BlackRock Inc.
Form 10-Q
August 08, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from________________ to________________ .

Commission file number 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

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

55 East 52nd Street, New York, NY 10055

(Address of Principal Executive Offices)

(Zip Code)

(212) 810-5300

(Registrant s Telephone Number, Including Area Code)

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

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

Yes ____X____ No__________

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

Yes ____X____ No__________

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or, a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __X__	Accelerated filer _____	Non-accelerated filer ___ (Do not check if a smaller reporting company)
Smaller reporting company ____		

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

Yes__________ No ___X___

As of July 31, 2014, there were 165,989,503 shares of the registrant s common stock outstanding.

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PART I

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(unaudited)

(in millions, except share data)	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 5,127	$ 4,390
Accounts receivable	4,207	2,247
Investments	2,095	2,151
Assets of consolidated variable interest entities:		
Cash and cash equivalents	370	161
Bank loans, other investments and other assets	2,533	2,325
Separate account assets	161,499	155,113
Separate account collateral held under securities lending agreements	24,054	21,788
Property and equipment (net of accumulated depreciation of $671 and $611 at June 30, 2014 and December 31, 2013, respectively)	496	525
Intangible assets (net of accumulated amortization of $1,135 and $1,057 at June 30, 2014 and December 31, 2013, respectively)	17,418	17,501
Goodwill	12,971	12,980
Other assets	923	692
Total assets	$231,693	$219,873
Liabilities		
Accrued compensation and benefits	$ 1,079	$ 1,747
Accounts payable and accrued liabilities	3,091	1,084
Liabilities of consolidated variable interest entities:		
Borrowings	2,699	2,369
Other liabilities	153	74
Borrowings	5,936	4,939
Separate account liabilities	161,499	155,113
Separate account collateral liabilities under securities lending agreements	24,054	21,788
Deferred income tax liabilities	5,177	5,085
Other liabilities	939	1,004
Total liabilities	204,627	193,203
Commitments and contingencies (Note 12)		
Temporary equity		
Redeemable noncontrolling interests	47	54
Permanent Equity		
BlackRock, Inc. stockholders equity		
Common stock, $0.01 par value;	2	2
Shares authorized: 500,000,000 at June 30, 2014 and December 31, 2013;		
Shares issued: 171,252,185 at June 30, 2014 and December 31, 2013;		
Shares outstanding: 166,228,240 and 166,589,688 at June 30, 2014 and December 31, 2013, respectively		
Preferred stock (Note 16)	-	-
Additional paid-in capital	19,181	19,473
Retained earnings	9,080	8,208
Appropriated retained earnings	33	22

Accumulated other comprehensive loss	1	(35)
Treasury stock, common, at cost (5,023,945 and 4,662,497 shares held at June 30, 2014 and December 31, 2013, respectively)	(1,416)	(1,210)
Total BlackRock, Inc. stockholders equity	26,881	26,460
Nonredeemable noncontrolling interests	120	135
Nonredeemable noncontrolling interests of consolidated variable interest entities	18	21
Total permanent equity	27,019	26,616
Total liabilities, temporary equity and permanent equity	$231,693	$219,873

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Income

(unaudited)

(in millions, except shares and per share data)	**Three Months Ended June 30, 2014**	**Three Months Ended June 30, 2013**	**Six Months Ended June 30, 2014**	**Six Months Ended June 30, 2013**
Revenue				
Investment advisory, administration fees and securities lending revenue:				
Related parties	$1,689	$1,470	$3,300	$2,925
Other third parties	745	707	1,425	1,381
Total investment advisory, administration fees and securities lending revenue	2,434	2,177	4,725	4,306
Investment advisory performance fees	115	89	273	197
BlackRock Solutions and advisory	146	138	300	264
Distribution fees	18	18	37	35
Other revenue	65	60	113	129
Total revenue	2,778	2,482	5,448	4,931
Expense				
Employee compensation and benefits	948	864	1,930	1,769
Distribution and servicing costs	89	90	178	181
Amortization of deferred sales commissions	14	12	29	24
Direct fund expense	187	162	366	323
General and administration	377	465	690	796
Amortization of intangible assets	41	40	82	80
Total expense	1,656	1,633	3,275	3,173
Operating income	1,122	849	2,173	1,758
Nonoperating income (expense)				
Net gain (loss) on investments	45	141	121	203
Net gain (loss) on consolidated variable interest entities	28	(23)	12	4
Interest and dividend income	3	4	13	10
Interest expense	(60)	(53)	(113)	(107)
Total nonoperating income (expense)	16	69	33	110
Income before income taxes	1,138	918	2,206	1,868
Income tax expense	297	212	621	496
Net income	841	706	1,585	1,372
Less:				
Net income (loss) attributable to redeemable noncontrolling interests	1	(1)	2	(1)
Net income (loss) attributable to nonredeemable noncontrolling interests	32	(22)	19	12
Net income attributable to BlackRock, Inc.	$808	$729	$1,564	$1,361
Earnings per share attributable to BlackRock, Inc. common stockholders:				

Basic	$4.79	$4.27	$9.26	$7.96
Diluted	$4.72	$4.19	$9.12	$7.81
Cash dividends declared and paid per share	$1.93	$1.68	$3.86	$3.36
Weighted-average common shares outstanding:				
Basic	168,712,221	170,648,731	168,895,801	170,973,462
Diluted	171,150,153	173,873,583	171,540,018	174,268,870

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income	$ 841	$ 706	$ 1,585	$ 1,372
Other comprehensive income:				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:				
Unrealized holding gains (losses), net of tax[(1)]	4	(21)	4	(17)
Less: reclassification adjustment included in net income[(1)]	(2)	(12)	6	(9)
Net change from available-for-sale investments, net of tax	6	(9)	(2)	(8)
Foreign currency translation adjustments	30	(23)	38	(131)
Other comprehensive income (loss)	36	(32)	36	(139)
Comprehensive income	877	674	1,621	1,233
Less: Comprehensive income (loss) attributable to noncontrolling interests	33	(23)	21	11
Comprehensive income attributable to BlackRock, Inc.	$ 844	$ 697	$ 1,600	$ 1,222

(1) The tax benefit (expense) was not material for the three and six months ended June 30, 2014 and 2013.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(in millions)	Additional Paid-in Capital[(1)]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2013	$19,475	$8,208	$22	($35)	($1,210)	$26,460	$135	$21	$26,616	$54
Net income	-	1,564	-	-	-	1,564	7	12	1,583	2
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	11	-	-	11	-	(11)	-	-
Dividends paid	-	(692)	-	-	-	(692)	-	-	(692)	-
Stock-based compensation	236	-	-	-	-	236	-	-	236	-
Issuance of common shares related to employee stock transactions	(621)	-	-	-	626	5	-	-	5	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(332)	(332)	-	-	(332)	-
Shares repurchased	-	-	-	-	(500)	(500)	-	-	(500)	-
Net tax benefit (shortfall) from stock-based compensation	93	-	-	-	-	93	-	-	93	-
Subscriptions (redemptions/ distributions)-noncontrolling interest holders	-	-	-	-	-	-	(22)	(4)	(26)	184
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	(193)
Other comprehensive income (loss)	-	-	-	36	-	36	-	-	36	-
June 30, 2014	**$19,183**	**$9,080**	**$33**	**$1**	**($1,416)**	**$26,881**	**$120**	**$18**	**$27,019**	**$47**

