, |         |
|---|--|---------|
|   | 2018                                       | 2017    |
| Investment advisory, administration fees and securities |  |         |
| lending revenue by client type:                         |  |         |
| Retail  | \$855                                      | \$776   |
| iShares ETFs  | 1,158                                      | 925     |
| Institutional:  |  |         |
| Active  | 527  | 458     |
| Index   | 256  | 237     |
| Total institutional                                     | 783  | 695     |
| Long-term   | 2,796                                      | 2,396   |
| Cash management   | 151  | 127     |
| Total   | \$2,947                                    | \$2,523 |
| Investment advisory, administration fees and securities |  |         |
| lending revenue by investment style:                    |  |         |
| Active  | \$1,365                                    | \$1,220 |
| Index and iShares ETFs                                  | 1,431                                      | 1,176   |
| Long-term   | 2,796                                      | 2,396   |
| Cash management   | 151  | 127     |
| Total   | \$2,947                                    | \$2,523 |
| Investment advisory, administration fees and securities |  |         |
| lending revenue by product type:                        |  |         |
| Equity  | \$1,540                                    | \$1,281 |
| Fixed income  | 757  | 677     |
| Multi-asset   | 296  | 272     |
| Alternatives  | 203  | 166     |
| Long-term   | 2,796                                      | 2,396   |
| Cash management   | 151  | 127     |
| Total   | \$2,947                                    | \$2,523 |

## Investment advisory and administration fees

The table below presents estimated investment advisory and administration fees expected to be recognized in the future related to the unsatisfied portion of the performance obligations at March 31, 2018:

| (in millions)  | Remainder<br>of<br>2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|--|-------------------------|------|------|------|------------|-------|
| Investment advisory and administration fees:<br>Alternatives <sup>(1)(2)</sup> | \$ 61                   | \$70 | \$58 | \$48 | \$ 48      | \$285 |

<sup>(1)</sup>Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at March 31, 2018. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears. The Company excludes fees that are probable of significant reversal in future periods.

<sup>(2)</sup>The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less, (2) variable consideration related to future service periods, and (3) the comparative prior period as of March 31, 2017.

## Investment advisory performance fees / Carried interest

The table below presents changes in the deferred carried interest liability (including the portion related to consolidated VIEs) for the three months ended March 31, 2018 and 2017:

| (in millions)  | Three<br>Months<br>Ended<br>March 31,<br>2018 2017 |       |
|--|--|-------|
| Beginning balance  | \$219  | \$152 |
| Net increase (decrease) in unrealized allocations                    | 5  | 9     |
| Performance fee revenue recognized that was included in the deferred |  |       |
| carried interest liability balance at the beginning of the period    | —  | (10 ) |
| Ending balance   | \$224  | \$151 |

## Technology and risk management revenue

The table below presents estimated technology and risk management revenue expected to be recognized in the future related to the unsatisfied portion of the performance obligations at March 31, 2018:

| (in millions)  | Remainder<br>of<br>2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|--|-------------------------|------|------|------|------------|-------|
| Technology and risk management revenue <sup>(1)(2)</sup> | \$ 25                   | \$24 | \$20 | \$15 | \$ 10      | \$ 94 |

<sup>(1)</sup>Technology and risk management revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed. The Company excludes fees that are probable of significant reversal in future periods.

<sup>(2)</sup>The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less, (2) variable consideration related to future service periods, and (3) the comparative prior period as of March 31, 2017.

In addition to amounts disclosed in the table above, certain technology and risk management contracts require fixed minimum fees, which are billed on a monthly or quarterly basis in arrears. The Company recognizes such revenue as services are performed. As of March 31, 2018, the estimated fixed minimum fees for the remainder of 2018 for currently outstanding contracts approximated \$348 million. The term for these contracts, which are either in their initial or renewal period, ranges from one to five years.

The table below presents changes in the technology and risk management deferred revenue liability for the three months ended March 31, 2018 and 2017, which is included in other liabilities on the condensed consolidated statements of financial condition:

| (in millions)  | Three<br>Months<br>Ended<br>March 31,<br>2018 2017 |      |
|--|--|------|
| Beginning balance  | \$62   | \$42 |
| Additions  | 12   | 8    |
| Amount recognized included in the deferred revenue liability beginning |  |      |
| balance  | (8)  | (4)  |
| Ending balance   | \$66   | \$46 |

## 14. Stock-Based Compensation

Restricted Stock and RSUs.

Restricted stock and restricted stock units (“RSUs”) activity for the three months ended March 31, 2018 is summarized below.

|                               | Restricted<br>Stock and | Weighted-<br>Average<br>Grant<br>Date |
|-------------------------------|-------------------------|---------------------------------------|
| Outstanding at                | RSUs                    | Fair Value                            |
| December 31, 2017             | 2,608,668               | \$ 342.79                             |
| Granted                       | 753,901                 | \$ 565.83                             |
| Converted                     | (1,071,338)             | \$ 336.95                             |
| Forfeited                     | (6,721 )                | \$ 408.89                             |
| March 31, 2018 <sup>(1)</sup> | 2,284,510               | \$ 418.94                             |

<sup>(1)</sup> At March 31, 2018, approximately 2.1 million awards are expected to vest and 0.2 million awards have vested but have not been converted.

In January 2018, the Company granted 527,337 RSUs or shares of restricted stock to employees as part of 2017 annual incentive compensation that vest ratably over three years from the date of grant and 209,201 RSUs or shares of restricted stock to employees that cliff vest 100% on January 31, 2021. The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock’s common stock price. The total fair market value of RSUs/restricted stock granted to employees during the three months ended March 31, 2018 was \$427 million.

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At March 31, 2018, the intrinsic value of outstanding RSUs was \$1.2 billion, reflecting a closing stock price of \$541.72.

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested RSUs was \$575 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

### Performance-Based RSUs.

Performance-based RSU activity for the three months ended March 31, 2018 is summarized below.

|  | Performance- | Weighted-<br>Average<br>Grant<br>Date |
|--|--------------|---------------------------------------|
| Outstanding at                                 | Based RSUs   | Fair Value                            |
| December 31, 2017                              | 903,525      | \$ 335.12                             |
| Granted  | 199,068      | \$ 566.44                             |
| Additional shares granted due to attainment of |              |                                       |
| performance measures                           | 23,376       | \$ 343.86                             |
| Converted                                      | (269,648)    | ) \$ 343.86                           |
| March 31, 2018                                 | 856,321      | \$ 386.38                             |

In January 2018, the Company granted 199,068 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2021. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures. In January 2018, the Company granted 23,376 performance-based RSUs to certain employees based on the attainment of Company performance measures during the performance period.

The Company initially 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 granted to employees during the three months ended March 31, 2018 was \$121 million.

At March 31, 2018, the intrinsic value of outstanding performance-based RSUs was \$464 million, reflecting a closing stock price of \$541.72.

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested performance-based awards was \$203 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.7 years.

See Note 14, Stock-Based Compensation, in the 2017 Form 10-K for more information on performance-based RSUs.

### Market Performance-based RSUs.

Market performance-based RSUs activity for the three months ended March 31, 2018 is summarized below.

|                                     | Market<br>Performance- | Weighted-<br>Average<br>Grant<br>Date | Fair Value        |
|-------------------------------------|------------------------|---------------------------------------|-------------------|
| Outstanding at<br>December 31, 2017 | Based RSUs             |                                       |                   |
|                                     | 286,336                |                                       | \$ 195.33         |
| Converted<br>March 31, 2018         | (286,336 )<br>—        |                                       | \$ 195.33<br>\$ — |

See Note 14, Stock-Based Compensation, in the 2017 Form 10-K for more information on market performance-based RSUs.

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”), including performance-based and market performance-based RSUs. 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, 2018, 3.9 million shares had been surrendered by PNC, including 103,064 shares during the three months ended March 31, 2018.

At March 31, 2018, the remaining shares committed by PNC of 0.1 million were available to fund certain future long-term incentive awards.

#### Performance-based Stock Options.

Stock option activity for the three months ended March 31, 2018 is summarized below.

|                   |           | Weighted  |
|-------------------|-----------|-----------|
|                   | Shares    | Average   |
|                   | Under     | Exercise  |
| Outstanding at    | Option    | Price     |
| December 31, 2017 | 2,147,562 | \$ 513.50 |
| Granted           | —         | \$ —      |
| March 31, 2018    | 2,147,562 | \$ 513.50 |

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested performance-based stock options was \$191 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 5.7 years.

See Note 14, Stock-Based Compensation, in the 2017 Form 10-K for more information on performance-based stock options.

#### 15. 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 may have adverse tax consequences that could discourage such transfers.

At March 31, 2018, the Company was required to maintain approximately \$2.1 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a wholly owned subsidiary of the Company that is chartered as a national bank whose powers are limited to trust and other fiduciary 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.





# 16. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in accumulated other comprehensive income (loss) (“AOCI”) by component for the three months ended March 31, 2018 and 2017:

|   | Foreign                    |                      |         |
|---|----------------------------|----------------------|---------|
|   | currency                   |                      |         |
|   | translation                |                      |         |
| (in millions)   | adjustments <sup>(1)</sup> | Other <sup>(2)</sup> | Total   |
| For the Three Months Ended March 31, 2018               |                            |                      |         |
| December 31, 2017                                       | \$ (436                    | ) \$ 4               | \$(432) |
| Net other comprehensive income (loss) for               |                            |                      |         |
| the three months ended March 31, 2018                   | 137                        | —                    | 137     |
| Reclassification as a result of adoption of ASU 2018-02 | (6                         | ) —                  | (6 )    |
| March 31, 2018  | \$ (305                    | ) \$ 4               | \$(301) |

<sup>(1)</sup> Amount for the three months ended March 31, 2018 includes a loss from a net investment hedge of \$16 million (net of a tax benefit of \$5 million) and reclassification as a result of adoption of ASU 2018-02.

<sup>(2)</sup> Other includes amounts related to benefit plans, available-for-sale investments and are presented net of tax. Amounts reclassified from AOCI to net income were not material for the three months ended March 31, 2018.

|   | Foreign                    |                      |         |
|---|----------------------------|----------------------|---------|
|   | currency                   |                      |         |
|   | translation                |                      |         |
| (in millions)                             | adjustments <sup>(1)</sup> | Other <sup>(2)</sup> | Total   |
| For the Three Months Ended March 31, 2017 |                            |                      |         |
| December 31, 2016                         | \$ (721                    | ) \$ 5               | \$(716) |
| Net other comprehensive income (loss) for |                            |                      |         |
| the three months ended March 31, 2017     | 40                         | (1 )                 | 39      |
| March 31, 2017                            | \$ (681                    | ) \$ 4               | \$(677) |

<sup>(1)</sup> Amount for the three months ended March 31, 2017 includes a loss from a net investment hedge of \$7 million (net of a tax benefit of \$4 million).

<sup>(2)</sup> Other includes amounts related to benefit plans and available-for-sale investments and are presented net of tax. Amounts reclassified from AOCI to net income were not material for the three months ended March 31, 2017.

