**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

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

**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)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $.01 par value | BLK | New York Stock Exchange |
| 1.250% Notes due 2025 | BLK25 | New York Stock Exchange |

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, every Interactive Data File required to be submitted 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 such files).

Yes X No ____

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

Yes ____ No X

As of April 30, 2019, there were 154,521,765 shares of the registrant's common stock outstanding.

**BlackRock, Inc.**
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## PART I

## FINANCIAL INFORMATION



## PART II

## OTHER INFORMATION

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### BlackRock, Inc.
### Condensed Consolidated Statements of Financial Condition
(unaudited)

| *(in millions, except shares and per share data)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 3,891 | $ 6,302 |
| Accounts receivable | 2,771 | 2,657 |
| Investments | 1,917 | 1,796 |
| Assets of consolidated variable interest entities: | | |
| Cash and cash equivalents | 170 | 186 |
| Investments | 2,592 | 2,680 |
| Other assets | 69 | 876 |
| Separate account assets | 97,993 | 90,285 |
| Separate account collateral held under securities lending agreements | 20,791 | 20,655 |
| Property and equipment (net of accumulated depreciation of $794 and $750 at March 31, 2019 and December 31, 2018, respectively) | 656 | 643 |
| Intangible assets (net of accumulated amortization of $259 and $244 at March 31, 2019 and December 31, 2018, respectively) | 17,824 | 17,839 |
| Goodwill | 13,524 | 13,526 |
| Other assets | 2,810 | 2,128 |
| Total assets | $ 165,008 | $ 159,573 |
| **Liabilities** | | |
| Accrued compensation and benefits | $ 730 | $ 1,988 |
| Accounts payable and accrued liabilities | 1,225 | 1,292 |
| Liabilities of consolidated variable interest entities: | | |
| Borrowings | 134 | 84 |
| Other liabilities | 479 | 1,290 |
| Borrowings | 4,966 | 4,979 |
| Separate account liabilities | 97,993 | 90,285 |
| Separate account collateral liabilities under securities lending agreements | 20,791 | 20,655 |
| Deferred income tax liabilities | 3,654 | 3,571 |
| Other liabilities | 2,665 | 1,889 |
| Total liabilities | 132,637 | 126,033 |
| **Commitments and contingencies (Note 13)** | | |
| **Temporary equity** | | |
| Redeemable noncontrolling interests | 1,009 | 1,107 |
| **Permanent Equity** | | |
| BlackRock, Inc. stockholders’ equity | | |
| Common stock, $0.01 par value; | 2 | 2 |
| Shares authorized: 500,000,000 at March 31, 2019 and December 31, 2018; Shares issued: 171,252,185 at March 31, 2019 and December 31, 2018; Shares outstanding: 154,500,315 and 157,553,501 at March 31, 2019 and December 31, 2018, respectively | | |
| Preferred stock (Note 18) | — | — |
| Additional paid-in capital | 18,827 | 19,168 |
| Retained earnings | 19,779 | 19,282 |
| Accumulated other comprehensive loss | (623) | (691) |
| Treasury stock, common, at cost (16,751,870 and 13,698,684 shares held at March 31, 2019 and December 31, 2018, respectively) | (6,676) | (5,387) |
| Total BlackRock, Inc. stockholders’ equity | 31,309 | 32,374 |
| Nonredeemable noncontrolling interests | 53 | 59 |
| Total permanent equity | 31,362 | 32,433 |
| Total liabilities, temporary equity and permanent equity | $ 165,008 | $ 159,573 |

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Income**
(unaudited)

| *(in millions, except shares and per share data)* | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Revenue** | | |
| Investment advisory, administration fees and securities lending revenue | | |
| Related parties | $ 1,989 | $ 2,112 |
| Other third parties | 816 | 835 |
| Total investment advisory, administration fees and securities lending revenue | 2,805 | 2,947 |
| Investment advisory performance fees | 26 | 70 |
| Technology services revenue | 204 | 184 |
| Distribution fees | 262 | 311 |
| Advisory and other revenue | 49 | 71 |
| Total revenue | 3,346 | 3,583 |
| **Expense** | | |
| Employee compensation and benefits | 1,064 | 1,121 |
| Distribution and servicing costs | 404 | 432 |
| Direct fund expense | 242 | 261 |
| General and administration | 388 | 383 |
| Amortization of intangible assets | 15 | 11 |
| Total expense | 2,113 | 2,208 |
| Operating income | 1,233 | 1,375 |
| **Nonoperating income (expense)** | | |
| Net gain (loss) on investments | 142 | 15 |
| Interest and dividend income | 29 | 15 |
| Interest expense | (46) | (46) |
| Total nonoperating income (expense) | 125 | (16) |
| Income before income taxes | 1,358 | 1,359 |
| Income tax expense | 298 | 265 |
| Net income | 1,060 | 1,094 |
| Less: | | |
| Net income (loss) attributable to noncontrolling interests | 7 | 5 |
| Net income attributable to BlackRock, Inc. | $ 1,053 | $ 1,089 |
| **Earnings per share attributable to BlackRock, Inc. common stockholders:** | | |
| Basic | $ 6.65 | $ 6.75 |
| Diluted | $ 6.61 | $ 6.68 |
| **Cash dividends declared and paid per share** | $ 3.30 | $ 2.88 |
| **Weighted-average common shares outstanding:** | | |
| Basic | 158,268,034 | 161,250,018 |
| Diluted | 159,348,431 | 162,918,961 |

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Comprehensive Income**
(unaudited)

| *(in millions)* | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Net income** | $ 1,060 | $ 1,094 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustments[1] | 68 | 137 |
| Comprehensive income (loss) | 1,128 | 1,231 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 7 | 5 |
| **Comprehensive income attributable to BlackRock, Inc.** | $ 1,121 | $ 1,226 |