(1) Amounts include $2 million of common stock at both June 30, 2014 and December 31, 2013.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(in millions)	Additional Paid-in Capital[1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2012	$19,421	$6,444	$29	($59)	($432)	$25,403	$155	$27	$25,585	$32
Net income	-	1,361	-	-	-	1,361	8	4	1,373	(1)
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	3	-	-	3	-	(3)	-	-
Dividends paid	-	(595)	-	-	-	(595)	-	-	(595)	-
Stock-based compensation	231	-	-	-	-	231	-	-	231	-
Issuance of common shares related to employee stock transactions	(379)	-	-	-	397	18	-	-	18	-
Employee tax withholdings related to employee stock transactions	-	-	-	-	(215)	(215)	-	-	(215)	-
Shares repurchased	-	-	-	-	(500)	(500)	-	-	(500)	-
Net tax benefit (shortfall) from stock-based compensation	31	-	-	-	-	31	-	-	31	-
Subscriptions (redemptions/ distributions)-noncontrolling interest holders	-	-	(9)	-	-	(9)	(21)	130	100	75
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	(134)	(134)	(36)
Other comprehensive income (loss)	-	-	-	(139)	-	(139)	-	-	(139)	-
June 30, 2013	$19,304	$7,210	$23	($198)	($750)	$25,589	$142	$24	$25,755	$70

(1) Amounts include $2 million of common stock at both June 30, 2013 and December 31, 2012.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in millions)	Six Months Ended June 30, 2014	2013
Cash flows from operating activities		
Net income	$1,585	$1,372
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	145	144
Amortization of deferred sales commissions	29	24
Stock-based compensation	236	231
Deferred income tax expense (benefit)	102	37
Net (gains) losses on nontrading investments	(54)	(27)
Purchases of investments within consolidated sponsored investment funds	(139)	(47)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	84	77
Gain related to PennyMac initial public offering	-	(39)
Gain related to the charitable contribution	-	(80)
Charitable contribution	-	124
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	(209)	172
Net (gains) losses within consolidated VIEs	(12)	(4)
Net (purchases) proceeds and distributions within consolidated VIEs	(131)	(32)
(Earnings) losses from equity method investees	(92)	(85)
Distributions of earnings from equity method investees	22	32
Changes in operating assets and liabilities:		
Accounts receivable	(1,964)	(15)
Investments, trading	(102)	(70)
Other assets	(240)	(122)
Accrued compensation and benefits	(668)	(601)
Accounts payable and accrued liabilities	2,011	207
Other liabilities	(77)	32
Cash flows from operating activities	526	1,330
Cash flows from investing activities		
Purchases of investments	(239)	(182)
Proceeds from sales and maturities of investments	337	203
Distributions of capital from equity method investees	33	38
Net consolidations (deconsolidations) of sponsored investment funds	(3)	(3)
Purchases of property and equipment	(34)	(46)
Cash flows from investing activities	94	10
Cash flows from financing activities		
Repayments of short-term borrowings	-	(100)
Repayments of long-term borrowings	-	(750)
Proceeds from long-term borrowings	997	-
Cash dividends paid	(692)	(595)
Proceeds from stock options exercised and issuance of common stock	5	18
Repurchases of common stock	(832)	(715)
Net proceeds from (repayments of) borrowings by consolidated VIEs	344	(261)
Net (redemptions/distributions paid) / subscriptions received from noncontrolling interests holders	158	175
Excess tax benefit from stock-based compensation	93	35
Cash flows from financing activities	73	(2,193)

Effect of exchange rate changes on cash and cash equivalents	44	(85)
Net increase (decrease) in cash and cash equivalents	737	(938)
Cash and cash equivalents, beginning of period	4,390	4,606
Cash and cash equivalents, end of period	$5,127	$3,668
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$100	$102
Interest on borrowings of consolidated VIEs	$48	$59
Income taxes	$696	$492
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	$621	$378
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	($193)	($170)

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

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

At June 30, 2014, The PNC Financial Services Group, Inc. (PNC) held 20.9% of the Company s voting common stock and 21.9% 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 include 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 is normally 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, 2013, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2014 (2013 Form 10-K).

The interim financial information at June 30, 2014 and for the three and six months ended June 30, 2014 and 2013 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.

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***Fair Value Measurements*.**

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

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs:

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

Level 1 assets may include listed mutual funds (including those accounted for under the equity method of accounting as these mutual funds are investment companies that have publicly available net asset values (NAVs), which in accordance with GAAP, are calculated under fair value measures and the changes in fair values are equal to the earnings of such funds), ETFs, listed equities and certain exchange-traded derivatives.

Level 2 Inputs:

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

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

Level 3 Inputs:

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

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

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

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

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

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

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

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

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

Fair Value Option. ASC 825-10, *Financial Instruments* (ASC 825-10), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an

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instrument-by-instrument basis, which must be applied to an entire instrument, and not only specified risks, specific cash flows, or portions of that instrument, and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

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

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

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

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

Separate Account Assets and Liabilities. Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The life insurance company does not underwrite any insurance contracts that involve any insurance risk transfer from the insured to the life insurance company. The separate account assets primarily include equity securities, debt securities, money market funds and derivatives. The separate account assets are not subject to general claims of the creditors of BlackRock. These separate account assets and the related equal and offsetting liabilities are recorded as separate account assets and separate account liabilities on the condensed consolidated statements of financial condition in accordance with ASC 944-80, *Financial Services Separate Accounts*.

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.

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Separate Account Collateral Assets Held and Liabilities Under Securities Lending Agreements. The Company facilitates securities lending arrangements whereby securities held by separate account assets maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives 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. Under the Company s securities lending arrangements, the Company can resell or repledge the collateral and the borrower can resell or repledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing*.

As a result of the Company s ability to resell or repledge the collateral, the Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During the six months ended June 30, 2014 and 2013, the Company had not resold or repledged any of the collateral received under these arrangements. At June 30, 2014 and December 31, 2013, the fair value of loaned securities held by separate account assets was approximately $22.0 billion and $19.7 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $24.1 billion and $21.8 billion, respectively.

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

Accounting Pronouncements Adopted in the Six Months Ended June 30, 2014

Cumulative Translation Adjustment. In March 2013, the FASB issued ASU 2013-05, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The adoption of ASU 2013-05 on January 1, 2014 was not material to the condensed consolidated financial statements.

Investment Company Guidance. In June 2013, the FASB issued ASU 2013-08, *Financial Services Investment Companies: Amendments to the Scope, Measurement, and Disclosure Requirements* (ASU 2013-08). ASU 2013-08 amends the current criteria for an entity to qualify as an investment company, creates new disclosure requirements and amends the measurement criteria for certain interests in other investment companies. The adoption of ASU 2013-08 on January 1, 2014 was not material to the condensed consolidated financial statements.