## 17. Capital Stock

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

|  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Series A                                     |                   |                      |
| Shares authorized, \$0.01 par value          | 20,000,000        | 20,000,000           |
| Shares issued and outstanding                | —                 | —                    |
| Series B                                     |                   |                      |
| Shares authorized, \$0.01 par value          | 150,000,000       | 150,000,000          |
| Shares issued and outstanding <sup>(1)</sup> | 823,188           | 823,188              |
| Series C                                     |                   |                      |
| Shares authorized, \$0.01 par value          | 6,000,000         | 6,000,000            |
| Shares issued and outstanding <sup>(1)</sup> | 143,458           | 246,522              |
| Series D                                     |                   |                      |
| Shares authorized, \$0.01 par value          | 20,000,000        | 20,000,000           |
| Shares issued and outstanding                | —                 | —                    |

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

**Share Repurchases.** The Company repurchased 0.6 million common shares in open market transactions under the share repurchase program for approximately \$335 million during the three months ended March 31, 2018. At March 31, 2018, there were 5.8 million shares still authorized to be repurchased.

**PNC Capital Contribution.** During the three months ended March 31, 2018, PNC surrendered to BlackRock 103,064 shares of BlackRock Series C Preferred to fund certain LTIP awards.

## 18. Income Taxes

On December 22, 2017, The Tax Cuts and Jobs Act (the “2017 Tax Act”) was enacted. The 2017 Tax Act significantly revises the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, (2) requiring companies to pay a one-time tax on certain unrepatriated earnings of foreign subsidiaries, (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, (4) creating new taxes on certain earnings of controlled foreign corporations, and (5) creating a new limitation on deductible net interest expense. BlackRock’s results in 2017 included a \$1.2 billion net tax benefit related to the 2017 Tax Act. The Company has not made any additional measurement-period adjustments during the three months ended March 31, 2018. The Company may record adjustments to the provisional amounts during the measurement period as additional guidance from the U.S. Department of the Treasury is provided, as changes in the Company’s assumptions occur, and as further information and interpretations become available. For further information on the 2017 Tax Act, see Note 21, Income Taxes, in the consolidated financial statements included in the 2017 Form 10-K.

The first quarter 2018 income tax expense reflected a reduced tax rate associated with the 2017 Tax Act and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018.

The first quarter 2017 income tax expense included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017.

## 19. 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, 2018 and 2017 under the treasury stock method:

|  | Three Months Ended<br>March 31, |             |
|--|---------------------------------|-------------|
| (in millions, except shares and per share data)            | 2018                            | 2017        |
| Net income attributable to BlackRock                       | \$1,089                         | \$859       |
| Basic weighted-average shares outstanding                  | 161,250,018                     | 163,016,599 |
| Dilutive effect of nonparticipating RSUs and stock options | 1,668,943                       | 1,839,584   |
| Total diluted weighted-average shares outstanding          | 162,918,961                     | 164,856,183 |
| Basic earnings per share                                   | \$6.75                          | \$5.27      |

|                            |        |        |
|----------------------------|--------|--------|
| Diluted earnings per share | \$6.68 | \$5.21 |
|----------------------------|--------|--------|

## 20. Segment Information

The Company's management directs BlackRock's operations as one business, the asset management business. The Company utilizes a consolidated approach to assess performance and allocate resources. As such, the Company operates in one business segment as defined in ASC 280-10.

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The following table illustrates total revenue for the three months ended March 31, 2018 and 2017 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides or affiliated services are provided.

|               | Three Months<br>Ended |         |
|---------------|-----------------------|---------|
| (in millions) | March 31,             |         |
| Revenue       | 2018                  | 2017    |
| Americas      | \$2,324               | \$2,043 |
| Europe        | 1,093                 | 906     |
| Asia-Pacific  | 166                   | 143     |
| Total revenue | \$3,583               | \$3,092 |

The following table illustrates long-lived assets that consist of goodwill and property and equipment at March 31, 2018 and December 31, 2017 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

See Note 13, Revenue, for further information on the Company's sources of revenue.

| (in millions)           | March 31, | December 31, |
|-------------------------|-----------|--------------|
| Long-lived Assets       | 2018      | 2017         |
| Americas                | \$ 13,551 | \$ 13,560    |
| Europe                  | 172       | 168          |
| Asia-Pacific            | 83        | 84           |
| Total long-lived assets | \$ 13,806 | \$ 13,812    |

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

### 21. Subsequent Events

In April 2018, the Company announced that it entered into an agreement to acquire Tennenbaum Capital Partners, LLC, a leading manager focused on middle market performing credit and special situation credit opportunities. The transaction is expected to be completed in the third quarter of 2018, subject to customary regulatory approvals and closing conditions. This transaction is not expected to be material to the Company's condensed consolidated statements of financial condition or results of operations.

In May 2018, the Company announced that it entered into an agreement to sell its minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to The DSP Group. The Company currently has a 40% stake in the joint venture, which manages and markets a range of co-branded mutual funds in India. This transaction is expected to complete, subject to regulatory approval, once naming transfers and investment scheme unitholder communications are

finalized. This transaction is not expected to be material to the Company's condensed consolidated statements of financial condition or results of operations.

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

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

FORWARD-LOOKING STATEMENTS

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

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

BlackRock has previously disclosed risk factors in its Securities and Exchange Commission ("SEC") reports. These risk factors and those identified elsewhere in this report, among others, could cause actual results to differ materially from forward-looking statements or historical performance and include: (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 potential for human error in connection with BlackRock's operational systems; (10) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock or The PNC Financial Services Group, Inc. ("PNC"); (11) changes in law and policy and uncertainty pending any such changes; (12) 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; (13) the ability to attract and retain highly talented professionals; (14) fluctuations in the carrying value of BlackRock's economic investments; (15) 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; (16) BlackRock's success in negotiating distribution arrangements and maintaining distribution channels for its products; (17) the failure by a key vendor of BlackRock to fulfill its obligations to the Company; (18) any disruption to the operations of third parties whose functions are integral to BlackRock's exchange-traded funds ("ETF") platform; (19) 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 (20) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.



## OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm with \$6.317 trillion of AUM at March 31, 2018. With approximately 14,000 employees in more than 30 countries, BlackRock provides a broad range of investment, risk management and technology services to institutional and retail clients worldwide.

BlackRock’s diverse platform of alpha-seeking active, index and cash management 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 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® ETFs, separate accounts, collective investment trusts and other pooled investment vehicles. BlackRock also offers the investment and risk management platform, Aladdin®, risk analytics, advisory and technology services and solutions to a broad base of institutional and wealth management clients.

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 and technology service relationships by marketing its services to investors directly and through third-party distribution relationships, including financial professionals and pension consultants.

At March 31, 2018, PNC held 21.2% of the Company’s voting common stock and 21.7% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

The Company adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers effective January 1, 2018 on a full retrospective basis. Accordingly, financial results for 2017 were recast to reflect the adoption of the new revenue recognition standard. For further information, refer to Note 2, Significant Accounting Policies, in the condensed consolidated financial statements.

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

## OTHER DEVELOPMENTS

### Acquisition and Divestiture

In April 2018, the Company announced that it entered into an agreement to acquire Tennenbaum Capital Partners, LLC, a leading manager focused on middle market performing credit and special situation credit opportunities. The transaction is expected to be completed in the third quarter of 2018, subject to customary regulatory approvals and closing conditions. This transaction is not expected to be material to the Company’s condensed consolidated statements of financial condition or results of operations.

In May 2018, the Company announced that it entered into an agreement to sell its minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to The DSP Group. The Company currently has a 40% stake in the joint venture,

which manages and markets a range of co-branded mutual funds in India. This transaction is expected to complete, subject to regulatory approval, once naming transfers and investment scheme unitholder communications are finalized. This transaction is not expected to be material to the Company's condensed consolidated statements of financial condition or results of operations.

## United Kingdom Exit from European Union

Following the June 2016 vote to exit the European Union (“EU”), the United Kingdom served notice under Article 50 of the Treaty on European Union on March 29, 2017 to initiate the process of exiting from the EU, commonly referred to as "Brexit". The outcome of the negotiations between the United Kingdom and the EU in connection with Brexit is highly uncertain and information regarding the long-term consequences is expected to become clearer over time as negotiations progress. The Company continues to prepare for a range of potential outcomes in connection with Brexit.

## EXECUTIVE SUMMARY

| (in millions, except shares and per share data)                   | Three Months Ended |   |                     |   |
|---|--------------------|---|---------------------|---|
|   | March 31,          |   | 2017 <sup>(4)</sup> |   |
|   | 2018               |   | 2017                |   |
| GAAP basis:   |                    |   |                     |   |
| Total revenue   | \$3,583            |   | \$3,092             |   |
| Total expense   | 2,208              |   | 1,949               |   |
| Operating income  | 1,375              |   | 1,143               |   |
| Operating margin  | 38.4               | % | 37.0                | % |
| Nonoperating income (expense), less net income (loss)             |                    |   |                     |   |
| attributable to noncontrolling interests                          | (21                | ) | (16                 | ) |
| Income tax expense  | (265               | ) | (268                | ) |
| Net income attributable to BlackRock                              | \$1,089            |   | \$859               |   |
| Diluted earnings per common share                                 | \$6.68             |   | \$5.21              |   |
| Effective tax rate  | 19.6               | % | 23.8                | % |
| As adjusted <sup>(1)</sup> :                                      |                    |   |                     |   |
| Operating income  | \$1,378            |   | \$1,147             |   |
| Operating margin  | 44.1               | % | 42.6                | % |
| Nonoperating income (expense), less net income (loss)             |                    |   |                     |   |
| attributable to noncontrolling interests                          | (21                | ) | (16                 | ) |
| Net income attributable to BlackRock                              | \$1,092            |   | \$862               |   |
| Diluted earnings per common share                                 | \$6.70             |   | \$5.23              |   |
| Effective tax rate  | 19.6               | % | 23.8                | % |
| Other:  |                    |   |                     |   |
| Assets under management (end of period)                           | \$6,316,984        |   | \$5,420,477         |   |
| Diluted weighted-average common shares outstanding <sup>(2)</sup> | 162,918,961        |   | 164,856,183         |   |
| Common and preferred shares outstanding                           |                    |   |                     |   |
| (end of period)   | 161,275,008        |   | 162,868,647         |   |
| Book value per share <sup>(3)</sup>                               | \$198.28           |   | \$178.94            |   |
| Cash dividends declared and paid per share                        | \$2.88             |   | \$2.50              |   |

<sup>(1)</sup> As adjusted items are described in more detail in Non-GAAP Financial Measures.

<sup>(2)</sup> Nonvoting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.

<sup>(3)</sup> Total BlackRock stockholders' equity divided by total common and preferred shares outstanding at March 31 of the respective period-end.

<sup>(4)</sup> Financial results for 2017 were recast to reflect the adoption of the new revenue recognition standard. For further information, refer to Note 2, Significant Accounting Policies, in the condensed consolidated financial statements.

THREE MONTHS ENDED MARCH 31, 2018 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2017

GAAP. Operating income of \$1,375 million increased \$232 million and operating margin of 38.4% increased 140 bps from the first quarter of 2017. Operating income and operating margin growth primarily reflected higher base fees and technology and risk management revenue, partially offset by higher compensation and benefits, higher volume-related expense, and higher general and administration expense.

First quarter 2018 income tax expense reflected a reduced tax rate associated with The Tax Cuts and Jobs Act enacted on December 22, 2017 (the “2017 Tax Act”) and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018. First quarter 2017 income tax expense included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017. See Income Tax Expense within Discussion of Financial Results for more information.

Earnings per diluted common share increased \$1.47, or 28%, from the first quarter of 2017, driven primarily by higher operating income, lower tax rate and the benefit of share repurchases.

As Adjusted. Operating income of \$1,378 million increased \$231 million from the first quarter of 2017, and operating margin of 44.1% increased 150 bps from the first quarter of 2017. Earnings per diluted common share increased \$1.47, or 28%, from the first quarter of 2017.