(1) Amounts for the three months ended March 31, 2019 and 2018 include a gain from a net investment hedge of $11 million (net of a tax expense of $3 million) and a loss of $16 million (net of a tax benefit of $5 million), respectively.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Changes in Equity**
(unaudited)

| *(in millions)* | Additional Paid-in Capital[1] | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity |
|---|---|---|---|---|---|---|---|---|
| December 31, 2018 | $ 19,170 | $ 19,282 | $ (691) | $ (5,387) | $ 32,374 | $ 59 | $ 32,433 | $ 1,107 |
| Net income | — | 1,053 | — | — | 1,053 | — | 1,053 | 7 |
| Dividends paid | — | (556) | — | — | (556) | — | (556) | — |
| Stock-based compensation | 154 | — | — | — | 154 | — | 154 | — |
| PNC preferred stock capital contribution | 60 | — | — | — | 60 | — | 60 | — |
| Retirement of preferred stock | (60) | — | — | — | (60) | — | (60) | — |
| Issuance of common shares related to employee stock transactions | (495) | — | — | 499 | 4 | — | 4 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (222) | (222) | — | (222) | — |
| Shares repurchased | — | — | — | (1,566) | (1,566) | — | (1,566) | — |
| Subscriptions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | (5) | (5) | 200 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | (1) | (1) | (305) |
| Other comprehensive income (loss) | — | — | 68 | — | 68 | — | 68 | — |
| **March 31, 2019** | **$ 18,829** | **$ 19,779** | **$ (623)** | **$ (6,676)** | **$ 31,309** | **$ 53** | **$ 31,362** | **$ 1,009** |

(1) Amounts include $2 million of common stock at both March 31, 2019 and December 31, 2018.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Changes in Equity**
(unaudited)

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

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

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Cash Flows**
(unaudited)

| *(in millions)* | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 1,060 | $ 1,094 |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: | | |
| Depreciation and amortization | 89 | 53 |
| Stock-based compensation | 154 | 175 |
| Deferred income tax expense (benefit) | 88 | 10 |
| Net (gains) losses within consolidated VIEs | (94) | (2) |
| Net (purchases) proceeds within consolidated VIEs | (175) | (342) |
| (Earnings) losses from equity method investees | (24) | (33) |
| Distributions of earnings from equity method investees | 14 | 10 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (99) | 35 |
| Investments, trading | (80) | (21) |
| Other assets | (7) | (474) |
| Accrued compensation and benefits | (1,254) | (1,362) |
| Accounts payable and accrued liabilities | (56) | 268 |
| Other liabilities | 159 | 448 |
| Net cash provided by/(used in) operating activities | (225) | (141) |
| **Investing activities** | | |
| Purchases of investments | (48) | (94) |
| Proceeds from sales and maturities of investments | 27 | 122 |
| Distributions of capital from equity method investees | 7 | 5 |
| Net consolidations (deconsolidations) of sponsored investment funds (VIEs/VREs) | (46) | (53) |
| Purchases of property and equipment | (58) | (33) |
| Net cash provided by/(used in) investing activities | (118) | (53) |
| **Financing activities** | | |
| Cash dividends paid | (556) | (505) |
| Repurchases of common stock | (1,788) | (719) |
| Net proceeds from (repayments of) borrowings by consolidated VIEs | 50 | — |
| Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders | 195 | 347 |
| Other financing activities | (13) | 3 |
| Net cash provided by/(used in) financing activities | (2,112) | (874) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 28 | 115 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (2,427) | (953) |
| Cash, cash equivalents and restricted cash, beginning of period | 6,505 | 7,096 |
| Cash, cash equivalents and restricted cash, end of period | $ 4,078 | $ 6,143 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for: | | |
| Interest | $ 29 | $ 29 |
| Income taxes (net of refunds) | $ 179 | $ 74 |
| **Supplemental schedule of noncash investing and financing transactions:** | | |
| Issuance of common stock | $ 495 | $ 575 |
| PNC preferred stock capital contribution | $ 60 | $ 58 |
| Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds | $ (306) | $ (213) |

*See accompanying notes to condensed consolidated financial statements.*

## 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 technology services to institutional and retail clients worldwide.

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

At March 31, 2019, The PNC Financial Services Group, Inc. ("PNC") held 22.0% of the Company's voting common stock and 22.4% 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 ("NCI") on the condensed consolidated statements of financial condition represents the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Accounts and transactions between consolidated entities have been eliminated.

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the Securities and Exchange Commission ("SEC") on February 28, 2019 ("2018 Form 10-K").

The interim financial information at March 31, 2019 and for the three months ended March 31, 2019 and 2018 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company's results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Certain prior period presentations and disclosures were reclassified to ensure comparability with current period classifications.

### *Accounting Pronouncements Adopted in the Three Months Ended March 31, 2019*

*Leases*. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, and several amendments (collectively, "ASU 2016-02"), which requires lessees to recognize assets and liabilities arising from most operating leases on the condensed consolidated statements of financial condition.

The Company adopted ASU 2016-02 on its effective date of January 1, 2019 on a modified retrospective basis and elected not to apply ASU 2016-02 to the comparative periods presented. Under this transition method, any cumulative effect adjustment is recognized in the opening balance of retained earnings in the period of adoption. The Company elected the package of practical expedients to alleviate certain operational complexities related to the adoption, which among other things, allowed the Company to carry forward the existing lease classification. The Company elected to account for lease and non-lease components as a single component for its leases. The Company also elected the short-term lease practical expedient for its leases. Consequently, leases with an initial term of 12 months or less are not recorded on the condensed consolidated statement of financial condition. Upon adoption of ASU 2016-02, the Company recorded a net increase of approximately $0.7 billion in its assets and liabilities related to the right-of-use (“ROU”) asset and lease liability for its operating leases. The adoption of ASU 2016-02 did not have a material impact on the condensed consolidated statement of income or cash flows. See Note 9, *Leases*, for more information.