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Presentation of an Unrecognized Tax Benefit. In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). The adoption of ASU 2013-11 on January 1, 2014 was not material to the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

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

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. In August 2014, the FASB issued ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* (ASU 2014-13). ASU 2014-13 provides an entity that consolidates a collateralized financing entity (CFE) that had elected the fair value option for the financial assets and financial liabilities of such CFE an alternative to current fair value measurement guidance. If elected, the Company could measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The election would effectively eliminate any measurement difference previously recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as an adjustment to appropriated retained earnings. ASU 2014-13 is effective for the Company on January 1, 2016, with retrospective or modified retrospective approach required. The Company currently expects to early adopt ASU 2014-13 and does not expect the adoption to be material to the consolidated financial statements.

3. Investments

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

(in millions)	**June 30, 2014**	**December 31, 2013**
Available-for-sale investments	$277	$183
Held-to-maturity investments	48	83
Trading investments:		
Consolidated sponsored investment funds	369	385
Other equity and debt securities	18	43
Deferred compensation plan mutual funds	64	58
Total trading investments	451	486
Other investments:		
Consolidated sponsored investment funds	293	441
Equity method investments	785	697
Deferred compensation plan hedge fund equity method investments	31	39
Cost method investments[1]	96	119
Carried interest	114	103
Total other investments	1,319	1,399
Total investments	$2,095	$2,151

(1) Amounts primarily include Federal Reserve Bank Stock.

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At June 30, 2014, the Company consolidated $662 million of investments held by consolidated sponsored investment funds (excluding nonvariable interest entities (VIEs)) of which $369 million and $293 million were classified as trading investments and other investments, respectively. At December 31, 2013, the Company consolidated $826 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which $385 million and $441 million were classified as trading investments and other investments, respectively.

Available-for-Sale Investments

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

(in millions)		Gross Unrealized		Carrying
June 30, 2014	**Cost**	**Gains**	**Losses**	**Value**
Equity securities of sponsored investment funds	$271	$7	($1)	$277
December 31, 2013				
Equity securities of sponsored investment funds	$180	$4	($4)	$180
Other securities	1	2	-	3
Total available-for-sale investments	$181	$6	($4)	$183

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

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was $48 million and $83 million at June 30, 2014 and December 31, 2013, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. At June 30, 2014, $33 million of these investments mature in one year or less and $15 million mature after 10 years.

Trading Investments

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

(in millions)	**June 30, 2014**		**December 31, 2013**	
	Cost	**Carrying Value**	**Cost**	**Carrying Value**
Trading investments:				
Deferred compensation plan mutual funds	$ 48	$ 64	$ 49	$ 58
Equity securities/multi-asset mutual funds	152	165	174	184
Debt securities/fixed income mutual funds:				
Corporate debt	83	84	128	128
Government debt	134	138	121	116
Total trading investments	$417	$451	$472	$486

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At June 30, 2014, trading investments included $147 million of equity securities and $222 million of debt securities held by consolidated sponsored investment funds, $64 million of certain deferred compensation plan mutual fund investments and $18 million of other equity and debt securities.

At December 31, 2013, trading investments included $172 million of equity securities and $213 million of debt securities held by consolidated sponsored investment funds, $58 million of certain deferred compensation plan mutual fund investments and $43 million of other equity and debt securities.

Other Investments

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

(in millions)	June 30, 2014		December 31, 2013	
	Cost	Carrying Value	Cost	Carrying Value
Other investments:				
Consolidated sponsored investment funds	$287	$293	$420	$441
Equity method	643	785	613	697
Deferred compensation plan equity method investments	29	31	37	39
Cost method investments:				
Federal Reserve Bank stock	91	91	90	90
Other	5	5	17	29
Total cost method investments	96	96	107	119
Carried interest	-	114	-	103
Total other investments	$1,055	$1,319	$1,177	$1,399

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

Equity method investments primarily include BlackRock s direct investment in certain BlackRock sponsored investment funds. See Note 10, *Other Assets*, for information on the Company s investment in PennyMac Financial Services, Inc. (PennyMac), which is included in other assets on the condensed consolidated statements of financial condition.

Cost method investments include nonmarketable securities, including Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At June 30, 2014 and December 31, 2013, there were no indicators of impairment on these investments.

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

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4. Consolidated Sponsored Investment Funds

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

(in millions)	**June 30, 2014**	**December 31, 2013**
Cash and cash equivalents	$ 120	$114
Investments:		
Trading investments	369	385
Other investments	293	441
Other assets	17	20
Other liabilities	(13)	(39)
Noncontrolling interests	(167)	(189)
BlackRock s net interests in consolidated sponsored investment funds	$619	$732

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

In addition, at June 30, 2014 and December 31, 2013, several consolidated CLOs and one sponsored investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, *Variable Interest Entities*, for further discussion on these consolidated investment products.

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

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5. Fair Value Disclosures

Fair Value Hierarchy

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

June 30, 2014 *(in millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Other Assets Not Held at Fair Value[1]**	**June 30, 2014**
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 274	$ 3	$ -	$ -	**$ 277**
Held-to-maturity debt securities	-	-	-	48	**48**
Trading:					
Deferred compensation plan mutual funds	64	-	-	-	**64**
Equity/Multi-asset mutual funds	165	-	-	-	**165**
Debt securities / fixed income mutual funds	-	222	-	-	**222**
Total trading	229	222	-	-	**451**
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	-	-	5	-	**5**
Private / public equity[2]	12	4	272	-	**288**
Total consolidated sponsored investment funds	12	4	277	-	**293**
Equity method:					
Hedge funds / Funds of hedge funds	-	304	84	72	**460**
Private equity investments	-	-	106	-	**106**
Real estate funds	-	21	96	9	**126**
Fixed income mutual funds	29	-	-	-	**29**
Other	64	-	-	-	**64**
Total equity method	93	325	286	81	**785**
Deferred compensation plan equity method investments	-	4	27	-	**31**
Cost method investments	-	-	-	96	**96**
Carried interest	-	-	-	114	**114**
Total investments	608	558	590	339	**2,095**
Separate account assets	116,580	43,795	-	1,124	**161,499**
Separate account collateral held under securities lending agreements:					
Equity securities	22,222	-	-	-	**22,222**
Debt securities	-	1,832	-	-	**1,832**
Total separate account collateral held under securities lending agreements	22,222	1,832	-	-	**24,054**
Assets of consolidated VIEs:					

Bank loans and other assets	-	2,265	153	28	**2,446**
Bonds	-	41	25	-	**66**
Private / public equity[3]	2	6	13	-	**21**
Total assets of consolidated VIEs	2	2,312	191	28	**2,533**
Total	$ 139,412	$ 48,497	$ 781	$ 1,491	**$ 190,181**
Liabilities:					
Borrowings of consolidated VIEs	$ -	$ -	$ 2,699	$ -	**$ 2,699**
Separate account collateral liabilities under securities lending agreements	22,222	1,832	-	-	**24,054**
Other liabilities[4]	-	4	43	-	**47**
Total	$ 22,222	$ 1,836	$ 2,742	$ -	**$ 26,800**

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

(2) Level 3 amounts include $193 million and $79 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Level 3 amounts include $13 million of underlying third-party private equity funds held by a private equity fund.