See Non-GAAP Financial Measures for further information on as adjusted items and the reconciliation to accounting principles generally accepted in the United States (“GAAP”).

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

## NON-GAAP FINANCIAL MEASURES

BlackRock reports its financial results in accordance with 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 considers them to be helpful, for both management and investors, in evaluating 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. Non-GAAP measures may not be comparable to other similarly titled measures of other companies.

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 that occur infrequently, transactions that ultimately will not impact BlackRock's book value or certain tax items that do not impact cash flow.

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

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

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

| (in millions)  | Three Months<br>Ended<br>March 31, |         |
|--|------------------------------------|---------|
|  | 2018                               | 2017    |
| Operating income, GAAP basis                           | \$1,375                            | \$1,143 |
| Non-GAAP expense adjustment:                           |                                    |         |
| PNC LTIP funding obligation                            | 3                                  | 4       |
| Operating income, as adjusted                          | 1,378                              | 1,147   |
| Product launch costs and commissions                   | 12                                 | —       |
| Operating income used for operating margin measurement | \$1,390                            | \$1,147 |
| Revenue, GAAP basis                                    | \$3,583                            | \$3,092 |
| Non-GAAP adjustment:                                   |                                    |         |
| Distribution and servicing costs                       | (432 )                             | (401 )  |
| Revenue used for operating margin measurement          | \$3,151                            | \$2,691 |
| Operating margin, GAAP basis                           | 38.4 %                             | 37.0 %  |
| Operating margin, as adjusted                          | 44.1 %                             | 42.6 %  |

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.

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

until future periods.

Revenue used for operating margin, as adjusted, excludes distribution and servicing costs paid to third parties.

Management believes such costs represent a benchmark for the amount of revenue passed through to external parties who distribute the Company's products. BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to distribution and servicing costs as a proxy for such offsetting revenue.



(2) Net income attributable to BlackRock, Inc., as adjusted:

|   | Three Months<br>Ended<br>March 31, |        |
|---|------------------------------------|--------|
| (in millions, except per share data)                    | 2018                               | 2017   |
| Net income attributable to BlackRock, Inc., GAAP basis  | \$1,089                            | \$859  |
| Non-GAAP adjustments:                                   |                                    |        |
| PNC LTIP funding obligation, net of tax                 | 3                                  | 3      |
| Net income attributable to BlackRock, Inc., as adjusted | \$1,092                            | \$862  |
| Diluted weighted-average common shares outstanding (3)  | 162.9                              | 164.9  |
| Diluted earnings per common share, GAAP basis (3)       | \$6.68                             | \$5.21 |
| Diluted earnings per common share, as adjusted (3)      | \$6.70                             | \$5.23 |

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

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 adjustment.

Per share amounts reflect net income attributable to BlackRock, Inc., as adjusted divided by diluted weighted average common shares outstanding.

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

## ASSETS UNDER MANAGEMENT

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

## AUM and Net Inflows (Outflows) by Client Type

| (in millions)           | AUM               |                         |                   | Net inflows<br>(outflows) |                      |
|-------------------------|-------------------|-------------------------|-------------------|---------------------------|----------------------|
|                         | March 31,<br>2018 | December<br>31,<br>2017 | March 31,<br>2017 | Three                     | Twelve               |
|                         |                   |                         |                   | Months                    | Months               |
|                         |                   |                         |                   | Ended                     | Ended                |
|                         |                   |                         |                   | March<br>31,<br>2018      | March<br>31,<br>2018 |
| Retail                  | \$638,363         | \$628,377               | \$564,333         | \$16,686                  | \$41,953             |
| iShares ETFs            | 1,767,925         | 1,752,239               | 1,413,335         | 34,649                    | 215,509              |
| Institutional:          |                   |                         |                   |                           |                      |
| Active                  | 1,130,446         | 1,139,308               | 1,037,233         | (7,088 )                  | (156 )               |
| Index                   | 2,324,327         | 2,316,807               | 2,013,905         | 10,378                    | 47,216               |
| Total institutional     | 3,454,773         | 3,456,115               | 3,051,138         | 3,290                     | 47,060               |
| Long-term               | 5,861,061         | 5,836,731               | 5,028,806         | 54,625                    | 304,522              |
| Cash management         | 454,784           | 449,949                 | 388,935           | 2,674                     | 56,639               |
| Advisory <sup>(1)</sup> | 1,139             | 1,515                   | 2,736             | (353 )                    | (1,561 )             |
| Total                   | \$6,316,984       | \$6,288,195             | \$5,420,477       | \$56,946                  | \$359,600            |

## AUM and Net Inflows (Outflows) by Investment Style

| (in millions)           | AUM               |                         |                   | Net inflows<br>(outflows) |                      |
|-------------------------|-------------------|-------------------------|-------------------|---------------------------|----------------------|
|                         | March 31,<br>2018 | December<br>31,<br>2017 | March 31,<br>2017 | Three                     | Twelve               |
|                         |                   |                         |                   | Months                    | Months               |
|                         |                   |                         |                   | Ended                     | Ended                |
|                         |                   |                         |                   | March<br>31,<br>2018      | March<br>31,<br>2018 |
| Active                  | \$1,693,883       | \$1,696,005             | \$1,543,519       | \$5,513                   | \$31,804             |
| Index and iShares ETFs  | 4,167,178         | 4,140,726               | 3,485,287         | 49,112                    | 272,718              |
| Long-term               | 5,861,061         | 5,836,731               | 5,028,806         | 54,625                    | 304,522              |
| Cash management         | 454,784           | 449,949                 | 388,935           | 2,674                     | 56,639               |
| Advisory <sup>(1)</sup> | 1,139             | 1,515                   | 2,736             | (353 )                    | (1,561 )             |
| Total                   | \$6,316,984       | \$6,288,195             | \$5,420,477       | \$56,946                  | \$359,600            |

## AUM and Net Inflows (Outflows) by Product Type

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|                            | AUM         |             |             | Net inflows<br>(outflows) |           |
|----------------------------|-------------|-------------|-------------|---------------------------|-----------|
|                            |             |             |             | Three                     | Twelve    |
|                            |             |             |             | Months                    | Months    |
|                            |             |             |             | Ended                     | Ended     |
|                            | March 31,   | December    | March 31,   | March                     | March     |
| (in millions)              | 2018        | 31, 2017    | 2017        | 31, 2018                  | 31, 2018  |
| Equity                     | \$3,363,237 | \$3,371,641 | \$2,865,515 | \$26,514                  | \$112,602 |
| Fixed income               | 1,886,523   | 1,855,465   | 1,630,569   | 26,683                    | 172,097   |
| Multi-asset                | 476,697     | 480,278     | 411,565     | (1,987 )                  | 16,793    |
| Alternatives:              |             |             |             |                           |           |
| Core                       | 101,563     | 98,533      | 90,914      | 1,533                     | 1,309     |
| Currency and               |             |             |             |                           |           |
| commodities <sup>(2)</sup> | 33,041      | 30,814      | 30,243      | 1,882                     | 1,721     |
| Subtotal                   | 134,604     | 129,347     | 121,157     | 3,415                     | 3,030     |
| Long-term                  | 5,861,061   | 5,836,731   | 5,028,806   | 54,625                    | 304,522   |
| Cash management            | 454,784     | 449,949     | 388,935     | 2,674                     | 56,639    |
| Advisory <sup>(1)</sup>    | 1,139       | 1,515       | 2,736       | (353 )                    | (1,561 )  |
| Total                      | \$6,316,984 | \$6,288,195 | \$5,420,477 | \$56,946                  | \$359,600 |

<sup>(1)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

<sup>(2)</sup> Amounts include commodity iShares ETFs.

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Component Changes in AUM for the Three Months Ended March 31, 2018

The following table presents the component changes in AUM by client type and product type for the three months ended March, 2018.

|                         | Net                  |                       |                  |                             |                   |                               |
|-------------------------|----------------------|-----------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)           | December 31,<br>2017 | inflows<br>(outflows) | Market<br>change | FX<br>impact <sup>(1)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(2)</sup> |
| Retail:                 |                      |                       |                  |                             |                   |                               |
| Equity                  | \$ 233,218           | \$ 4,248              | \$(6,711 )       | \$ 2,200                    | \$ 232,955        | \$ 237,553                    |
| Fixed income            | 257,571              | 10,065                | (2,188 )         | 1,123                       | 266,571           | 262,506                       |
| Multi-asset             | 120,855              | 2,035                 | (1,556 )         | 267                         | 121,601           | 122,671                       |
| Alternatives            | 16,733               | 338                   | 63               | 102                         | 17,236            | 17,131                        |
| Retail subtotal         | 628,377              | 16,686                | (10,392)         | 3,692                       | 638,363           | 639,861                       |
| iShares ETFs:           |                      |                       |                  |                             |                   |                               |
| Equity                  | 1,329,610            | 29,714                | (17,345)         | 2,585                       | 1,344,564         | 1,366,390                     |
| Fixed income            | 395,252              | 3,210                 | (5,754 )         | 1,483                       | 394,191           | 394,856                       |
| Multi-asset             | 3,761                | 48                    | (40 )            | (3 )                        | 3,766             | 3,792                         |
| Alternatives            | 23,616               | 1,677                 | 91               | 20                          | 25,404            | 24,852                        |
| iShares ETFs subtotal   | 1,752,239            | 34,649                | (23,048)         | 4,085                       | 1,767,925         | 1,789,890                     |
| Institutional:          |                      |                       |                  |                             |                   |                               |
| Active:                 |                      |                       |                  |                             |                   |                               |
| Equity                  | 137,185              | (296 )                | (1,739 )         | 1,320                       | 136,470           | 139,478                       |
| Fixed income            | 570,050              | (4,069 )              | (7,134 )         | 4,725                       | 563,572           | 567,142                       |
| Multi-asset             | 347,825              | (4,110 )              | (3,161 )         | 2,790                       | 343,344           | 346,649                       |
| Alternatives            | 84,248               | 1,387                 | 673              | 752                         | 87,060            | 85,908                        |
| Active subtotal         | 1,139,308            | (7,088 )              | (11,361)         | 9,587                       | 1,130,446         | 1,139,177                     |
| Index:                  |                      |                       |                  |                             |                   |                               |
| Equity                  | 1,671,628            | (7,152 )              | (29,307)         | 14,079                      | 1,649,248         | 1,687,392                     |
| Fixed income            | 632,592              | 17,477                | (2,987 )         | 15,107                      | 662,189           | 643,857                       |
| Multi-asset             | 7,837                | 40                    | (112 )           | 221                         | 7,986             | 8,456                         |
| Alternatives            | 4,750                | 13                    | 43               | 98                          | 4,904             | 4,910                         |
| Index subtotal          | 2,316,807            | 10,378                | (32,363)         | 29,505                      | 2,324,327         | 2,344,615                     |
| Institutional subtotal  | 3,456,115            | 3,290                 | (43,724)         | 39,092                      | 3,454,773         | 3,483,792                     |
| Long-term               | 5,836,731            | 54,625                | (77,164)         | 46,869                      | 5,861,061         | 5,913,543                     |
| Cash management         | 449,949              | 2,674                 | 85               | 2,076                       | 454,784           | 453,629                       |
| Advisory <sup>(3)</sup> | 1,515                | (353 )                | (14 )            | (9 )                        | 1,139             | 1,323                         |
| Total                   | \$ 6,288,195         | \$ 56,946             | \$(77,093)       | \$ 48,936                   | \$ 6,316,984      | \$ 6,368,495                  |