***Fair Value Measurements***

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

Level 1 Inputs:

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

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

Level 2 Inputs:

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

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

Level 3 Inputs:

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

- Level 3 assets may include direct private equity investments held within consolidated funds, investments in CLOs and bank loans of consolidated CLOs.
- Level 3 liabilities include contingent liabilities related to acquisitions valued based upon discounted cash flow analyses using unobservable market data and borrowings of consolidated CLOs.

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

*Valuation Approaches.* The fair values of certain Level 3 assets and liabilities were determined using various valuation approaches as appropriate, including third-party pricing vendors, broker quotes and market and income approaches.

A significant number of inputs used to value equity, debt securities, investments in CLOs 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.

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

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

*Fair Value of Asset and Liabilities of Consolidated CLO.* The Company applies the fair value option provisions for eligible assets, including bank loans, held by consolidated CLOs. As the fair value of the financial assets of the consolidated CLO is more observable than the fair value of the borrowings of the consolidated CLO, the Company measures the fair value of the borrowings of the consolidated CLO as the fair value of the assets of the consolidated CLO less the fair value of the Company's economic interest in the CLO.

***Derivatives and Hedging Activities***. The Company does not use derivative financial instruments for trading or speculative purposes. The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, and market exposures for certain seed investments. However, certain consolidated sponsored investment funds may also utilize derivatives as a part of their investment strategy.

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

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is not US dollars. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within accumulated other comprehensive income (loss) on the condensed consolidated statements of financial condition. Amounts excluded from the effectiveness assessment are reported in the condensed consolidated statements of income using a systematic and rational method. The Company reassesses the effectiveness of its net investment hedges at least quarterly.

***Leases***. The Company determines if a contract is a lease or contains a lease at inception. The Company accounts for its office facility leases as operating leases, which may include escalation clauses that are based on an index or market rate. The Company accounts for lease and non-lease components as a single component for its leases. The Company elected the short-term lease exception for leases with an initial term of 12 months or less. Consequently, such leases are not recorded on the condensed consolidated statement of financial condition. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain they will be exercised or not, respectively.

Fixed lease payments are included in ROU assets and lease liabilities within other assets and other liabilities, respectively, on the condensed consolidated statement of financial condition. ROU assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date using the Company's incremental borrowing rate as the discount rate. Fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. Variable lease payments based on usage, changes in an index or market rate are expensed as incurred.

Upon adoption of ASU 2016-02, for existing leases, the Company elected to determine the discount rate based on the remaining lease term as of January 1, 2019 and for lease payments based on an index or rate to apply the rate at commencement date. For new leases, the discount rates are based on the entire noncancelable lease term.

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

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

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income. During the three months ended March 31, 2019 and 2018, the Company had not resold or repledged any of the collateral received under these arrangements. At March 31, 2019 and December 31, 2018, the fair value of loaned securities held by separate accounts was approximately $18.8 billion and $18.9 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $20.8 billion and $20.7 billion, respectively.

## 3. Cash, Cash Equivalents and Restricted Cash

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

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 3,891 | $ 6,302 |
| Cash and cash equivalents of consolidated VIEs | 170 | 186 |
| Restricted cash included in other assets | 17 | 17 |
| Total cash, cash equivalents and restricted cash | $ 4,078 | $ 6,505 |

## 4. Investments

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

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Debt securities: | | |
| Held-to-maturity investments | $ 188 | $ 188 |
| Trading securities (debt securities of consolidated sponsored investment funds of $214 and $233 at March 31, 2019 and December 31, 2018, respectively) | 245 | 265 |
| Total debt securities | 433 | 453 |
| Equity securities at FVTNI[1] (equity securities of consolidated sponsored investment funds of $372 and $291 at March 31, 2019 and December 31, 2018, respectively) | 527 | 452 |
| Equity method investments[2] | 850 | 781 |
| Federal Reserve Bank stock[3] | 93 | 92 |
| Carried interest[4] | 14 | 18 |
| Total investments | $ 1,917 | $ 1,796 |

(1) Fair value recorded through net income ("FVTNI").
(2) Equity method investments primarily include BlackRock's direct investments in BlackRock sponsored investment funds.
(3) At March 31, 2019 and December 31, 2018, there were no indicators of impairment of Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale.
(4) Carried interest of consolidated sponsored investment funds accounted for as voting rights entities ("VREs") represents allocations to BlackRock's general partner capital accounts from certain funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.

### *Held-to-Maturity Investments*

The carrying value of held-to-maturity investments was $188 million at both March 31, 2019 and December 31, 2018. Held-to-maturity investments included foreign government debt held primarily for regulatory purposes and certain investments in CLOs. The amortized cost (carrying value) of these investments approximated fair value (primarily a Level 2 input). At March 31, 2019, $45 million of these investments mature between five to ten years and $143 million mature after ten years.