(4) Amounts include a credit default swap (see Note 7, *Derivatives and Hedging*, for more information) and contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA (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

December 31, 2013 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value[(1)]	December 31, 2013
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 180	$ -	$ -	$ -	$ 180
Other securities	-	3	-	-	3
Total available-for-sale	180	3	-	-	183
Held-to-maturity debt securities	-	-	-	83	83
Trading:					
Deferred compensation plan mutual funds	58	-	-	-	58
Equity/Multi-asset mutual funds	184	-	-	-	184
Debt securities / fixed income mutual funds	31	213	-	-	244
Total trading	273	213	-	-	486
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	-	135	24	-	159
Private / public equity[(2)]	5	13	223	41	282
Total consolidated sponsored investment funds	5	148	247	41	441
Equity method:					
Hedge funds / Funds of hedge funds	-	177	99	63	339
Private equity investments	-	-	101	-	101
Real estate funds	-	20	98	7	125
Fixed income mutual funds	113	-	-	-	113
Equity/Multi-asset, alternative mutual funds	19	-	-	-	19
Total equity method	132	197	298	70	697
Deferred compensation plan equity method investments	-	10	29	-	39
Cost method investments	-	-	-	119	119
Carried interest	-	-	-	103	103
Total investments	590	571	574	416	2,151
Separate account assets	113,382	40,841	-	890	155,113
Separate account collateral held under securities lending agreements:					
Equity securities	20,856	-	-	-	20,856
Debt securities	-	932	-	-	932
Total separate account collateral held under securities lending agreements	20,856	932	-	-	21,788
Other assets[(3)]	-	39	-	-	39
Assets of consolidated VIEs:					
Bank loans and other assets	-	2,047	129	19	2,195
Bonds	-	71	35	-	106
Private / public equity[(4)]	-	10	14	-	24

Total assets of consolidated VIEs		-		2,128		178		19		2,325
Total	$	134,828	$	44,511	$	752	$	1,325	$	181,416
Liabilities:										
Borrowings of consolidated VIEs	$	-	$	-	$	2,369	$	-	$	2,369
Separate account collateral liabilities under securities lending agreements		20,856		932		-		-		21,788
Other liabilities(5)		18		4		42		-		64
Total	$	20,874	$	936	$	2,411	$	-	$	24,221

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

(2) Level 3 amounts include $195 million and $28 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Amount includes company-owned and split-dollar life insurance policies and unrealized gains on forward foreign currency exchange contracts.

(4) Level 3 amounts include $14 million of underlying third-party private equity funds held by a sponsored private equity fund of fund.

(5) Amounts include a credit default swap (see Note 7, *Derivatives and Hedging*, for more information), securities sold short within consolidated sponsored investment funds and contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA (see Note 12, *Commitments and Contingencies*, for more information).

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Level 3 Assets. Level 3 investments of $590 million and $574 million at June 30, 2014 and December 31, 2013, respectively, primarily related to equity method investments and private equity funds held by consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal and third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled $79 million and $28 million at June 30, 2014 and December 31, 2013, respectively. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For investments utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

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

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

Level 3 other liabilities include contingent liabilities related to the acquisitions of the Credit Suisse ETF franchise and MGPA, 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 June 30, 2014

(in millions)	March 31, 2014	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	June 30, 2014	Total net unrealized gains (losses) included in earnings[2]
Assets:									
Investments									
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	$12	($1)	$-	($6)	$-	$-	$-	**$5**	($1)
Private equity	256	12	20	(16)	-	-	-	**272**	11
Equity method:									
Hedge funds / Funds of hedge funds	91	2	4	(4)	(9)	-	-	**84**	2
Private equity investments	101	6	4	-	(5)	-	-	**106**	5
Real estate funds	100	7	2	(3)	(10)	-	-	**96**	8
Deferred compensation plan equity method investments	31	-	-	-	(4)	-	-	**27**	-
Total Level 3 investments	591	26	30	(29)	(28)	-	-	**590**	25
Assets of consolidated VIEs:									
Bank loans	147	-	76	(30)	-	36	(76)	**153**	
Bonds	28	-	-	(3)	-	-	-	**25**	
Private equity	13	1	-	(1)	-	-	-	**13**	
Total Level 3 assets of consolidated VIEs	188	1	76	(34)	-	36	(76)	**191**	n/a[3]
Total Level 3 assets	$779	$27	$106	($63)	($28)	$36	($76)	**$781**	
Liabilities:									
Borrowings of consolidated VIEs	$2,244	$9	$-	$-	$464	$-	$-	**$2,699**	n/a[3]
Other liabilities	42	(1)	-	-	-	-	-	**43**	-
Total Level 3 liabilities	$2,286	$8	$-	$-	$464	$-	$-	**$2,742**	

n/a not applicable

[1] Amount primarily includes distributions from equity method investees and proceeds from and repayment of borrowings of consolidated VIEs.

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

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

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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2014

(in millions)	December 31, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3[2]	Transfers out of Level 3	June 30, 2014	Total net unrealized gains (losses) included in earnings[3]
Assets:									
Investments									
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	$24	$-	$-	($18)	($1)	$-	$-	**$5**	($1)
Private equity	223	13	25	(30)	-	41	-	**272**	12
Equity method:									
Hedge funds / Funds of hedge funds	99	4	8	(7)	(20)	-	-	**84**	4
Private equity investments	101	9	7	-	(11)	-	-	**106**	9
Real estate funds	98	9	4	(3)	(12)	-	-	**96**	9
Deferred compensation plan equity method investments	29	2	-	-	(4)	-	-	**27**	2
Total Level 3 investments	574	37	44	(58)	(48)	41	-	**590**	35
Assets of consolidated VIEs:									
Bank loans	129	-	92	(43)	-	109	(134)	**153**	
Bonds	35	-	-	(10)	-	-	-	**25**	
Private equity	14	1	-	(2)	-	-	-	**13**	
Total Level 3 assets of consolidated VIEs	178	1	92	(55)	-	109	(134)	**191**	n/a[4]
Total Level 3 assets	$752	$38	$136	($113)	($48)	$150	($134)	**$781**	
Liabilities:									
Borrowings of consolidated VIEs	$2,369	$14	$-	$-	$344	$-	$-	**$2,699**	n/a[4]
Other liabilities	42	(1)	-	-	-	-	-	**43**	-
Total Level 3 liabilities	$2,411	$13	$-	$-	$344	$-	$-	**$2,742**	

n/a not applicable

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

(2) Includes investments previously held at cost.