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

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

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



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The following table presents component changes in AUM by investment style and product type for the three months ended March 31, 2018.

|                               | Net                  |                       |                  |                             |                   |                               |
|-------------------------------|----------------------|-----------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)                 | December 31,<br>2017 | inflows<br>(outflows) | Market<br>change | FX<br>impact <sup>(1)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(2)</sup> |
| Active:                       |                      |                       |                  |                             |                   |                               |
| Equity                        | \$ 311,209           | \$ 1,005              | \$(6,458 )       | \$ 2,611                    | \$308,367         | \$316,310                     |
| Fixed income                  | 815,135              | 4,858                 | (9,222 )         | 5,503                       | 816,274           | 816,757                       |
| Multi-asset                   | 468,679              | (2,075 )              | (4,716 )         | 3,057                       | 464,945           | 469,320                       |
| Alternatives                  | 100,982              | 1,725                 | 736              | 854                         | 104,297           | 103,039                       |
| Active subtotal               | 1,696,005            | 5,513                 | (19,660)         | 12,025                      | 1,693,883         | 1,705,426                     |
| Index and iShares ETFs:       |                      |                       |                  |                             |                   |                               |
| iShares ETFs:                 |                      |                       |                  |                             |                   |                               |
| Equity                        | 1,329,610            | 29,714                | (17,345)         | 2,585                       | 1,344,564         | 1,366,390                     |
| Fixed income                  | 395,252              | 3,210                 | (5,754 )         | 1,483                       | 394,191           | 394,856                       |
| Multi-asset                   | 3,761                | 48                    | (40 )            | (3 )                        | 3,766             | 3,792                         |
| Alternatives                  | 23,616               | 1,677                 | 91               | 20                          | 25,404            | 24,852                        |
| iShares ETFs subtotal         | 1,752,239            | 34,649                | (23,048)         | 4,085                       | 1,767,925         | 1,789,890                     |
| Non-ETF Index:                |                      |                       |                  |                             |                   |                               |
| Equity                        | 1,730,822            | (4,205 )              | (31,299)         | 14,988                      | 1,710,306         | 1,748,113                     |
| Fixed income                  | 645,078              | 18,615                | (3,087 )         | 15,452                      | 676,058           | 656,748                       |
| Multi-asset                   | 7,838                | 40                    | (113 )           | 221                         | 7,986             | 8,456                         |
| Alternatives                  | 4,749                | 13                    | 43               | 98                          | 4,903             | 4,910                         |
| Non-ETF Index subtotal        | 2,388,487            | 14,463                | (34,456)         | 30,759                      | 2,399,253         | 2,418,227                     |
| Index & iShares ETFs subtotal | 4,140,726            | 49,112                | (57,504)         | 34,844                      | 4,167,178         | 4,208,117                     |
| Long-term                     | 5,836,731            | 54,625                | (77,164)         | 46,869                      | 5,861,061         | 5,913,543                     |
| Cash management               | 449,949              | 2,674                 | 85               | 2,076                       | 454,784           | 453,629                       |
| Advisory <sup>(3)</sup>       | 1,515                | (353 )                | (14 )            | (9 )                        | 1,139             | 1,323                         |
| Total                         | \$ 6,288,195         | \$ 56,946             | \$(77,093)       | \$ 48,936                   | \$6,316,984       | \$6,368,495                   |

The following table presents component changes in AUM by product type for the three months ended March 31, 2018.

|   | Net                  |                       |                  |                             |                   |                               |
|---|----------------------|-----------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)                           | December 31,<br>2017 | inflows<br>(outflows) | Market<br>change | FX<br>impact <sup>(1)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(2)</sup> |
| Equity                                  | \$ 3,371,641         | \$ 26,514             | \$(55,102)       | \$ 20,184                   | \$3,363,237       | \$3,430,813                   |
| Fixed income                            | 1,855,465            | 26,683                | (18,063)         | 22,438                      | 1,886,523         | 1,868,361                     |
| Multi-asset                             | 480,278              | (1,987 )              | (4,869 )         | 3,275                       | 476,697           | 481,568                       |
| Alternatives:                           |                      |                       |                  |                             |                   |                               |
| Core                                    | 98,533               | 1,533                 | 750              | 747                         | 101,563           | 100,438                       |
| Currency and commodities <sup>(4)</sup> | 30,814               | 1,882                 | 120              | 225                         | 33,041            | 32,363                        |
| Alternatives subtotal                   | 129,347              | 3,415                 | 870              | 972                         | 134,604           | 132,801                       |
| Long-term                               | 5,836,731            | 54,625                | (77,164)         | 46,869                      | 5,861,061         | 5,913,543                     |
| Cash management                         | 449,949              | 2,674                 | 85               | 2,076                       | 454,784           | 453,629                       |
| Advisory <sup>(3)</sup>                 | 1,515                | (353 )                | (14 )            | (9 )                        | 1,139             | 1,323                         |
| Total                                   | \$ 6,288,195         | \$ 56,946             | \$(77,093)       | \$ 48,936                   | \$6,316,984       | \$6,368,495                   |

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

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

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

(4) Amounts include commodity iShares ETFs.

AUM increased \$28.8 billion to \$6.3 trillion at March 31, 2018, driven by positive net inflows and the impact of foreign exchange movements, partially offset by net market depreciation.

Net market depreciation of \$77.1 billion included \$55.1 billion from equity products due to lower U.S. and global equity markets and \$18.1 billion from fixed income across all strategies.

Long-term net inflows of \$54.6 billion included \$34.6 billion, \$16.7 billion and \$3.3 billion from iShares ETFs, retail clients and institutional clients, respectively. Net flows in long-term products are described below.

iShares ETFs net inflows of \$34.6 billion reflected strength in iShares Core ETFs. Equity net inflows of \$29.7 billion were driven by both U.S. and international equity market exposures. Fixed income and commodity iShares generated \$3.2 billion and \$1.7 billion of net inflows, respectively.

Retail net inflows of \$16.7 billion reflected net inflows of \$8.7 billion in the United States and \$8.0 billion internationally. Fixed income net inflows of \$10.0 billion were diversified across the Company's active platform, led by net inflows into unconstrained, emerging market and municipals categories. Equity net inflows of \$4.2 billion reflected inflows into index mutual funds and international active equities. Multi-asset net inflows of \$2.0 billion were largely due to inflows into the Multi-asset Income fund family.

Institutional index net inflows of \$10.4 billion included fixed income net inflows of \$17.5 billion, led by demand for liability-driven solutions, partially offset by equity net outflows of \$7.2 billion.

Institutional active net outflows of \$7.1 billion were driven by fixed income outflows of \$4.1 billion linked to risk reallocation and cash repatriation planning, and multi-asset net outflows of \$4.1 billion resulting from a single redemption associated with client M&A activity. Alternatives net inflows of \$1.4 billion were led by inflows into hedge funds, private equity solutions and infrastructure offerings.

Cash management AUM increased 1% to \$454.8 billion, driven by positive net inflows and the impact of foreign exchange movements.

AUM increased \$48.9 billion due to the impact of foreign exchange movements, primarily resulting from the weakening of the U.S. dollar against the British pound, the Japanese yen and the Euro.



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Component Changes in AUM for the Twelve Months Ended March 31, 2018

The following table presents the component changes in AUM by client type and product for the twelve months ended March 31, 2018.

|                         | Net               |                       |                            |                  |                             |                   |                               |
|-------------------------|-------------------|-----------------------|----------------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)           | March 31,<br>2017 | inflows<br>(outflows) | Acquisition <sup>(1)</sup> | Market<br>change | FX<br>impact <sup>(2)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(3)</sup> |
| Retail:                 |                   |                       |                            |                  |                             |                   |                               |
| Equity                  | \$208,181         | \$6,564               | \$ -                       | \$10,628         | \$7,582                     | \$232,955         | \$225,294                     |
| Fixed income            | 230,003           | 29,775                | -                          | 1,974            | 4,819                       | 266,571           | 249,258                       |
| Multi-asset             | 110,702           | 4,921                 | -                          | 4,874            | 1,104                       | 121,601           | 117,752                       |
| Alternatives            | 15,447            | 693                   | -                          | 609              | 487                         | 17,236            | 16,964                        |
| Retail subtotal         | 564,333           | 41,953                | -                          | 18,085           | 13,992                      | 638,363           | 609,268                       |
| iShares ETFs:           |                   |                       |                            |                  |                             |                   |                               |
| Equity                  | 1,052,409         | 159,538               | -                          | 117,376          | 15,241                      | 1,344,564         | 1,233,739                     |
| Fixed income            | 337,904           | 50,358                | -                          | (3,217 )         | 9,146                       | 394,191           | 377,467                       |
| Multi-asset             | 2,890             | 747                   | -                          | 123              | 6                           | 3,766             | 3,466                         |
| Alternatives            | 20,132            | 4,866                 | -                          | 236              | 170                         | 25,404            | 22,397                        |
| iShares ETFs subtotal   | 1,413,335         | 215,509               | -                          | 114,518          | 24,563                      | 1,767,925         | 1,637,069                     |
| Institutional:          |                   |                       |                            |                  |                             |                   |                               |
| Active:                 |                   |                       |                            |                  |                             |                   |                               |
| Equity                  | 124,817           | (9,214 )              | -                          | 16,067           | 4,800                       | 136,470           | 132,135                       |
| Fixed income            | 543,782           | (3,477 )              | -                          | 10,299           | 12,968                      | 563,572           | 559,731                       |
| Multi-asset             | 290,729           | 11,736                | -                          | 25,551           | 15,328                      | 343,344           | 325,522                       |
| Alternatives            | 77,905            | 799                   | 3,264                      | 2,806            | 2,286                       | 87,060            | 83,120                        |
| Active subtotal         | 1,037,233         | (156 )                | 3,264                      | 54,723           | 35,382                      | 1,130,446         | 1,100,508                     |
| Index:                  |                   |                       |                            |                  |                             |                   |                               |
| Equity                  | 1,480,108         | (44,286 )             | -                          | 174,294          | 39,132                      | 1,649,248         | 1,600,091                     |
| Fixed income            | 518,880           | 95,441                | -                          | 5,605            | 42,263                      | 662,189           | 590,625                       |
| Multi-asset             | 7,244             | (611 )                | -                          | 1,062            | 291                         | 7,986             | 7,952                         |
| Alternatives            | 7,673             | (3,328 )              | -                          | 243              | 316                         | 4,904             | 6,374                         |
| Index subtotal          | 2,013,905         | 47,216                | -                          | 181,204          | 82,002                      | 2,324,327         | 2,205,042                     |
| Institutional subtotal  | 3,051,138         | 47,060                | 3,264                      | 235,927          | 117,384                     | 3,454,773         | 3,305,550                     |
| Long-term               | 5,028,806         | 304,522               | 3,264                      | 368,530          | 155,939                     | 5,861,061         | 5,551,887                     |
| Cash management         | 388,935           | 56,639                | -                          | 1,104            | 8,106                       | 454,784           | 427,375                       |
| Advisory <sup>(4)</sup> | 2,736             | (1,561 )              | -                          | (190 )           | 154                         | 1,139             | 2,159                         |
| Total                   | \$5,420,477       | \$359,600             | \$ 3,264                   | \$369,444        | \$164,199                   | \$6,316,984       | \$5,981,421                   |

<sup>(1)</sup> Amount represents AUM acquired in the First Reserve Infrastructure business transaction in June 2017 (“First Reserve Transaction”).

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

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

<sup>(4)</sup> Advisory AUM represents long-term portfolio liquidation assignments.