### *Equity and Trading Debt Securities*

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

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| *(in millions)* | Cost | Carrying Value | Cost | Carrying Value |
| Trading debt securities: | | | | |
| Corporate debt | $ 149 | $ 147 | $ 144 | $ 140 |
| Government debt | 30 | 39 | 69 | 67 |
| Asset/mortgage-backed debt | 62 | 59 | 67 | 58 |
| Total trading debt securities | $ 241 | $ 245 | $ 280 | $ 265 |
| Equity securities at FVTNI: | | | | |
| Deferred compensation plan mutual funds | $ 21 | $ 22 | $ 21 | $ 34 |
| Equity securities/multi-asset mutual funds | 400 | 422 | 420 | 418 |
| Private equity | 45 | 83 | — | — |
| Total equity securities at FVTNI | $ 466 | $ 527 | $ 441 | $ 452 |

***Other***

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At March 31, 2019 and December 31, 2018, the Company's investment in PennyMac is included in other assets on the condensed consolidated statements of financial condition. The carrying value and market value of the Company's interest (approximately 20% or 16 million shares) were approximately $400 million and $342 million, respectively, at March 31, 2019 and approximately $397 million and $331 million, respectively, at December 31, 2018. The market value of the Company's interest reflected the PennyMac stock price at March 31, 2019 and December 31, 2018, respectively (a Level 1 input). The Company performed an other-than-temporary impairment analysis as of March 31, 2019 and believes the shortfall of market value versus carrying value is temporary.

## 5. Consolidated Voting Rights Entities

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

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 42 | $ 59 |
| Investments: | | |
| Trading debt securities | 214 | 233 |
| Equity securities at FVTNI | 372 | 291 |
| Total investments | 586 | 524 |
| Other assets | 15 | 8 |
| Other liabilities | (29) | (53) |
| NCI | (60) | (90) |
| BlackRock's net interests in consolidated VREs | $ 554 | $ 448 |

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

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

### 6. Variable Interest Entities

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

***Consolidated VIEs.*** The Company's consolidated VIEs include certain sponsored investment products in which BlackRock has an investment and as the investment manager is deemed to have both the power to direct the most significant activities of the products and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment products. 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.

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

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Assets of consolidated VIEs: | | |
| Cash and cash equivalents | $ 170 | $ 186 |
| Investments: | | |
| Trading debt securities | 1,234 | 1,395 |
| Equity securities at FVTNI | 651 | 569 |
| Bank loans | 141 | 84 |
| Other investments | 176 | 263 |
| Carried interest | 390 | 369 |
| Total investments | 2,592 | 2,680 |
| Other assets | 69 | 876 |
| Total assets of consolidated VIEs | 2,831 | 3,742 |
| Liabilities of consolidated VIEs: | | |
| Borrowings | (134) | (84) |
| Other liabilities | (479) | (1,290) |
| NCI | (1,002) | (1,076) |
| BlackRock's net interests in consolidated VIEs | $ 1,216 | $ 1,292 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | 2019 | 2018 |
| Nonoperating net gain (loss) on consolidated VIEs | $ 94 | $ 2 |
| Net income (loss) attributable to NCI on consolidated VIEs | $ 5 | $ 5 |

***Nonconsolidated VIEs***. At March 31, 2019 and December 31, 2018, the Company's carrying value of assets and liabilities included on the condensed consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

*(in millions)*

| **At March 31, 2019** | **Investments** | **Advisory Fee Receivables** | **Other Net Assets (Liabilities)** | **Maximum Risk of Loss[(1)]** |
|---|---|---|---|---|
| Sponsored investment products | $ 361 | $ 53 | $ (7) | $ 431 |
| **At December 31, 2018** | | | | |
| Sponsored investment products | $ 348 | $ 43 | $ (6) | $ 408 |

(1) At both March 31, 2019 and December 31, 2018, BlackRock's maximum risk of loss associated with these VIEs primarily related to BlackRock's investments and the collection of advisory fee receivables.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated $10 billion and $9 billion at March 31, 2019 and December 31, 2018, respectively.

## 7. Fair Value Disclosures

### *Fair Value Hierarchy*

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

| **March 31, 2019** *(in millions)* | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Investments Measured at NAV[(1)]** | **Other Assets Not Held at Fair Value[(2)]** | **March 31, 2019** |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments: | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity securities | $ — | $ — | $ — | $ — | $ 188 | $ 188 |
| Trading securities | — | 245 | — | — | — | 245 |
| Total debt securities | — | 245 | — | — | 188 | 433 |
| Equity securities at FVTNI: | | | | | | |
| Deferred compensation plan mutual funds | 22 | — | — | — | — | 22 |
| Equity securities/Multi-asset mutual funds | 422 | — | — | — | — | 422 |
| Private equity | — | — | — | — | 83 | 83 |
| Total equity securities at FVTNI | 444 | — | — | — | 83 | 527 |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 127 | — | — | 15 | — | 142 |
| Other | 43 | — | — | 663 | 2 | 708 |
| Total equity method | 170 | — | — | 678 | 2 | 850 |
| Federal Reserve Bank Stock | — | — | — | — | 93 | 93 |
| Carried interest | — | — | — | — | 14 | 14 |
| Total investments | 614 | 245 | — | 678 | 380 | 1,917 |
| Investments of consolidated VIEs: | | | | | | |
| Trading debt securities | — | 1,234 | — | — | — | 1,234 |
| Equity securities at FVTNI | 651 | — | — | — | — | 651 |
| Bank loans | — | 18 | 123 | — | — | 141 |
| Private equity[(3)] | — | — | 10 | 37 | 71 | 118 |
| Other | — | — | — | 58 | — | 58 |
| Carried interest | — | — | — | — | 390 | 390 |
| Total investments of consolidated VIEs | 651 | 1,252 | 133 | 95 | 461 | 2,592 |
| Other assets[(4)] | 163 | — | — | — | — | 163 |
| Separate account assets | 69,830 | 27,240 | — | — | 923 | 97,993 |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 16,594 | — | — | — | — | 16,594 |
| Debt securities | — | 4,197 | — | — | — | 4,197 |
| Total separate account collateral held under securities lending agreements | 16,594 | 4,197 | — | — | — | 20,791 |
| **Total** | $ 87,852 | $ 32,934 | $ 133 | $ 773 | $ 1,764 | $ 123,456 |
| **Liabilities:** | | | | | | |
| Borrowings of consolidated VIEs[(5)] | $ — | $ — | $ 134 | $ — | $ — | $ 134 |
| Separate account collateral liabilities under securities lending agreements | 16,594 | 4,197 | — | — | — | 20,791 |
| Other liabilities[(6)] | — | 39 | 275 | — | — | 314 |
| **Total** | $ 16,594 | $ 4,236 | $ 409 | $ — | $ — | $ 21,239 |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.