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

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

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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2013

(in millions)	March 31, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	June 30, 2013	Total net unrealized gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	84	2	-	(9)	(28)	-	(2)	47	2
Private equity	264	(7)	5	(10)	-	-	(3)	249	(6)
Equity method:									
Hedge funds / Funds of hedge funds	136	5	-	-	16	-	-	157	5
Private equity investments	99	4	4	-	(2)	-	-	105	4
Real estate funds	91	7	1	-	(2)	-	-	97	6
Total Level 3 investments	675	11	10	(19)	(16)	-	(5)	656	11
Assets of consolidated VIEs:									
Bank loans	97	(1)	48	(29)	-	17	(39)	93	
Bonds	49	-	-	(14)	-	-	-	35	
Private equity	20	-	-	(1)	-	-	-	19	
Fund of hedge funds	116	-	18	-	(134)	-	-	-	
Total Level 3 assets of consolidated VIEs	282	(1)	66	(44)	(134)	17	(39)	147	n/a[3]
Total Level 3 assets	$957	$10	$76	($63)	($150)	$17	($44)	$803	
Liabilities:									
Borrowings of consolidated VIEs	$2,332	$6	$-	$-	($181)	$-	$-	$2,145	n/a[3]

n/a not applicable

(1) Amount primarily includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, elimination of investment related to a deconsolidation of a consolidated VIE and a reclassification of an investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage.

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

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

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Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2013

(in millions)	December 31, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	June 30, 2013	Total net unrealized gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	73	6	12	(9)	(28)	-	(7)	47	6
Private equity	266	16	12	(39)	-	-	(6)	249	14
Equity method:									
Hedge funds / Funds of hedge funds	161	9	1	-	(14)	-	-	157	9
Private equity investments	90	10	9	-	(4)	-	-	105	10
Real estate funds	88	8	3	-	(2)	-	-	97	8
Total Level 3 investments	679	49	37	(48)	(48)	-	(13)	656	47
Separate account assets	2	-	-	(2)	-	-	-	-	n/a[3]
Assets of consolidated VIEs:									
Bank loans	106	(1)	72	(40)	-	32	(76)	93	
Bonds	46	(1)	4	(14)	-	-	-	35	
Private equity	22	1	-	(4)	-	-	-	19	
Fund of hedge funds	-	-	134	-	(134)	-	-	-	
Total Level 3 assets of consolidated VIEs	174	(1)	210	(58)	(134)	32	(76)	147	n/a[4]
Total Level 3 assets	$855	$48	$247	($108)	($182)	$32	($89)	$803	
Liabilities:									
Borrowings of consolidated VIEs	$2,402	($4)	$-	$-	($261)	$-	$-	$2,145	n/a[4]

n/a not applicable

(1) Amount primarily includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, elimination of investment related to a deconsolidation of a consolidated VIE and a reclassification of an investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage.

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

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

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

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

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

Assets of Consolidated VIEs. During the three and six months ended June 30, 2014, there were $76 million and $134 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three and six months ended June 30, 2014, there were $36 million and $109 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

During the three and six months ended June 30, 2013, there were $39 million and $76 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three and six months ended June 30, 2013, there were $17 million and $32 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

Consolidated Sponsored Investment Funds. During the six months ended June 30, 2013, there were $12 million of transfers out of Level 1 to Level 2 related to consolidated private equity funds. This transfer was due to a direct investment in a public company held by a consolidated private equity fund valued at a discount due to restrictions on sale.

Significant Other Settlements. During the three and six months ended June 30, 2014, other settlements included $612 million of proceeds from borrowings of a consolidated CLO.

During the three and six months ended June 30, 2014, there were $28 million and $47 million, respectively, of distributions from equity method investees categorized in Level 3.

During the three and six months ended June 30, 2013, there were $16 million and $48 million, respectively, of distributions from equity method investees categorized in Level 3.

During the three and six months ended June 30, 2013, other settlements included $134 million related to a deconsolidation of a consolidated fund of hedge funds, which was previously classified as a VIE. This fund was deconsolidated during the second quarter of 2013 due to the granting of additional substantive rights to unaffiliated investors of the fund.

In addition, during the three and six months ended June 30, 2013, there was a $28 million reclassification of a Level 3 investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage.

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Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At June 30, 2014 and December 31, 2013, the fair value of the Company s financial instruments not held at fair value are categorized in the table below:

	June 30, 2014		December 31, 2013		
(in millions)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Fair Value Hierarchy**
Financial Assets:					
Cash and cash equivalents	$ 5,127	$ 5,127	$ 4,390	$ 4,390	Level 1[(1)(2)]
Accounts receivable	4,207	4,207	2,247	2,247	Level 1[(3)]
Cash and cash equivalents of consolidated VIEs	370	370	161	161	Level 1[(1)]
Financial Liabilities:					
Accounts payable and accrued liabilities	3,091	3,091	1,084	1,084	Level 1[(3)]
Long-term borrowings	5,936	6,331	4,939	5,284	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 June 30, 2014 and December 31, 2013, approximately $197 million and $64 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund. At June 30, 2014 and December 31, 2013, approximately $120 million and $114 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds.

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

(4) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of June 2014 and December 2013, 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 its equivalent).

June 30, 2014

(in millions)	**Ref**	**Fair Value**	**Total Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Consolidated sponsored investment funds:					
Private equity funds/funds of funds	(a)	$193	$ 26	n/r	n/r
Other funds of hedge funds	(b)	4	-	Quarterly(100%)	60 90 days
Equity method:[(1)]					
Hedge funds/funds of hedge funds	(c)	388	47	Monthly(43%) Quarterly(37%)	15 90 days

				n/r(20%)	
Private equity funds	(d)	106	61	n/r	n/r
Real estate funds	(e)	117	8	Quarterly(18%) n/r(82%)	60 days
Deferred compensation plan investments	(f)	31	5	Quarterly(13%) n/r(87%)	60 90 days
Consolidated VIEs:					
Private equity fund	(g)	13	1	n/r	n/r
Total		$852	$148		

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December 31, 2013

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$195	$23	n/r	n/r
Other funds of hedge funds	(b)	155	-	Monthly(13%) Quarterly(78%) n/r(9%)	30 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(c)	276	84	Monthly(55%) Quarterly(11%) n/r(34%)	15 90 days
Private equity funds	(d)	101	62	n/r	n/r
Real estate funds	(e)	118	12	Quarterly(17%) n/r(83%)	60 days
Deferred compensation plan investments	(f)	39	7	Monthly(8%) Quarterly(18%) n/r(74%)	60 90 days
Consolidated VIEs:					
Private equity fund	(g)	14	1	n/r	n/r
Total		$898	$189		

n/r not redeemable

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

(a) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately six years and seven years at June 30, 2014 and December 31, 2013. The total remaining unfunded commitments to other third-party funds were $26 million and $23 million at June 30, 2014 and December 31, 2013, respectively. The Company was contractually obligated to fund $34 million and $30 million at June 30, 2014 and December 31, 2013, respectively, to the consolidated funds.

(b) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments have been estimated using the NAV of the fund s ownership interest in partners capital of each fund in the portfolio. Certain of the underlying funds can be redeemed as long as there are no restrictions in place.

(c)

This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company s ownership interest in partners capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately three years at both June 30, 2014 and December 31, 2013.

(d) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company s ownership interest in the funds as well as other performance inputs. The Company s investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately four years and five years at June 30, 2014 and December 31, 2013, respectively.