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The following table presents component changes in AUM by investment style and product type for the twelve months ended March 31, 2018.

|                                  | Net               |                       |                            |                  |                             |                   |                               |
|----------------------------------|-------------------|-----------------------|----------------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)                    | March 31,<br>2017 | inflows<br>(outflows) | Acquisition <sup>(1)</sup> | Market<br>change | FX<br>impact <sup>(2)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(3)</sup> |
| Active:                          |                   |                       |                            |                  |                             |                   |                               |
| Equity                           | \$285,716         | \$(10,682 )           | \$ -                       | \$23,688         | \$9,645                     | \$308,367         | \$301,969                     |
| Fixed income                     | 763,020           | 24,338                | -                          | 12,173           | 16,743                      | 816,274           | 796,760                       |
| Multi-asset                      | 401,431           | 16,657                | -                          | 30,425           | 16,432                      | 464,945           | 443,274                       |
| Alternatives                     | 93,352            | 1,491                 | 3,264                      | 3,415            | 2,775                       | 104,297           | 100,084                       |
| Active subtotal                  | 1,543,519         | 31,804                | 3,264                      | 69,701           | 45,595                      | 1,693,883         | 1,642,087                     |
| Index and iShares ETFs:          |                   |                       |                            |                  |                             |                   |                               |
| iShares ETFs:                    |                   |                       |                            |                  |                             |                   |                               |
| Equity                           | 1,052,409         | 159,538               | -                          | 117,376          | 15,241                      | 1,344,564         | 1,233,739                     |
| Fixed income                     | 337,904           | 50,358                | -                          | (3,217 )         | 9,146                       | 394,191           | 377,467                       |
| Multi-asset                      | 2,890             | 747                   | -                          | 123              | 6                           | 3,766             | 3,466                         |
| Alternatives                     | 20,132            | 4,866                 | -                          | 236              | 170                         | 25,404            | 22,397                        |
| iShares ETFs subtotal            | 1,413,335         | 215,509               | -                          | 114,518          | 24,563                      | 1,767,925         | 1,637,069                     |
| Non-ETF Index:                   |                   |                       |                            |                  |                             |                   |                               |
| Equity                           | 1,527,390         | (36,254 )             | -                          | 177,301          | 41,869                      | 1,710,306         | 1,655,551                     |
| Fixed income                     | 529,645           | 97,401                | -                          | 5,705            | 43,307                      | 676,058           | 602,854                       |
| Multi-asset                      | 7,244             | (611 )                | -                          | 1,062            | 291                         | 7,986             | 7,952                         |
| Alternatives                     | 7,673             | (3,327 )              | -                          | 243              | 314                         | 4,903             | 6,374                         |
| Non-ETF Index subtotal           | 2,071,952         | 57,209                | -                          | 184,311          | 85,781                      | 2,399,253         | 2,272,731                     |
| Index & iShares ETFs<br>subtotal | 3,485,287         | 272,718               | -                          | 298,829          | 110,344                     | 4,167,178         | 3,909,800                     |
| Long-term                        | 5,028,806         | 304,522               | 3,264                      | 368,530          | 155,939                     | 5,861,061         | 5,551,887                     |
| Cash management                  | 388,935           | 56,639                | -                          | 1,104            | 8,106                       | 454,784           | 427,375                       |
| Advisory <sup>(4)</sup>          | 2,736             | (1,561 )              | -                          | (190 )           | 154                         | 1,139             | 2,159                         |
| Total                            | \$5,420,477       | \$359,600             | \$ 3,264                   | \$369,444        | \$164,199                   | \$6,316,984       | \$5,981,421                   |

The following table presents component changes in AUM by product type for the twelve months ended March 31, 2018.

|  | Net               |                       |                            |                  |                             |                   |                               |
|--|-------------------|-----------------------|----------------------------|------------------|-----------------------------|-------------------|-------------------------------|
| (in millions)                              | March 31,<br>2017 | inflows<br>(outflows) | Acquisition <sup>(1)</sup> | Market<br>change | FX<br>impact <sup>(2)</sup> | March 31,<br>2018 | Average<br>AUM <sup>(3)</sup> |
| Equity                                     | \$2,865,515       | \$112,602             | \$ -                       | \$318,365        | \$66,755                    | \$3,363,237       | \$3,191,259                   |
| Fixed income                               | 1,630,569         | 172,097               | -                          | 14,661           | 69,196                      | 1,886,523         | 1,777,081                     |
| Multi-asset                                | 411,565           | 16,793                | -                          | 31,610           | 16,729                      | 476,697           | 454,692                       |
| Alternatives:                              |                   |                       |                            |                  |                             |                   |                               |
| Core                                       | 90,914            | 1,309                 | 3,264                      | 3,379            | 2,697                       | 101,563           | 97,643                        |
| Currency and<br>commodities <sup>(5)</sup> | 30,243            | 1,721                 | -                          | 515              | 562                         | 33,041            | 31,212                        |
| Alternatives subtotal                      | 121,157           | 3,030                 | 3,264                      | 3,894            | 3,259                       | 134,604           | 128,855                       |
| Long-term                                  | 5,028,806         | 304,522               | 3,264                      | 368,530          | 155,939                     | 5,861,061         | 5,551,887                     |
| Cash management                            | 388,935           | 56,639                | -                          | 1,104            | 8,106                       | 454,784           | 427,375                       |

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|                         |             |            |          |           |            |             |             |
|-------------------------|-------------|------------|----------|-----------|------------|-------------|-------------|
| Advisory <sup>(4)</sup> | 2,736       | (1,561 )   | -        | (190 )    | 154        | 1,139       | 2,159       |
| Total                   | \$5,420,477 | \$ 359,600 | \$ 3,264 | \$369,444 | \$ 164,199 | \$6,316,984 | \$5,981,421 |

(1) Amount represents AUM acquired in the First Reserve Transaction.

(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.

(5) Amounts include commodity iShares ETFs.

AUM increased \$896.5 billion, or 17%, to \$6.3 trillion at March 31, 2018 from \$5.4 trillion at March 31, 2017, driven by net market appreciation, positive net inflows, the impact of foreign exchange movements and AUM acquired in the First Reserve Transaction.

Net market appreciation of \$369.4 billion was primarily driven by higher U.S. and global equity markets.

Long-term net inflows of \$304.5 billion were comprised of net inflows of \$215.5 billion, \$47.1 billion and \$41.9 billion from iShares ETFs, institutional clients and retail clients, respectively. Net flows in long-term products are described below.

• iShares ETFs net inflows of \$215.5 billion were led by equity net inflows of \$159.5 billion driven by both U.S. and international equity market exposures. Fixed income net inflows of \$50.4 billion reflected inflows into treasury, emerging markets debt and corporate investment grade bond funds.

• Institutional index net inflows of \$47.2 billion were driven by fixed income net inflows of \$95.4 billion, partially offset by equity net outflows of \$44.3 billion.

• Retail net inflows of \$41.9 billion reflected net inflows of \$22.7 billion in the United States and \$19.2 billion internationally. Retail net inflows primarily reflected net inflows of \$29.8 billion from fixed income products, led by unconstrained, emerging market, core, and municipal bond strategies, and \$6.6 billion from equity products.

• Institutional active net outflows of \$0.2 billion reflected equity net outflows of \$9.2 billion and fixed income net outflows of \$3.5 billion, partially offset by multi-asset net inflows of \$11.7 billion. Multi-asset net inflows were driven by ongoing demand for the LifePath® target-date series. Equity net outflows were primarily from U.S. equity and global strategies.

Cash management AUM increased 17% to \$454.8 billion, driven by \$56.6 billion of net inflows.

AUM increased \$164.2 billion due to the impact of foreign exchange movements, primarily due to the weakening of the U.S. dollar, largely against British pound and the Euro.

## DISCUSSION OF FINANCIAL RESULTS

The Company's results of operations for the three months ended March 31, 2018 and 2017 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, 2017 ("2017 Form 10-K").

## Revenue

| (in millions)                                    | Three Months<br>Ended<br>March 31, |       |
|--|------------------------------------|-------|
|  | 2018                               | 2017  |
| Investment advisory, administration fees and     |                                    |       |
| securities lending revenue:                      |                                    |       |
| Equity:  |                                    |       |
| Active   | \$438                              | \$400 |
| iShares ETFs                                     | 926                                | 721   |
| Non-ETF index                                    | 176                                | 160   |
| Equity subtotal                                  | 1,540                              | 1,281 |
| Fixed income:                                    |                                    |       |
| Active   | 456                                | 407   |
| iShares ETFs                                     | 208                                | 185   |
| Non-ETF index                                    | 93                                 | 85    |
| Fixed income subtotal                            | 757                                | 677   |
| Multi-asset                                      | 296                                | 272   |
| Alternatives:                                    |                                    |       |
| Core   | 178                                | 144   |
| Currency and commodities                         | 25                                 | 22    |
| Alternatives subtotal                            | 203                                | 166   |
| Long-term  | 2,796                              | 2,396 |
| Cash management                                  | 151                                | 127   |
| Total base fees                                  | 2,947                              | 2,523 |
| Investment advisory performance fees:            |                                    |       |
| Equity   | 18                                 | 15    |
| Fixed income                                     | 3                                  | 10    |
| Multi-asset                                      | 5                                  | 5     |
| Alternatives                                     | 44                                 | 40    |
| Total performance fees                           | 70                                 | 70    |
| Technology and risk management revenue           | 184                                | 154   |
| Distribution fees:                               |                                    |       |
| Retrocessions                                    | 192                                | 155   |
| 12b-1 fees (U.S. mutual funds distribution fees) | 108                                | 122   |
| Other  | 11                                 | 10    |
| Total distribution fees                          | 311                                | 287   |
| Advisory and other revenue                       |                                    |       |
| Advisory   | 21                                 | 24    |
| Other  | 50                                 | 34    |
| Advisory and other revenue                       | 71                                 | 58    |

|               |         |         |
|---------------|---------|---------|
| Total revenue | \$3,583 | \$3,092 |
|---------------|---------|---------|

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

|                              | Three Months Ended March 31,<br>Mix of Average AUM |   |      |   |                               |   |      |   |
|------------------------------|--|---|------|---|-------------------------------|---|------|---|
|                              | Mix of Base Fees                                   |   |      |   | by Asset Class <sup>(1)</sup> |   |      |   |
|                              | 2018   |   | 2017 |   | 2018                          |   | 2017 |   |
|                              |  |   |      |   |                               |   |      |   |
| Equity:                      |  |   |      |   |                               |   |      |   |
| Active                       | 15   | % | 16   | % | 5                             | % | 6    | % |
| iShares ETFs                 | 31   | % | 29   | % | 21                            | % | 18   | % |
| Non-ETF index                | 6  | % | 6    | % | 27                            | % | 28   | % |
| Equity subtotal              | 52   | % | 51   | % | 53                            | % | 52   | % |
| Fixed income:                |  |   |      |   |                               |   |      |   |
| Active                       | 15   | % | 16   | % | 13                            | % | 14   | % |
| iShares ETFs                 | 8  | % | 7    | % | 6                             | % | 6    | % |
| Non-ETF index                | 3  | % | 3    | % | 10                            | % | 10   | % |
| Fixed income subtotal        | 26   | % | 26   | % | 29                            | % | 30   | % |
| Multi-asset                  | 10   | % | 11   | % | 8                             | % | 8    | % |
| Alternatives:                |  |   |      |   |                               |   |      |   |
| Core                         | 6  | % | 6    | % | 2                             | % | 2    | % |
| Currency and commodities     | 1  | % | 1    | % | 1                             | % | 1    | % |
| Alternatives subtotal        | 7  | % | 7    | % | 3                             | % | 3    | % |
| Long-term                    | 95   | % | 95   | % | 93                            | % | 93   | % |
| Cash management              | 5  | % | 5    | % | 7                             | % | 7    | % |
| Total excluding Advisory AUM | 100  | % | 100  | % | 100                           | % | 100  | % |

<sup>(1)</sup> Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months. Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

Revenue increased \$491 million, or 16%, from the first quarter of 2017, driven by growth in base fees, and technology and risk management revenue.