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

(3) Level 3 amounts primarily include direct investments in private equity companies held by private equity funds.

(4) Amount includes a minority investment in a publicly traded company.

(5) Borrowings of consolidated VIEs are classified based on significance of unobservable inputs, used for calculating the fair value of consolidated CLO assets.

(6) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 13, *Commitments and Contingencies*, for more information) and fair value of forward foreign currency exchange contracts (see Note 8, *Derivatives and Hedging*, for more information).

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

| **December 31, 2018** *(in millions)* | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Investments Measured at NAV[1]** | **Other Assets Not Held at Fair Value[2]** | **December 31, 2018** |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments: | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity securities | $ — | $ — | $ — | $ — | $ 188 | $ 188 |
| Trading securities | — | 261 | 4 | — | — | 265 |
| Total debt securities | — | 261 | 4 | — | 188 | 453 |
| Equity securities at FVTNI: | | | | | | |
| Deferred compensation plan mutual funds | 34 | — | — | — | — | 34 |
| Equity securities/Multi-asset mutual funds | 418 | — | — | — | — | 418 |
| Total equity securities at FVTNI | 452 | — | — | — | — | 452 |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 122 | — | — | 14 | — | 136 |
| Other | — | — | — | 642 | 3 | 645 |
| Total equity method | 122 | — | — | 656 | 3 | 781 |
| Federal Reserve Bank Stock | — | — | — | — | 92 | 92 |
| Carried interest | — | — | — | — | 18 | 18 |
| Total investments | 574 | 261 | 4 | 656 | 301 | 1,796 |
| Investments of consolidated VIEs: | | | | | | |
| Trading debt securities | — | 1,395 | — | — | — | 1,395 |
| Equity securities at FVTNI | 569 | — | — | — | — | 569 |
| Bank loans | — | 14 | 70 | — | — | 84 |
| Private equity[3] | — | — | 82 | 48 | 75 | 205 |
| Other | — | — | — | 58 | — | 58 |
| Carried interest | — | — | — | — | 369 | 369 |
| Total investments of consolidated VIEs | 569 | 1,409 | 152 | 106 | 444 | 2,680 |
| Other assets[4] | 122 | — | — | — | — | 122 |
| Separate account assets | 63,610 | 25,810 | — | — | 865 | 90,285 |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 15,066 | — | — | — | — | 15,066 |
| Debt securities | — | 5,589 | — | — | — | 5,589 |
| Total separate account collateral held under securities lending agreements | 15,066 | 5,589 | — | — | — | 20,655 |
| **Total** | $ 79,941 | $ 33,069 | $ 156 | $ 762 | $ 1,610 | $ 115,538 |
| **Liabilities:** | | | | | | |
| Borrowings of consolidated VIEs[5] | $ — | $ — | $ 84 | $ — | $ — | $ 84 |
| Separate account collateral liabilities under securities lending agreements | 15,066 | 5,589 | — | — | — | 20,655 |
| Other liabilities[6] | — | 6 | 287 | — | — | 293 |
| **Total** | $ 15,066 | $ 5,595 | $ 371 | $ — | $ — | $ 21,032 |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.

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

(3) Level 3 amounts include direct investments in private equity companies held by private equity funds.

(4) Amount includes a minority investment in a publicly traded company.

(5) Borrowings of consolidated VIEs are classified based on significance of unobservable inputs, used for calculating the fair value of consolidated CLO assets.

(6) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 13, *Commitments and Contingencies*, for more information).

***Level 3 Assets.*** Level 3 assets may include investments in CLOs and bank loans of consolidated CLOs which were valued based on single-broker nonbinding quotes and direct private equity investments which were valued using the market or income approach as described below.

Level 3 investments of consolidated VIEs of $133 million and $152 million at March 31, 2019 and December 31, 2018, respectively, related to direct investments in private equity companies held by consolidated private equity funds. At March 31, 2019, Level 3 investments of consolidated VIEs also included bank loans of a consolidated CLO which was valued based on single-broker nonbinding quotes.

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 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 a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could have resulted in a significantly lower (higher) fair value measurement as of March 31, 2019. For investments utilizing the market-comparable valuation technique, a significant increase (decrease) in a valuation multiple in isolation could have resulted in a significantly higher (lower) fair value measurement as of March 31, 2019.

***Level 3 Liabilities.*** Level 3 other liabilities primarily include recorded contingent liabilities related to certain acquisitions, which were valued based upon discounted cash flow analyses using unobservable market data inputs and borrowings of consolidated VIEs, which were valued based on the fair value of the assets of the consolidated CLO less the fair value of the Company’s economic interest in the CLO.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2019***

| (in millions) | December 31, 2018 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and other Settlements[1] | Transfers into Level 3 | Transfers out of Level 3[2] | March 31, 2019 | Total Net Unrealized Gains (Losses) Included in Earnings[3] |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities | | | | | | | | | |
| Trading | $ 4 | $ — | $ — | $ — | $ — | $ — | $ (4) | $ — | |
| Total investments | 4 | — | — | — | — | — | (4) | — | |
| Assets of consolidated VIEs: | | | | | | | | | |
| Bank loans[4] | 70 | — | 53 | — | — | — | — | 123 | |
| Private equity | 82 | — | — | — | — | — | (72) | 10 | |
| Total Assets of consolidated VIEs | 152 | — | 53 | — | — | — | (72) | 133 | |
| Total Level 3 assets | $ 156 | $ — | $ 53 | $ — | $ — | $ — | $ (76) | $ 133 | $ — |
| **Liabilities:** | | | | | | | | | |
| Borrowings of consolidated VIEs[4] | $ 84 | $ — | $ — | $ — | $ 50 | $ — | $ — | $ 134 | $ — |
| Other liabilities[5] | 287 | (6) | — | — | (18) | — | — | 275 | (6) |
| Total Level 3 liabilities | $ 371 | $ (6) | $ — | $ — | $ 32 | $ — | $ — | $ 409 | $ (6) |