(e) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company s ownership interest in the funds. A majority of the Company s investments are not subject to redemption or are not currently redeemable and is normally returned through distributions as a result of the liquidation of the underlying assets of

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the real estate funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at both June 30, 2014 and December 31, 2013.

(f) This category includes investments in several real estate funds and certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using capital accounts representing the Company s ownership interest in partners capital as well as performance inputs. The investments in hedge funds will be redeemed upon settlement of certain deferred compensation liabilities. The real estate investments are not subject to redemption; however, distributions as a result of the liquidation of the underlying assets will be used to settle certain deferred compensation liabilities over time.

(g) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately one and two years at June 30, 2014 and December 31, 2013, respectively. Total remaining unfunded commitments to other third-party funds were not material at both June 30, 2014 and December 31, 2013, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

Fair Value Option.

The following table summarizes information at June 30, 2014 and December 31, 2013 related to those assets and liabilities for which the fair value option was elected:

(in millions)	**June 30, 2014**	**December 31, 2013**
CLO Bank Loans:		
Aggregate principal amounts outstanding	$2,426	$2,181
Fair value	2,418	2,176
Aggregate unpaid principal balance in excess of (less than) fair value	$8	$5
Unpaid principal balance of loans more than 90 days past due	$4	$14
Aggregate fair value of loans more than 90 days past due	-	9
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	$4	$5
CLO Borrowings:		
Aggregate principal amounts outstanding	$2,800	$2,455
Fair value	$2,699	$2,369

At June 30, 2014, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2026.

During the three months ended June 30, 2014 and 2013, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $52 million and a $7 million gain, respectively, which were offset by a $13 million and a $23 million loss, respectively, from the change in fair value of the CLO borrowings.

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During the six months ended June 30, 2014 and 2013, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $79 million gain for both periods. The gains were offset by a $50 million and $64 million loss during the six months ended June 30, 2014 and 2013, respectively, from the change in fair value of the CLO borrowings.

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

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

6. Variable Interest Entities

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

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

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

Consolidated VIEs. Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund because it absorbed the majority of the variability due to its de facto related-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At June 30, 2014 and December 31, 2013, the following balances related to VIEs were consolidated on the condensed consolidated statements of financial condition:

(in millions)	**June 30, 2014**	**December 31, 2013**
Assets of consolidated VIEs:		
Cash and cash equivalents	$370	$161
Bank loans	2,418	2,176
Bonds	66	106
Other investments and other assets	49	43
Total bank loans, bonds, other investments and other assets	2,533	2,325
Liabilities of consolidated VIEs:		
Borrowings	(2,699)	(2,369)
Other liabilities	(153)	(74)
Appropriated retained earnings	(33)	(22)
Noncontrolling interests of consolidated VIEs	(18)	(21)
Total BlackRock net interests in consolidated VIEs	$-	$-

For the three months ended June 30, 2014 and 2013, the Company recorded nonoperating income of $28 million and nonoperating expense of $23 million, respectively, offset by a $28 million net income attributable to nonredeemable noncontrolling interests and a $23 million net loss attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

For the six months ended June 30, 2014 and 2013, the Company recorded nonoperating income of $12 million and nonoperating income of $4 million, respectively, offset by a $12 million net income attributable to nonredeemable noncontrolling interests and $4 million net income attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

At June 30, 2014 and December 31, 2013, the weighted-average maturity of the bank loans and bonds were approximately 4.8 and 4.7 years, respectively.

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Nonconsolidated VIEs. At June 30, 2014 and December 31, 2013, the Company s carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it was the sponsor or in which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)	**Variable Interests on the Condensed Consolidated Statement of Financial Condition**			
At June 30, 2014	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss[1]**
CDOs/CLOs	$-	$1	($4)	$18
Other sponsored investment funds:				
Collective trusts	-	204	-	204
Other	37	224	(5)	261
Total	$37	$429	($9)	$483
At December 31, 2013				
CDOs/CLOs	$-	$1	($4)	$18
Other sponsored investment funds:				
Collective trusts	-	184	-	184
Other	37	137	(6)	174
Total	$37	$322	($10)	$376

(1) At both June 30, 2014 and December 31, 2013, BlackRock s maximum risk of loss associated with these VIEs primarily related to: (i) advisory fee receivables; (ii) BlackRock s investments; and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

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

CDOs/CLOs

(in billions)	**June 30, 2014**	**December 31, 2013**
Assets at fair value	$1	$1
Liabilities[1]	2	2
Net assets	($1)	($1)

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

The net assets of other sponsored investment funds that are nonconsolidated VIEs approximated $1.8 trillion to $1.9 trillion at June 30, 2014 and $1.6 trillion to $1.7 trillion at December 31, 2013. Net assets included $1.5 trillion of collective trusts at June 30, 2014 and $1.4 trillion of collective trusts at December 31, 2013. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments, partially offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

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7. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At June 30, 2014, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately $176 million and $78 million, respectively. At December 31, 2013, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately $117 million and $71 million, respectively.

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

The fair values of the outstanding total return swaps, interest rate swaps and the credit default swap were not material to the condensed consolidated statements of financial condition at both June 30, 2014 and December 31, 2013.

The Company executes forward foreign currency exchange contracts to mitigate the risk of foreign exchange movements. At June 30, 2014, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $227 million. The fair value of the forward foreign currency exchange contracts at June 30, 2014 was not material to the condensed consolidated statements of financial condition. At December 31, 2013, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $792 million and a fair value of approximately $26 million.

Gains (losses) on the total return swaps, interest rate swaps, credit default swap and the forward foreign currency exchange contracts were not material to the condensed consolidated statements of income for the three and six months ended June 30, 2014 and 2013.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds investment strategies. The fair value of such derivatives at June 30, 2014 and December 31, 2013 was not material. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for the three and six months ended June 30, 2014 and 2013.

8. Goodwill

Goodwill activity during the six months ended June 30, 2014 was as follows:

(in millions)	
December 31, 2013	$12,980
Goodwill adjustment related to Quellos[1]	(9)
June 30, 2014	**$12,971**

[1] The decrease in goodwill during the six months ended June 30, 2014 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 $277 million and $293 million at June 30, 2014 and December 31, 2013, respectively.

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9. Intangible Assets

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

(in millions)	Indefinite-lived intangible assets	Finite-lived intangible assets	Total intangible assets
December 31, 2013	$16,991	$510	$17,501
Amortization expense	-	(82)	(82)
Other	(1)	-	(1)
June 30, 2014	**$16,990**	**$428**	**$17,418**

10. Other Assets

At March 31, 2013, BlackRock held an approximately one-third economic equity interest in Private National Mortgage Acceptance Company, LLC (PNMAC), which is accounted for as an equity method investment and is included in other assets on the condensed consolidated statements of financial condition. On May 8, 2013, PennyMac became the sole managing member of PNMAC in connection with an initial public offering of PennyMac (the PennyMac IPO). As a result of the PennyMac IPO, BlackRock recorded a noncash, nonoperating pre-tax gain of $39 million related to the carrying value of its equity method investment.