Investment advisory, administration fees and securities lending revenue of \$2,947 million increased \$424 million from \$2,523 million in the first quarter of 2017, reflecting the impact of higher markets and organic growth on average AUM and the impact of foreign exchange movements, partially offset by previously announced pricing changes to select investment products. Securities lending revenue was \$155 million in the current quarter compared with \$141 million in the first quarter of 2017.

Technology and risk management revenue of \$184 million increased \$30 million from \$154 million in the first quarter of 2017, reflecting ongoing demand for institutional Aladdin and expansion of digital wealth and distribution technologies, including Aladdin Risk for Wealth Management and Cachematrix.



## Expense

|   | Three Months<br>Ended<br>March 31, |         |
|---|------------------------------------|---------|
| (in millions)                                   | 2018                               | 2017    |
| Expense, GAAP:                                  |                                    |         |
| Employee compensation and benefits              | \$1,121                            | \$1,021 |
| Distribution and servicing costs:               |                                    |         |
| Retrocessions                                   | 192                                | 155     |
| 12b-1 costs                                     | 106                                | 119     |
| Other   | 134                                | 127     |
| Total distribution and servicing costs          | 432                                | 401     |
| Direct fund expense                             | 261                                | 206     |
| General and administration:                     |                                    |         |
| Marketing and promotional                       | 85                                 | 69      |
| Occupancy and office related                    | 74                                 | 65      |
| Portfolio services                              | 70                                 | 57      |
| Technology                                      | 53                                 | 43      |
| Professional services                           | 32                                 | 25      |
| Communications                                  | 10                                 | 8       |
| Foreign exchange remeasurement                  | 1                                  | (11 )   |
| Contingent consideration fair value adjustments | 6                                  | (4 )    |
| Product launch costs                            | 11                                 | 4       |
| Other general and administration                | 41                                 | 40      |
| Total general and administration expense        | 383                                | 296     |
| Amortization of intangible assets               | 11                                 | 25      |
| Total expense, GAAP                             | \$2,208                            | \$1,949 |
| Less non-GAAP expense adjustments:              |                                    |         |
| Employee compensation and benefits:             |                                    |         |
| PNC LTIP funding obligation                     | 3                                  | 4       |
| Expense, as adjusted:                           |                                    |         |
| Employee compensation and benefits              | \$1,118                            | \$1,017 |
| Distribution and servicing costs                | 432                                | 401     |
| Direct fund expense                             | 261                                | 206     |
| General and administration                      | 383                                | 296     |
| Amortization of intangible assets               | 11                                 | 25      |
| Total expense, as adjusted                      | \$2,205                            | \$1,945 |

## Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

GAAP. Expense increased \$259 million from the first quarter of 2017, driven primarily by higher employee compensation and benefits expense, higher general and administration expense, and higher volume-related expense.

Employee compensation and benefits expense increased \$100 million, or 10%, from the first quarter of 2017, primarily reflecting higher incentive compensation, driven primarily by higher operating income, and higher headcount, partially offset by \$20 million of expense associated with the strategic repositioning of the active equity platform. Employees at March 31, 2018 totaled approximately 14,000 compared with approximately 13,000 at March

31, 2017.

Direct fund expense increased \$55 million from the first quarter of 2017, reflecting higher average AUM.

As Adjusted. Expense, as adjusted, increased \$260 million, or 13%, to \$2,205 million from \$1,945 million in the first quarter of 2017. The increase in total expense, as adjusted, is driven primarily by higher employee compensation and benefits expense, higher general and administration expense, and higher volume-related expense.

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## Nonoperating Results

The summary and reconciliation of U.S. GAAP nonoperating income (expense) to nonoperating income (expense), as adjusted for the three months ended March 31, 2018 and 2017 was as follows:

|  | Three<br>Months<br>Ended<br>March 31,<br>2018 2017 |        |
|--|--|--------|
| (in millions)  |  |        |
| Nonoperating income (expense), GAAP basis <sup>(1)</sup>                 | \$(16)   | \$(7 ) |
| Less: Net income (loss) attributable to noncontrolling interest (“NCI”)  | 5  | 9      |
| Nonoperating income (expense), as adjusted, net of NCI <sup>(2)(3)</sup> | \$(21)   | \$(16) |

- (1) Amounts include a gain of \$2 million and \$33 million for the three months ended March 31, 2018 and 2017, respectively, attributable to consolidated variable interest entities (“VIEs”).
- (2) Net of income (loss) attributable to NCI.
- (3) Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock’s nonoperating contribution to results. See Non-GAAP Financial Measures for further information on non-GAAP financial measures for the three months ended March 31, 2018 and 2017.

## Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

First quarter 2017 interest expense included a “make-whole” redemption premium of \$14 million related to the refinancing of \$700 million of 6.25% notes, which were repaid prior to their September 2017 maturity.

The components of nonoperating income (expense), as adjusted, for the three months ended March 31, 2018 and 2017 were as follows:

|  | Three<br>Months<br>Ended<br>March 31,<br>2018 2017 |      |
|--|--|------|
| (in millions)  |  |      |
| Net gain (loss) on investments <sup>(1)(2)</sup>       |  |      |
| Private equity   | \$1  | \$6  |
| Real assets  | 5  | 1    |
| Other alternatives <sup>(3)</sup>                      | 3  | 14   |
| Other investments <sup>(4)</sup>                       | 1  | 21   |
| Total net gain (loss) on investments <sup>(1)(2)</sup> | 10   | 42   |
| Interest and dividend income                           | 15   | 7    |
| Interest expense                                       | (46)   | (65) |

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|  |        |        |
|--|--------|--------|
| Net interest expense   | (31)   | (58)   |
| Nonoperating income (expense), as adjusted <sup>(1)(2)</sup> | \$(21) | \$(16) |

<sup>(1)</sup> Net of net income (loss) attributable to NCI. Amounts also include net gain (loss) on consolidated VIEs.

<sup>(2)</sup> Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See Non-GAAP Financial Measures for further information on non-GAAP financial measures for the three months ended March 31, 2018 and 2017.

<sup>(3)</sup> Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions.

<sup>(4)</sup> Amounts primarily include net gains (losses) related to equity and fixed income investments.

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## Income Tax Expense

|   | GAAP         |         | As Adjusted  |         |
|---|--------------|---------|--------------|---------|
|   | Three Months |         | Three Months |         |
|   | Ended        |         | Ended        |         |
| (in millions)   | March 31,    |         | March 31,    |         |
|   | 2018         | 2017    | 2018         | 2017    |
| Operating income <sup>(1)</sup>                       | \$1,375      | \$1,143 | \$1,378      | \$1,147 |
| Total nonoperating income (expense) <sup>(1)(2)</sup> | (21 )        | (16 )   | (21 )        | (16 )   |
| Income before income taxes <sup>(2)</sup>             | \$1,354      | \$1,127 | \$1,357      | \$1,131 |
| Income tax expense                                    | \$265        | \$268   | \$265        | \$269   |
| Effective tax rate                                    | 19.6 %       | 23.8 %  | 19.6 %       | 23.8 %  |

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

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

2018. The three months ended March 31, 2018 income tax expense (GAAP) reflected a reduced tax rate associated with the 2017 Tax Act and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018.

2017. The three months ended March 31, 2017 income tax expense (GAAP) included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017.

## BALANCE SHEET OVERVIEW

### As Adjusted Balance Sheet

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

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

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

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

In addition, the Company records on its condensed consolidated statements of financial condition the separate account collateral received under BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting separate account collateral liability for the obligation to return the collateral. The collateral is not available to creditors of the Company, and the borrowers under the securities lending arrangements have no recourse to the Company's assets.

### Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds accounted for as voting rights entities ("VREs") and VIEs, (collectively, "Consolidated Sponsored Investment Funds"). See Note 2, Significant Accounting Policies, in the notes to the consolidated financial statements contained in the 2017 Form 10-K for more information on the Company's consolidation policy.

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

| March 31, 2018                                  |           |                           |   |           |
|---|-----------|---------------------------|---|-----------|
| Separate  |           |                           |   |           |
| Account   |           |                           |   |           |
|   | GAAP      | Assets/                   | Consolidated                              | As        |
| (in millions)                                   | Basis     | Collateral <sup>(1)</sup> | Sponsored Investment Funds <sup>(2)</sup> | Adjusted  |
| Assets  |           |                           |   |           |
| Cash and cash equivalents                       | \$5,978   | \$ —                      | \$ 33                                     | \$ 5,945  |
| Accounts receivable                             | 2,677     | —                         | —   | 2,677     |
| Investments                                     | 2,050     | —                         | 70  | 1,980     |
| Assets of consolidated VIEs:                    |           |                           |   |           |
| Cash and cash equivalents                       | 103       | —                         | 103                                       | —         |
| Investments                                     | 1,637     | —                         | 454                                       | 1,183     |
| Other assets                                    | 113       | —                         | 113                                       | —         |
| Separate account assets and collateral held     |           |                           |   |           |
| under securities lending agreements             | 170,118   | 170,118                   | —   | —         |
| Other assets <sup>(3)</sup>                     | 2,746     | —                         | —   | 2,746     |
| Subtotal  | 185,422   | 170,118                   | 773                                       | 14,531    |
| Goodwill and intangible assets, net             | 30,595    | —                         | —   | 30,595    |
| Total assets                                    | \$216,017 | \$ 170,118                | \$ 773                                    | \$ 45,126 |
| Liabilities                                     |           |                           |   |           |
| Accrued compensation and benefits               | \$788     | \$ —                      | \$ —                                      | \$ 788    |
| Accounts payable and accrued liabilities        | 1,421     | —                         | —   | 1,421     |
| Liabilities of consolidated VIEs                | 425       | —                         | 425                                       | —         |
| Borrowings                                      | 5,036     | —                         | —   | 5,036     |
| Separate account liabilities and collateral     |           |                           |   |           |
| liabilities under securities lending agreements | 170,118   | 170,118                   | —   | —         |
| Deferred income tax liabilities <sup>(4)</sup>  | 3,516     | —                         | —   | 3,516     |
| Other liabilities                               | 2,130     | —                         | (257 )                                    | 2,387     |
| Total liabilities                               | 183,434   | 170,118                   | 168                                       | 13,148    |
| Equity  |           |                           |   |           |
| Total stockholders' equity                      | 31,978    | —                         | —   | 31,978    |
| Noncontrolling interests                        | 605       | —                         | 605                                       | —         |
| Total equity                                    | 32,583    | —                         | 605                                       | 31,978    |
| Total liabilities and equity                    | \$216,017 | \$ 170,118                | \$ 773                                    | \$ 45,126 |

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

<sup>(2)</sup> Amounts primarily represent the portion of assets and liabilities of Consolidated Sponsored Investment Funds attributable to NCI.