(1) Amounts include proceeds from borrowings of a consolidated CLO and contingent liability payments in connection with certain prior acquisitions.
(2) Amounts include an investment in a consolidated entity that no longer qualifies as an investment company and is no longer accounted for under a fair value measure.
(3) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
(4) Bank loans and borrowings of consolidated VIEs amounts are related to the consolidated CLO.
(5) Amounts include contingent liabilities in connection with certain acquisitions.

### *Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2018*

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

(1) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
(2) Amounts include investments in CLOs.
(3) Amounts include contingent liabilities in connection with certain acquisitions.

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

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

*Disclosures of Fair Value for Financial Instruments Not Held at Fair Value*. At March 31, 2019 and December 31, 2018, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

| | **March 31, 2019** | | **December 31, 2018** | | |
|---|---|---|---|---|---|
| *(in millions)* | **Carrying Amount** | **Estimated Fair Value** | **Carrying Amount** | **Estimated Fair Value** | **Fair Value Hierarchy** |
| *Financial Assets[1]:* | | | | | |
| Cash and cash equivalents | $ 3,891 | $ 3,891 | $ 6,302 | $ 6,302 | Level 1 [2] [3] |
| Cash and cash equivalents of consolidated VIEs | 170 | 170 | 186 | 186 | Level 1 [2] [3] |
| Other assets | 53 | 53 | 18 | 18 | Level 1 [2] [4] |
| *Financial Liabilities:* | | | | | |
| Long-term borrowings | 4,966 | 5,033 | 4,979 | 5,034 | Level 2 [5] |

(1) See Note 4, *Investments*, for further information on investments not held at fair value.
(2) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.
(3) At March 31, 2019 and December 31, 2018, approximately $164 million and $173 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. In addition, at March 31, 2019 and December 31, 2018, approximately $69 million and $7 million, respectively, of money market funds were recorded within cash and cash equivalents of consolidated VIEs. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund.
(4) Other assets include restricted cash and cash collateral deposited with certain derivative counterparties. The carrying values of other assets approximates fair value, due to their short-term maturities.
(5) Long-term borrowings are recorded at amortized cost net of debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is determined using market prices at the end of March 2019 and December 2018, respectively. See Note 12, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

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

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

**March 31, 2019**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:[1]** | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 190 | $ 80 | Daily/Monthly (27%)<br>Quarterly (19%)<br>N/R (54%) | 1 – 90 days |
| Private equity funds | (b) | 118 | 339 | N/R | N/R |
| Real assets funds | (c) | 355 | 140 | Quarterly (67%)<br>N/R (33%) | 60 days |
| Other | | 15 | 15 | Daily/Monthly (78%)<br>N/R (22%) | 3 – 5 days |
| **Consolidated VIEs:** | | | | | |
| Private equity funds of funds | (d) | 37 | 11 | N/R | N/R |
| Hedge fund | (a) | 3 | — | Quarterly | 90 days |
| Real assets funds | (c) | 55 | 37 | N/R | N/R |
| Total | | $ 773 | $ 622 | | |

**December 31, 2018**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:[1]** | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 173 | $ 96 | Daily/Monthly (30%)<br>Quarterly (18%)<br>N/R (52%) | 1 – 90 days |
| Private equity funds | (b) | 116 | 83 | N/R | N/R |
| Real assets funds | (c) | 353 | 93 | Quarterly (68%)<br>N/R (32%) | 60 days |
| Other | | 14 | 16 | Daily (80%)<br>N/R (20%) | 5 days |
| **Consolidated VIEs:** | | | | | |
| Private equity funds of funds | (d) | 48 | 18 | N/R | N/R |
| Hedge fund | (a) | 3 | — | Quarterly | 90 days |
| Real assets funds | (c) | 55 | 37 | N/R | N/R |
| Total | | $ 762 | $ 343 | | |

---

N/R – not redeemable

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

(a) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both March 31, 2019 and December 31, 2018.

(b) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. The liquidation period for the investments in these funds is unknown at both March 31, 2019 and December 31, 2018.

(c) This category includes several real assets funds that invest directly and indirectly in real estate or infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The Company's investments that are not subject to redemption or are not currently redeemable are normally returned through distributions and realizations of the underlying assets of the funds. The liquidation periods for the investments in the funds that are not subject to redemptions is unknown at both March 31, 2019 and December 31, 2018. The total remaining unfunded commitments to real assets funds were $177 million and $130 million at March 31, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the real assets funds of $165 million at March 31, 2019 and $117 million at December 31, 2018.

(d) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption or are not currently redeemable; 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. The liquidation period for the underlying assets of these funds is unknown at both March 31, 2019 and December 31, 2018. The total remaining unfunded commitments to other third-party funds were $11 million and $18 million at March 31, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the consolidated funds of $22 million at both March 31, 2019 and December 31, 2018.

***Fair Value Option***.

As of March 31, 2019 and December 31, 2018, the Company elected the fair value option for certain investments in CLOs of approximately $30 million and $32 million, respectively, reported within investments.