Subsequent to the PennyMac IPO, the Company contributed 6.1 million units of its PennyMac investment to a new donor advised fund (the Charitable Contribution). The fair value of the Charitable Contribution was $124 million and is included in general and administration expense on the condensed consolidated statements of income. In connection with the Charitable Contribution, the Company also recorded a noncash, nonoperating pre-tax gain of $80 million related to the contributed investment and a tax benefit of approximately $57 million.

The carrying value and fair value of the Company s interest (approximately 20% or 16 million shares and units) was approximately $145 million and $236 million, respectively, at June 30, 2014 and approximately $127 million and $273 million, respectively, at December 31, 2013. The fair value of the Company s interest reflected the PennyMac stock price at June 30, 2014 and December 31, 2013, respectively (a Level 1 input).

See Note 11, *Other Assets*, in the 2013 Form 10-K for more information.

11. Borrowings

Short-Term Borrowings

2014 Revolving Credit Facility. In March 2014, the Company s credit facility was amended to extend the maturity date by one year to March 2019. The amount of the aggregate commitment is $3.990 billion (the 2014 credit facility). The 2014 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 2014 credit facility to an aggregate principal amount not to exceed $4.990 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2014 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 June 30, 2014. At June 30, 2014, the Company had no amount outstanding under the 2014 credit facility.

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Commercial Paper Program. In April 2013, BlackRock increased the maximum aggregate amount for which the Company could issue unsecured commercial paper notes (the CP Notes) on a private-placement basis up to a maximum aggregate amount outstanding at any time of $3.990 billion. The commercial paper program is currently supported by the 2014 credit facility. At June 30, 2014 and December 31, 2013, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

The carrying value and fair value of long-term borrowings determined using market prices at the end of June 2014 included the following:

(in millions)	**Maturity Amount**	**Unamortized Discount**	**Carrying Value**	**Fair Value**
3.50% Notes due 2014	$1,000	$-	$1,000	$1,013
1.375% Notes due 2015	750	-	750	757
6.25% Notes due 2017	700	(2)	698	808
5.00% Notes due 2019	1,000	(2)	998	1,149
4.25% Notes due 2021	750	(3)	747	823
3.375% Notes due 2022	750	(4)	746	766
3.50% Notes due 2024	1,000	(3)	997	1,015
Total Long-term Borrowings	**$5,950**	**($14)**	**$5,936**	**$6,331**

Long-term borrowings at December 31, 2013 had a carrying value of $4.939 billion and a fair value of $5.284 billion determined using market prices at the end of December 2013.

2024 Notes. In March 2014, the Company issued $1.0 billion in aggregate principal amount of 3.50% senior unsecured and unsubordinated notes maturing on March 18, 2024 (the 2024 Notes). The net proceeds of the 2024 Notes are intended to be used for general corporate purposes, including refinancing of outstanding indebtedness. Interest is payable semi-annually in arrears on March 18 and September 18 of each year, or approximately $35 million per year. The 2024 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole redemption price. The 2024 Notes were issued at a discount of $3 million that is being amortized over the term of the notes. The Company incurred approximately $6 million of debt issuance costs, which are being amortized over the term of the 2024 Notes.

See Note 12, *Borrowings*, in the 2013 Form 10-K for more information regarding the Company s borrowings.

12. Commitments and Contingencies

Investment Commitments. At June 30, 2014, the Company had $181 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds, infrastructure funds, opportunistic funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. In addition to the capital commitments of $181 million, the Company had approximately $33 million of contingent commitments for certain funds which have investment periods that have expired. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

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Contingencies

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

Contingent Payments Related to Business Acquisitions. In connection with the Credit Suisse ETF Transaction, BlackRock is required to make contingent payments annually to Credit Suisse, subject to achieving specified thresholds during a seven-year period, subsequent to the acquisition date. In addition, BlackRock is required to make contingent payments related to the MGPA Transaction during a five-year period, subject to achieving specified thresholds, subsequent to the acquisition date. The fair value of the contingent payments at June 30, 2014 is not significant to the condensed consolidated statement of financial condition and is included in other liabilities.

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

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

Indemnifications. In the ordinary course of business 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 June 30, 2014, the Company indemnified certain of its clients for their securities lending loan balances of approximately $129.6 billion. The Company held as agent, cash and securities totaling $136.8 billion as collateral for indemnified securities on loan at June 30, 2014. The fair value of these indemnifications was not material at June 30, 2014.

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13. Stock-Based Compensation

Restricted stock and restricted stock units (RSUs   ) activity for the six months ended June 30, 2014 is summarized below:

Outstanding at	Restricted Stock and RSUs	Weighted-Average Grant Date Fair Value
December 31, 2013	4,612,813	$207.94
Granted	1,357,661	$318.68
Converted	(2,501,931)	$205.23
Forfeited	(38,849)	$245.45
June 30, 2014[(1)]	**3,429,694**	**$253.33**

(1) At June 30, 2014, approximately 3.2 million awards are expected to vest and 0.2 million awards have vested but have not been converted.

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock   s common stock price. In January 2014, the Company granted 1,022,295 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant and 287,963 RSUs to employees that cliff vest 100% on January 31, 2017.

At June 30, 2014, the intrinsic value of outstanding RSUs was $1.1 billion reflecting a stock price of $319.60 at June 30, 2014.

At June 30, 2014, total unrecognized stock-based compensation expense related to unvested RSUs was $463 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.3 years.

Market Performance-based RSUs.

Market performance-based RSU activity for the six months ended June 30, 2014 is summarized below:

Outstanding at	Market Performance-Based RSUs	Weighted-Average Grant Date Fair Value
December 31, 2013	1,132,113	$120.80
Granted	315,961	$195.30
June 30, 2014[(1)]	**1,448,074**	**$ 137.05**

(1) At June 30, 2014, approximately 1.4 million awards are expected to vest and an immaterial amount of awards have vested and have not been converted.

In January 2014, the Company granted 315,961 market performance-based RSUs.

See Note 14, *Stock-Based Compensation,* in the 2013 Form 10-K for more information on market performance-based RSUs.

At June 30, 2014, total unrecognized stock-based compensation expense related to unvested market performance-based awards was $126 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 2.4 years.

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Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans (LTIP). The current share surrender agreement commits PNC to provide BlackRock series C nonvoting participating preferred stock to fund the remaining committed shares. As of June 30, 2014, 2.7 million shares had been surrendered by PNC.

At June 30, 2014, the remaining shares committed by PNC of 1.3 million were available to fund certain future long-term incentive awards.

Stock Options. Stock option activity for the six months ended June 30, 2014 is summarized below:

Outstanding at	**Shares Under Option**	**Weighted-Average Exercise Price**
December 31, 2013	931,758	$167.76
Exercised	(11,032)	$ 167.76
June 30, 2014[1]	920,726	$ 167.76

[1] At June 30, 2014, all options were vested. The aggregate intrinsic value of options exercised during the six months ended June 30, 2014 was $1.5 million. The remaining average life of stock options outstanding at June 30, 2014 is approximately three years.