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

(4) Amount includes approximately \$3.9 billion of deferred income tax liabilities related to goodwill and intangibles. 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, 2018 and December 31, 2017 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, 2018 and December 31, 2017 included \$44 million and \$63 million, respectively, of cash held by consolidated VREs (see Liquidity and Capital Resources for details on the change in cash and cash equivalents during the three months ended March 31, 2018).

Accounts receivable at March 31, 2018 decreased \$22 million from December 31, 2017. Investments were \$2,677 million at March 31, 2018 (for more information see Investments herein). Goodwill and intangible assets decreased \$14 million from December 31, 2017, primarily due to \$11 million of amortization of intangible assets. Other assets (including property and equipment) increased \$518 million from December 31, 2017, primarily related to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within other liabilities).



Liabilities. Accrued compensation and benefits at March 31, 2018 decreased \$1,365 million from December 31, 2017, primarily due to 2017 incentive compensation cash payments in the first quarter of 2018, partially offset by 2018 incentive compensation accruals. Accounts payable and accrued liabilities at March 31, 2018 increased \$260 million from December 31, 2017 due to higher current income taxes payables and increased accruals.

Other liabilities increased \$504 million from December 31, 2017, primarily related to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within other assets) and other operating liabilities.

#### Investments and Investments of Consolidated VIEs

The Company's investments and investments of consolidated VIEs (collectively, "Total Investments") were \$2,050 million and \$1,637 million, respectively, at March 31, 2018. Total Investments include consolidated investments held by sponsored investment funds accounted for as VREs and VIEs. Management reviews BlackRock's Total Investments on an "economic" basis, which eliminates the portion of Total Investments that does not impact BlackRock's book value or net income attributable to BlackRock. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

The Company further presents net "economic" investment exposure, net of deferred compensation investments and hedged investments, to reflect another helpful measure for investors. The economic impact of Total Investments held pursuant to deferred compensation arrangements is offset by a change in compensation expense. The impact of certain 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,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Investments, GAAP                                | \$ 2,050          | \$ 1,981             |
| Investments held by consolidated VIEs, GAAP      | 1,637             | 1,493                |
| Total Investments                                | 3,687             | 3,474                |
| Investments held by consolidated VIEs            | (1,637 )          | (1,493 )             |
| Investments held by consolidated VREs            | (550 )            | (512 )               |
| Net interest in consolidated VREs                | 480               | 460                  |
| Net interest in consolidated VIEs <sup>(1)</sup> | 1,183             | 1,225                |
| Total Investments, as adjusted                   | 3,163             | 3,154                |
| Federal Reserve Bank stock                       | (91 )             | (91 )                |
| Deferred compensation investments                | (34 )             | (56 )                |
| Hedged investments                               | (546 )            | (587 )               |
| Carried interest (VIEs/VREs)                     | (305 )            | (298 )               |
| Total "economic" investment exposure             | \$ 2,187          | \$ 2,122             |

<sup>(1)</sup> Amount includes \$273 million of carried interest (VIEs) as of March 31, 2018 and \$266 million as of December 31, 2017, which has no impact on the Company's "economic" investment exposure.



The following table represents the carrying value of the Company's economic investment exposure, by asset type, at March 31, 2018 and December 31, 2017:

| (in millions)                        | March 31,<br>2018 | December 31,<br>2017 |
|--------------------------------------|-------------------|----------------------|
| Private equity                       | \$ 329            | \$ 331               |
| Real assets                          | 326               | 313                  |
| Other alternatives <sup>(1)</sup>    | 173               | 236                  |
| Other investments <sup>(2)</sup>     | 1,359             | 1,242                |
| Total "economic" investment exposure | \$ 2,187          | \$ 2,122             |

<sup>(1)</sup>Other alternatives include direct hedge fund strategies and hedge fund solutions.

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

As adjusted investment activity for the three months ended March 31, 2018 was as follows:

| (in millions)   | 2018    |
|---|---------|
| Total Investments, as adjusted, beginning balance                         | \$3,154 |
| Purchases/capital contributions   | 257     |
| Sales/maturities  | (258 )  |
| Distributions <sup>(1)</sup>  | (16 )   |
| Market appreciation(depreciation)/earnings from equity method investments | 7       |
| Carried interest capital allocations/(distributions)                      | 7       |
| Other   | 12      |
| Total Investments, as adjusted, ending balance                            | \$3,163 |

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

## LIQUIDITY AND CAPITAL RESOURCES

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

The condensed consolidated statements of cash flows include the cash flows of the Consolidated Sponsored Investment Funds. The Company uses an adjusted cash flow statement, which excludes the impact of Consolidated Sponsored Investment Funds, as a supplemental non-GAAP measure to assess liquidity and capital requirements. The Company believes that its cash flows, excluding the impact of the Consolidated Sponsored Investment Funds, provide investors with useful information on the cash flows of BlackRock relating to its ability to fund additional operating, investing and financing activities. BlackRock's management does not advocate that investors consider such non-GAAP measures in isolation from, or as a substitute for, its cash flows presented in accordance with GAAP.

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:

|   |               | Impact on<br>Cash Flows<br>of<br>Consolidated | Cash Flows<br>Excluding<br>Impact of<br>Consolidated |
|---|---------------|---|--|
|   | GAAP<br>Basis | Sponsored<br>Investment<br>Funds              | Sponsored<br>Investment<br>Funds                     |
| (in millions)   |               |   |  |
| Cash, cash equivalents and restricted cash, December 31, 2017 | \$7,096       | \$ 207  | \$ 6,889   |
| Cash flows from operating activities                          | (141 )        | (350 )  | 209  |
| Cash flows from investing activities                          | (53 )         | (57 )   | 4  |
| Cash flows from financing activities                          | (874 )        | 347   | (1,221 )   |
| Effect of exchange rate changes on cash, cash equivalents     |               |   |  |
| and restricted cash   | 115           | —   | 115  |
| Net change in cash, cash equivalents and restricted cash      | (953 )        | (60 )   | (893 )   |
| Cash, cash equivalents and restricted cash, March 31, 2018    | \$6,143       | \$ 147  | \$ 5,996   |

Sources of BlackRock's operating cash primarily include investment advisory, administration fees and securities lending revenue, performance fees, revenue from technology and risk management services, advisory and 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.

For details of the Company's GAAP cash flows from operating, investing and financing activities, see the Condensed Consolidated Statements of Cash Flows contained in Part I, Item 1 of this filing.

Cash flows from operating activities, excluding the impact of Consolidated Sponsored Investment Funds, primarily include the receipt of investment advisory and administration fees, securities lending revenue and performance fees 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 inflows from investing activities, excluding the impact of Consolidated Sponsored Investment Funds, for the three months ended March 31, 2018 were \$4 million and primarily reflected \$127 million of net proceeds from sales and maturities of certain investments, partially offset by \$95 million of investment purchases and \$33 million of purchases of property and equipment.

Cash outflows from financing activities, excluding the impact of Consolidated Sponsored Investment Funds, for the three months ended March 31, 2018 were \$1,221 million, primarily resulting from \$719 million of share repurchases, including \$335 million in open market transactions and \$384 million of employee tax withholdings related to employee stock transactions, and \$505 million of cash dividend payments.

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The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at March 31, 2018 and December 31, 2017 were as follows:

| (in millions)  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| Cash and cash equivalents <sup>(1)</sup>                           | \$ 5,978          | \$ 6,894             |
| Cash and cash equivalents held by consolidated VREs <sup>(2)</sup> | (44 )             | (63 )                |
| Subtotal   | 5,934             | 6,831                |
| Credit facility – undrawn  | 4,000             | 4,000                |
| Total liquidity resources <sup>(3)</sup>                           | \$ 9,934          | \$ 10,831            |

(1) The percentage of cash and cash equivalents held by the Company's U.S. subsidiaries was approximately 35% and 40% at March 31, 2018 and December 31, 2017, respectively. See Net Capital Requirements herein for more information on net capital requirements in certain regulated subsidiaries.

(2) The Company cannot readily access such cash to use in its operating activities.

(3) Amount does not reflect year-end incentive compensation accruals, which are paid in the first quarter.

Total liquidity resources decreased \$897 million during the three months ended March 31, 2018, primarily reflecting cash payments of 2017 year-end incentive awards, share repurchases of \$719 million and cash dividend payments of \$505 million, partially offset by cash flows from other operating activities.

A significant portion of the Company's \$3,163 million of Total Investments, as adjusted, is illiquid in nature and, as such, cannot be readily convertible to cash.

**Share Repurchases.** The Company repurchased 0.6 million common shares in open market transactions under the share repurchase program for approximately \$335 million during the three months ended March 31, 2018. At March 31, 2018, there were 5.8 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 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 and other fiduciary activities. BTC provides investment management services, including investment advisory and securities lending agency services, to institutional clients. BTC is subject to regulatory capital and liquid asset requirements administered by the Office of the Comptroller of the Currency.

At March 31, 2018 and December 31, 2017, the Company was required to maintain approximately \$2.1 billion and \$1.8 billion, respectively, 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. The Company was in compliance with all applicable regulatory net capital requirements.

### Short-Term Borrowings

**2018 Revolving Credit Facility.** The Company's credit facility has an aggregate commitment amount of \$4.0 billion and was amended in April 2018 to extend the maturity date to March 2023 (the "2018 credit facility"). The 2018 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 2018 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 2018 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, 2018. The 2018 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2018, the Company had no amount outstanding under the credit facility.

**Commercial Paper Program.** 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 of \$4.0 billion. The commercial paper program is currently supported by the 2018 credit facility. At March 31, 2018, BlackRock had no CP Notes outstanding.

## Long-Term Borrowings

At March 31, 2018, the principal amount of long-term borrowings outstanding was \$5.1 billion. See Note 12, Borrowings, in the 2017 Form 10-K for more information on borrowings outstanding as of December 31, 2017.

During the three months ended March 31, 2018, the Company paid approximately \$29 million of interest on long-term borrowings. Future principal repayments and interest requirements at March 31, 2018 were as follows:

| (in millions)             |           |          | Total    |
|---------------------------|-----------|----------|----------|
| Year                      | Principal | Interest | Payments |
| Remainder of 2018         | \$ —      | \$ 147   | \$ 147   |
| 2019                      | 1,000     | 175      | 1,175    |
| 2020                      | —         | 125      | 125      |
| 2021                      | 750       | 109      | 859      |
| 2022                      | 750       | 81       | 831      |
| 2023                      | —         | 68       | 68       |
| Thereafter <sup>(1)</sup> | 2,561     | 117      | 2,678    |
| Total                     | \$ 5,061  | \$ 822   | \$ 5,883 |

<sup>(1)</sup> The amount of principal and interest payments for the 2025 Notes (issued in Euros) represents the expected payment amounts using foreign exchange rates as of March 31, 2018.

**Investment Commitments.** At March 31, 2018, the Company had \$304 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic 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. 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.

**Lease Commitment.** In May 2017, the Company entered into an agreement with 50 HYMC Owner LLC, for the lease of approximately 847,000 square feet of office space located at 50 Hudson Yards, New York, New York. The term of the lease is twenty years from the date that rental payments begin, expected to occur in May 2023, with the option to renew for a specified term. The lease requires annual base rental payments of approximately \$51 million per year during the first five years of the lease term, increasing every five years to \$58 million, \$66 million and \$74 million per year (or approximately \$1.2 billion in base rent over its twenty-year term).

**Acquisition.** In November 2017, the Company announced that it had entered an agreement to acquire the asset management business of Citibanamex, a subsidiary of Citigroup Inc. The transaction is expected to close in the second half of 2018, subject to customary regulatory approvals and closing conditions. Consideration for the transaction will include an upfront cash payment of \$350 million and contingent consideration.