The following table summarizes information related to assets and liabilities of a consolidated CLO, recorded within investments and borrowings of consolidated VIEs, respectively, for which the fair value option was elected:

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **CLO Bank loans:** | | |
| Aggregate principal amounts outstanding | $ 144 | $ 84 |
| Fair value | 141 | 84 |
| Aggregate unpaid principal balance in excess of (less than) fair value | $ 3 | $ — |
| **CLO Borrowings:** | | |
| Aggregate principal amounts outstanding | $ 134 | $ 84 |
| Fair value | $ 134 | $ 84 |

At March 31, 2019, the principal amounts outstanding of the borrowings issued by the CLOs mature in 2030.

During the three months ended March 31, 2019 and December 31, 2018, the net gains (losses) from the change in fair value of the bank loans and borrowings held by the consolidated CLO were not material and 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.

## 8. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At March 31, 2019 and December 31, 2018, the Company had outstanding total return swaps with aggregate notional values of approximately $493 million and $483 million, respectively.

At both March 31, 2019 and December 31, 2018, the Company had a derivative providing credit protection of approximately $17 million to a counterparty, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company carries the derivative at fair value based on the expected discounted future cash outflows under the arrangement.

The fair values of the outstanding total return swaps and the credit default swap were not material to the condensed consolidated statement of financial condition at both March 31, 2019 and December 31, 2018.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At both March 31, 2019 and December 31, 2018, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately $2.2 billion. The fair value of the outstanding forward foreign exchange contracts was $32 million at March 31, 2019 and was not material to the condensed consolidated statement of financial condition at December 31, 2018.

The following table presents gains (losses) recognized in the condensed consolidated statements of income on derivative instruments:

| *(in millions)* | | Three Months Ended March 31, | |
|---|---|---|---|
| | | 2019 | 2018 |
| **Derivative Instruments** | **Statement of Income Classification** | **Gains (Losses)** | |
| Total return swaps | Nonoperating income (expense) | $ (50) | $ 5 |
| Forward foreign currency exchange contracts | Other general and administration expense | 36 | 30 |
| Total gain (loss) from derivative instruments | | $ (14) | $ 35 |

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for the three months ended March 31, 2019 and 2018.

See Note 13, *Borrowings*, in the 2018 Form 10-K for more information on the Company's net investment hedge.

### 9. Leases

The following table presents components of lease cost included in general and administration expense on the condensed consolidated statement of income:

| *(in millions)* | Three Months Ended March 31, 2019 |
|---|---|
| **Lease cost:** | |
| Operating lease cost[(1)] | $ 34 |
| Variable lease cost[(2)] | 8 |
| Total lease cost | $ 42 |

(1) Amount includes short-term leases, which are immaterial for the three months ended March 31, 2019.
(2) Amount includes lease payments, which may be adjusted based on usage, changes in an index or market rate.

| *(in millions)* | Statement of Financial Condition Classification | March 31, 2019 |
|---|---|---|
| **Statement of Financial Condition information:** | | |
| Operating lease ROU assets | Other assets | $ 635 |
| Operating lease liabilities | Other liabilities | $ 744 |

Supplemental information related to operating leases is summarized below:

| *(in millions)* | Three Months Ended March 31, 2019 |
|---|---|
| **Cash flow information:** | |
| Cash paid for amounts included in the measurement of operating lease liabilities | $ 35 |
| ROU assets in exchange for operating lease liabilities in connection with the adoption of ASU 2016-02 | $ 661 |

| | Three Months Ended March 31, 2019 |
|---|---|
| **Lease term and discount rate:** | |
| Weighted-average remaining lease term | 5 years |
| Weighted-average discount rate | 3 % |

*(in millions)*

| **Maturity of operating lease liabilities at March 31, 2019** | **Amount[(1)]** |
|---|---|
| Remainder of 2019 | $ 105 |
| 2020 | 137 |
| 2021 | 130 |
| 2022 | 119 |
| 2023 | 82 |
| Thereafter | 284 |
| Total lease payments | $ 857 |
| Less: imputed interest | 113 |
| Present value of lease liabilities | $ 744 |

(1) Amount excludes $1.2 billion of legally binding minimum lease payments for leases signed but not yet commenced. See Note 13, *Commitments and Contingencies*, for more information.

## 10. Goodwill

Goodwill activity during the three months ended March 31, 2019 was as follows:

| *(in millions)* | |
|---|---|
| December 31, 2018 | $ 13,526 |
| Goodwill adjustments related to Quellos | (2) |
| March 31, 2019 | **$ 13,524** |

The decrease in goodwill during the three months ended March 31, 2019 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 $129 million and $137 million at March 31, 2019 and December 31, 2018, respectively.

## 11. Intangible Assets

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

| *(in millions)* | **Indefinite-lived** | **Finite-lived** | **Total** |
|---|---|---|---|
| December 31, 2018 | $ 17,578 | $ 261 | $ 17,839 |
| Amortization expense | — | (15) | (15) |
| March 31, 2019 | **$ 17,578** | **$ 246** | **$ 17,824** |

## 12. Borrowings

### *Short-Term Borrowings*

*2019 Revolving Credit Facility.* The Company's credit facility has an aggregate commitment amount of $4.0 billion and was amended in March 2019 to extend the maturity date to March 2024 (the "2019 credit facility"). The 2019 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 2019 credit facility to an aggregate principal amount not to exceed $5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2019 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at March 31, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2019, the Company had no amount outstanding under the credit facility.

*Commercial Paper Program.* The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4.0 billion. The commercial paper program is currently supported by the 2019 credit facility. At March 31, 2019, BlackRock had no CP Notes outstanding.