14. Net Capital Requirements

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

Capital Requirements. At June 30, 2014, the Company was required to maintain approximately $1.2 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a chartered national bank whose powers are limited to trust activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom and the Company s broker-dealers. At such date, the Company was in compliance with all applicable regulatory net capital requirements.

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15. Accumulated Other Comprehensive Income (Loss)

Changes in AOCI by component for the three and six months ended June 30, 2014 were as follows *(in millions)*:

	Unrealized gains (losses) on available-for-sale investments	Benefit plans	Foreign currency translation adjustments	Total[(1)]
For the Three Months Ended June 30, 2014				
March 31, 2014	**($ 1)**	**$ 6**	**($ 40)**	**($ 35)**
Other comprehensive income (loss) before reclassifications[(2)]	4	-	30	34
Amount reclassified from AOCI[(3)]	2	-	-	2
Net other comprehensive income (loss) for the three months ended June 30, 2014	6	-	30	36
June 30, 2014	**$ 5**	**$ 6**	**($ 10)**	**$ 1**
For the Six Months Ended June 30, 2014				
December 31, 2013	$ 7	$ 6	($ 48)	($ 35)
Other comprehensive income (loss) before reclassifications[(2)]	4	-	38	42
Amount reclassified from AOCI[(3)]	(6)	-	-	(6)
Net other comprehensive income (loss) for the six months ended June 30, 2014	(2)	-	38	36
June 30, 2014	**$ 5**	**$ 6**	**($ 10)**	**$ 1**

(1) All amounts are net of tax.
(2) The tax benefit (expense) was not material for the three and six months ended June 30, 2014.
(3) The tax benefit (expense) was not material for the three and six months ended June 30, 2014. The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

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Changes in AOCI by component for the three and six months ended June 30, 2013 were as follows *(in millions)*:

	Unrealized gains (losses) on available-for-sale investments	Benefit plans	Foreign currency translation adjustments	Total[1]
For the Three Months Ended June 30, 2013				
March 31, 2013	$ 17	($ 4)	($ 179)	($ 166)
Other comprehensive income (loss) before reclassifications[2]	(21)	-	(23)	(44)
Amount reclassified from AOCI[3]	12	-	-	12
Net other comprehensive income (loss) for the three months ended June 30, 2013	(9)	-	(23)	(32)
June 30, 2013	$ 8	($ 4)	($ 202)	($ 198)
For the Six Months Ended June 30, 2013				
December 31, 2012	$ 16	($ 4)	($ 71)	($ 59)
Other comprehensive income (loss) before reclassifications[2]	(17)	-	(131)	(148)
Amount reclassified from AOCI[3]	9	-	-	9
Net other comprehensive income (loss) for the six months ended June 30, 2013	(8)	-	(131)	(139)
June 30, 2013	$ 8	($ 4)	($ 202)	($ 198)

(1) All amounts are net of tax.
(2) The tax benefit (expense) was not material for the three and six months ended June 30, 2013.
(3) The tax benefit (expense) was not material for the three and six months ended June 30, 2013. The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statements of income.

16. Capital Stock

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

	June 30, 2014	December 31, 2013
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	823,188	823,188

	June 30, 2014	December 31, 2013
Series C		
Shares authorized, $0.01 par value	6,000,000	6,000,000
Shares issued and outstanding	1,311,887	1,311,887
Series D		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	-	-

Share Repurchase Approvals. In January 2013, the Board of Directors approved an increase in the availability under the Company s existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock. The Company repurchased 1.7 million common shares in open market-transactions under the share repurchase program for approximately $500 million during the six months ended June 30, 2014. At June 30, 2014, there were 4.8 million shares still authorized to be repurchased.

17. Earnings Per Share

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

The following table sets forth the computation of basic and diluted EPS for the three and six months ended June 30, 2014 and 2013 under the treasury stock method:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	2014	2013	2014	2013
Net income attributable to BlackRock	$808	$729	$1,564	$1,361
Basic weighted-average shares outstanding	168,712,221	170,648,731	168,895,801	170,973,462
Dilutive effect of:				
Nonparticipating RSUs and stock options	2,437,932	3,224,852	2,644,217	3,295,408
Total diluted weighted-average shares outstanding	171,150,153	173,873,583	171,540,018	174,268,870
Basic earnings per share	$4.79	$4.27	$9.26	$7.96
Diluted earnings per share	$4.72	$4.19	$9.12	$7.81

18. Income Taxes

The three and six months ended June 30, 2014 included a $23 million net noncash expense, primarily associated with the revaluation of certain deferred tax liabilities arising from the state and local tax effect of changes in the Company s organizational structure. In addition, the second quarter of 2014 benefited from an improvement in the geographic mix of earnings and included a $34 million net tax benefit related to several favorable nonrecurring items.

The three and six months ended June 30, 2013 included the approximately $57 million tax benefit recognized in connection with the Charitable Contribution. See Note 10, *Other Assets*, for more information. In addition, the second quarter of 2013 included a tax benefit of approximately $29 million, primarily due to the realization of loss carryforwards.

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19. Segment Information

The Company s management directs BlackRock s operations as one business, the asset management business. As such, the Company operates in one business segment in accordance with ASC 280-10, *Segment Reporting*.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions* and advisory revenue, distribution fees and other revenue for the three and six months ended June 30, 2014 and 2013, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2014**	**2013**	**2014**	**2013**
Equity	$ 1,369	$ 1,194	$ 2,646	$ 2,355
Fixed income	544	512	1,047	998
Multi-asset	310	256	599	511
Alternatives	253	221	559	470
Cash management	73	83	147	169
Total investment advisory, administration fees, securities lending revenue and performance fees	2,549	2,266	4,998	4,503
BlackRock Solutions and advisory	146	138	300	264
Distribution fees	18	18	37	35
Other revenue	65	60	113	129
Total revenue	$ 2,778	$ 2,482	$ 5,448	$ 4,931

The following table illustrates total revenue for the three and six months ended June 30, 2014 and 2013, respectively, by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue	**2014**	**2013**	**2014**	**2013**
Americas	$ 1,764	$ 1,672	$ 3,546	$ 3,335
Europe	882	686	1,639	1,334
Asia-Pacific	132	124	263	262
Total revenue	$ 2,778	$ 2,482	$ 5,448	$ 4,931

The following table illustrates long-lived assets that consist of goodwill and property and equipment at June 30, 2014 and December 31, 2013 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

(in millions) **Long-lived Assets**	**June 30, 2014**	**December 31, 2013**
Americas	$ 13,170	$ 13,204
Europe	210	214
Asia-Pacific	87	87
Total long-lived assets	$ 13,467	$ 13,505

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

20. Subsequent Events

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, BlackRock or the Company) is a leading publicly traded investment management firm with $4.594 trillion of assets under management (AUM) at June 30, 2014. With over 11,600 employees in more than 30 countries, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

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

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

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

At June 30, 2014, The PNC Financial Services Group, Inc. (PNC) held 20.9% of the Company s voting common stock and 21.9% of the Company s capital stock, which includes outstanding common and nonvoting preferred stock.

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EXECUTIVE SUMMARY