**Contingent Payments Related to Business Acquisitions.** In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue



related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31 2018 totaled \$242 million, and is included in other liabilities on the condensed consolidated statements of financial condition.

**Carried Interest Clawback.** As a general partner in certain investment funds, including private equity partnerships and certain hedge funds, the Company may receive carried interest cash distributions from the partnerships in accordance with distribution provisions of the partnership agreements. The Company may, from time to time, be required to return all or a portion of such distributions to the limited partners in the event the limited partners do not achieve a return as specified in the various partnership agreements. Therefore, BlackRock records carried interest subject to such clawback provisions in Total Investments, or cash/cash of consolidated VIEs to the extent that it is distributed, and as a deferred carried interest liability/other liabilities of consolidated VIEs on its condensed consolidated statements of financial condition. Carried interest is recorded as performance fees on BlackRock's condensed consolidated statements of income when the fees are no longer probable of significant reversal.

**Indemnifications.** On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At March 31 2018, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$219 billion. The Company held, as agent, cash and securities totaling \$232 billion as collateral for indemnified securities on loan at March 31, 2018. The fair value of these indemnifications was not material at March 31, 2018.

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 and Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, Significant Accounting Policies, in the 2017 Form 10-K for further information.

**Consolidation.** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles. The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to

be VREs are consolidated if the Company can exert control over the financial and operating policies of the investee, which generally exists if there is greater than 50% voting interest. See Note 5, Consolidated Voting Rights Entities, in the notes to the condensed consolidated financial statements for more information. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary (“PB”) of the entity.

At March 31, 2018, BlackRock was determined to be the PB for certain investment funds that were determined to be VIEs, which required BlackRock to consolidate them. BlackRock was deemed to be the PB because it has the power to direct the activities that most significantly impact the entities’ economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. The Company generally consolidates VIEs in which it holds an equity ownership interest of 10% or greater and deconsolidates such VIEs once equity ownership falls below 10%. See Note 6, Variable Interest Entities, in the notes to the condensed consolidated financial statements for more information.

**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 condensed consolidated financial statements for more information on fair value measurements.

**Revenue Recognition.** Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"). The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct. Consideration for the Company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside of the Company's influence. The Company includes variable consideration as part of its transaction price when it is no longer probable of significant reversal, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company has discretion to involve a third party in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs. Management judgment may be required when determining the following: whether services are considered distinct and should be accounted for separately; when variable consideration is no longer probable of significant reversal (and hence can be included in the transaction price); whether certain revenue should be presented gross or net of certain related costs; when a promised service transfers to the customer; and the applicable method of measuring progress for services transferred to the customer over time.

Investment advisory and administration fees are recognized as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. In addition, the Company may contract with third parties to provide sub-advisory services on its behalf. The Company presents the investment advisory fees and associated costs to such advisors on a gross basis in the condensed consolidated statements of income where it is deemed to be the principal.

The Company earns revenue by lending securities on behalf of clients, primarily to highly rated banks and broker-dealers. Revenue is recognized over time as services are performed. The securities loaned are secured by collateral, generally ranging from 102% to 112% of the value of the loaned securities. Generally, the securities lending fees are shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed. For the three months ended March 31, 2018 and 2017, securities lending revenue earned by the Company totaled \$155 million and \$141 million, respectively, and is recorded in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income.

The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annually or longer measurement periods. A portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period.

The Company is allocated carried interest from certain alternative investment products upon exceeding performance thresholds. BlackRock may be required to reverse/return all, or part, of such carried interest allocations depending upon future performance of these funds. Therefore, carried interest subject to such clawback provisions is recorded in investments/investments of consolidated VIEs or cash/cash of consolidated VIEs to the extent that it is distributed, on its condensed consolidated statements of financial condition.

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad

range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest its sales proceeds.

The Company records a contract liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2018 and December 31, 2017, the Company had \$224 million and \$219 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown. For the three months ended March 31, 2018 and 2017, performance fee revenue (which included recognized carried interest) both totaled \$70 million. See Note 13, Revenue, in the notes to the condensed consolidated financial statements for detailed changes in the deferred carried interest liability balance for the three months ended March 31, 2018 and 2017.

Fees earned for technology and risk management revenue are recorded as services are performed and are generally determined using the value of positions on the Aladdin platform or on a fixed-rate basis. For the three months ended March 31, 2018 and 2017, technology and risk management revenue totaled \$184 million and \$154 million, respectively.

Adjustments to revenue arising from initial estimates recorded historically have been immaterial since the majority of BlackRock's investment advisory and administration revenue is calculated based on AUM and since the Company does not record performance fee revenue until: (1) performance thresholds have been exceeded and (2) management determines the fees are no longer probable of significant reversal.

The Company accounts for fund distribution services and shareholder servicing as distinct services, separate from fund management services, because customers can benefit from each of the services on their own and because the services are separately identifiable (that is, the nature of the promised services is to transfer each service individually). The Company records upfront and ongoing sales commissions as distribution fee revenue for serving as the principal underwriter and/or distributor for certain mutual funds that it manages. The Company recognizes the upfront fees for front-end load funds on a trade date basis, when the services are performed and the amount the Company is entitled to is known. The on-going distribution fees are generally based on net asset values and are recognized when the amount is known. Distribution services are satisfied at a point in time. Consequently, a portion of the on-going distribution fees the Company recognized may be related to the services performed in prior periods that met the recognition criteria in the current period. The Company recognizes ongoing shareholder servicing fee revenue when and as shareholder services are performed over time. The Company contracts with third parties for various fund distribution services and shareholder servicing of certain funds to be performed on its behalf. These arrangements are generally priced as a portion of the fee paid to the Company by the fund or as an agreed-upon percentage of net asset value. The Company presents its distribution fees and distribution and servicing costs incurred on a gross basis in the condensed consolidated statements of income as it is deemed to be the principal in such transactions.

## Accounting Developments

For accounting pronouncements that the Company adopted during the three months ended March 31, 2018 and for recent accounting pronouncements not yet adopted, see Note 2, Significant Accounting Policies, in the condensed consolidated financial statements.



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, 2018, 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 assets, 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, 2018, the Company had outstanding total return swaps with an aggregate notional value of approximately \$546 million. At March 31, 2018, there were no outstanding interest rate swaps.

At March 31, 2018, approximately \$2.2 billion of BlackRock's Total Investments were maintained in consolidated sponsored investment funds accounted for as VREs and VIEs. Excluding the impact of the Federal Reserve Bank stock, carried interest, investments made to hedge exposure to certain deferred compensation plans and certain investments that are hedged via the seed capital hedging program, the Company's economic exposure to its investment portfolio is \$2,187 million. See Balance Sheet Overview- Investments and Investments of Consolidated VIEs in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company's Total Investments.

**Equity Market Price Risk.** At March 31, 2018, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$1,078 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real assets 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 \$107.8 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk.** At March 31, 2018, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$1,109 million of Total Investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately \$23.9 million in the carrying value of such investments.

**Foreign Exchange Rate Risk.** As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the British pound and Euro, was \$968 million at March 31, 2018. A 10% adverse change in the



applicable foreign exchange rates would result in approximately a \$96.8 million decline in the carrying value of such investments.

**Other Market Risks.** The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange risk movements. At March 31, 2018, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$1.5 billion.

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, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

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

On May 27, 2014, certain 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 under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. 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. The defendants believe the claims in both lawsuits are without merit and are vigorously defending the actions. On September 25, 2017, the defendants filed a motion for summary judgment to dismiss the lawsuit, which is pending.

In November 2015, BlackRock, Inc., BlackRock Realty Advisors, Inc. ("BRA"), BlackRock US Core Property Fund, Inc. (formerly known as BlackRock Granite Property Fund, Inc.) ("Granite Fund"), and certain other Granite Fund related entities (collectively, the "BlackRock Parties") were named as defendants in thirteen lawsuits filed in the Superior Court of the State of California for the County of Alameda arising out of the June 16, 2015 collapse of a balcony at the Library Gardens apartment complex in Berkeley, California (the "Property"). The Property is indirectly owned by the Granite Fund, which is managed by BRA. The plaintiffs also named as defendants in the lawsuits Greystar, which manages the Property, and certain other non-BlackRock related entities, including the developer of the Property, building contractors and building materials suppliers. The plaintiffs alleged, among other things, that the BlackRock Parties were negligent in their ownership, control and maintenance of the Property's balcony, and sought monetary, including punitive, damages. Additionally, on March 16, 2016, three former tenants of the Library Gardens apartment unit who were not physically injured but experienced the balcony collapse sued the BlackRock Parties for emotional damages. In November 2017, the BlackRock Parties settled all of the lawsuits relating to Library Gardens and the cases were formally dismissed in March and April 2018.

On June 16, 2016, iShares Trust, BlackRock, Inc. and certain of its advisory affiliates, and the directors and certain officers of the iShares ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain iShares ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws, purportedly by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." Plaintiffs seek unspecified monetary damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. The defendants filed a motion for judgment on the pleadings dismissing that complaint. On September 18, 2017, the court dismissed the lawsuit. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the U.S. District Court for the Northern District of California by a former employee on behalf of all BlackRock employee 401(k) Plan (the "Plan") participants and beneficiaries in the Plan from April 5, 2011, to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated with investment options managed by BlackRock. While the complaint does not contain any specific amount in alleged damages, it claims that the purported underperformance and hidden fees cost Plan participants more than \$60 million. On October 10, 2017, the plaintiffs filed an Amended

Complaint, which, among other things, adds as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also includes a new purported class claim on behalf of investors in certain Collective Trust Funds (“CTFs”) managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the lending agent on terms that plaintiffs claim were excessive. The defendants believe the claims in this lawsuit are without merit and are vigorously defending the action. BlackRock moved to dismiss the Amended Complaint on November 8, 2017.

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.

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

During the three months ended March 31, 2018, 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  | Maximum<br>Number of |
|--|--------------|---------------|------------------|----------------------|
|  |              |               | Shares           | Shares that May      |
|  |              |               | Purchased as     | Yet Be               |
|  | Total Number | Average       | Part of Publicly | Purchased Under      |
|  | of Shares    | Price         | Announced Plans  | the Plans or         |
|  | Purchased    | per Share     | or Programs      | Programs             |
| January 1, 2018 through January 31, 2018   | 850,474      | (1) \$ 565.70 | 188,538          | 6,178,635            |
| February 1, 2018 through February 28, 2018 | 394,875      | (1) \$ 537.61 | 386,740          | 5,791,895            |
| March 1, 2018 through March 31, 2018       | 47,956       | (1) \$ 541.37 | 33,879           | 5,758,016            |
| Total                                      | 1,293,305    | \$ 556.22     | 609,157          |                      |

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

Item 6. Exhibits

Exhibit No. Description

|         |  |
|---------|--|
| 10.1    | <u>Form of Performance-Based Stock Option Agreement under the BlackRock, Inc. Second Amended and Restated 1999 Stock Award and Incentive Plan. +</u> |
| 12.1    | <u>Computation of Ratio of Earnings to Fixed Charges</u>   |
| 31.1    | <u>Section 302 Certification of Chief Executive Officer</u>  |
| 31.2    | <u>Section 302 Certification of Chief Financial Officer</u>  |
| 32.1    | <u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer</u>  |
| 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   |

+ Denotes compensatory plan or arrangement.

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 9, 2018      By: /s/ Gary S. Shedlin  
Gary S. Shedlin  
Senior Managing Director &  
Chief Financial Officer