### *Long-Term Borrowings*

The carrying value and fair value of long-term borrowings determined using market prices and EUR/USD foreign exchange rate at March 31, 2019 included the following:

| *(in millions)* | Maturity Amount | Unamortized Discount and Debt Issuance Costs | Carrying Value | Fair Value |
|---|---|---|---|---|
| 5.00% Notes due 2019 | $ 1,000 | $ — | $ 1,000 | $ 1,016 |
| 4.25% Notes due 2021 | 750 | (1) | 749 | 773 |
| 3.375% Notes due 2022 | 750 | (2) | 748 | 768 |
| 3.50% Notes due 2024 | 1,000 | (5) | 995 | 1,039 |
| 1.25% Notes due 2025 | 786 | (5) | 781 | 825 |
| 3.20% Notes due 2027 | 700 | (7) | 693 | 710 |
| **Total Long-term Borrowings** | $ 4,986 | $ (20) | $ 4,966 | $ 5,131 |

See Note 23, *Subsequent Events*, for information on the April 2019 debt offering and Note 13, *Borrowings*, in the 2018 Form 10-K for more information regarding the Company's borrowings.

## 13. Commitments and Contingencies

***Investment Commitments.*** At March 31, 2019, the Company had $635 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

***Lease Commitment.*** As of March 31, 2019, there were no material changes to the lease commitments as reported in the 2018 Form 10-K. At December 31, 2018, future minimum commitments under the operating leases were as follows:

*(in millions)*

| **Year** | **Amount** |
|---|---|
| 2019 | $ 145 |
| 2020 | 139 |
| 2021 | 130 |
| 2022 | 121 |
| 2023 | 106 |
| Thereafter | 1,516 |
| Total | $ 2,157 |

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

***Contingencies***

*Contingent Payments Related to Business Acquisitions*. In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31, 2019 totaled $275 million, and is included in other liabilities on the condensed consolidated statements of financial condition.

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

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

On May 27, 2014, certain investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the US District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. In the lawsuit, which purports to be brought derivatively on behalf of the Funds, the plaintiffs allege that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On June 13, 2018, the court granted in part and denied in part the defendants' motion for summary judgment. On July 25, 2018, the plaintiffs served a pleading that supplemented the time period of their alleged damages to run through the date of trial. The lawsuit seeks, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by the defendants beginning twelve months preceding the start of the lawsuit with respect to each Fund and ending on the date of judgment, along with purported lost investment returns on those amounts, plus interest. The defendants believe the claims in the lawsuit are without merit. The trial on the remaining issues was completed on August 29, 2018. On February 8, 2019, the court issued an order dismissing the claims in their entirety. The plaintiffs filed a notice of appeal on March 8, 2019.

On June 16, 2016, *iShares* Trust, BlackRock, Inc. and certain of its advisory subsidiaries, and the directors and certain officers of the *iShares* ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain *iShares* ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." Plaintiffs seek unspecified monetary and rescission damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. On April 27, 2017, the court partially granted the defendants' motion for judgment on the pleadings, dismissing certain of the plaintiffs' claims. On September 18, 2017, the court issued a decision dismissing the remainder of the lawsuit after a one-day bench trial. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit, which is pending. The defendants believe the claims in the lawsuit are without merit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the US District Court for the Northern District of California by a former employee on behalf of all participants and beneficiaries in the BlackRock employee 401(k) Plan (the "Plan") from April 5, 2011 to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated in investment options managed by BlackRock. On October 18, 2017, the plaintiffs filed an Amended Complaint, which, among other things, added as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also included a new purported class claim on behalf of investors in certain Collective Trust Funds ("CTFs") managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the securities lending agent on terms that plaintiffs claim were excessive. The Amended Complaint also alleged that BlackRock took undue risks in its management of securities lending cash reinvestment vehicles during the financial crisis. On August 23, 2018, the court granted permission to plaintiffs to file a Second Amended Complaint ("SAC") which added as defendants the BlackRock, Inc. Management Development and Compensation Committee, the Plan's independent investment consultant and the Plan's Administrative Committee and its members. On October 22, 2018, BlackRock filed a motion to dismiss the SAC, which is pending. The defendants believe the claims in this lawsuit are without merit.

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

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

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At March 31, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately $214 billion. The Company held, as agent, cash and securities totaling $227 billion as collateral for indemnified securities on loan at March 31, 2019. The fair value of these indemnifications was not material at March 31, 2019.

## 14. Revenue

The table below presents detail of revenue for the three months ended March 31, 2019 and 2018. See Note 2, *Significant Accounting Policies*, in the 2018 Form 10-K for more information on the Company's revenue recognition.

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Investment advisory, administration fees and securities lending revenue: | | |
| Equity: | | |
| Active | $ 375 | $ 438 |
| *iShares* ETFs | 847 | 926 |
| Non-ETF Index | 164 | 176 |
| Equity subtotal | 1,386 | 1,540 |
| Fixed income: | | |
| Active | 457 | 456 |
| *iShares* ETFs | 220 | 208 |
| Non-ETF Index | 97 | 93 |
| Fixed income subtotal | 774 | 757 |
| Multi-asset | 276 | 296 |
| Alternatives: | | |
| Illiquid alternatives | 110 | 77 |
| Liquid alternatives | 94 | 101 |
| Currency and commodities(1) | 24 | 25 |
| Alternatives subtotal | 228 | 203 |
| **Long-term** | **2,664** | **2,796** |
| Cash management | 141 | 151 |
| **Total base fees** | **2,805** | **2,947** |
| Investment advisory performance fees: | | |
| Equity | — | 18 |
| Fixed income | 2 | 3 |
| Multi-asset | — | 5 |
| Alternatives: | | |
| Illiquid alternatives | 20 | — |
| Liquid alternatives | 4 | 44 |
| Alternatives subtotal | 24 | 44 |
| **Total performance fees** | **26** | **70** |
| **Technology services revenue** | **204** | **184** |
| Distribution fees: | | |
| Retrocessions | 161 | 192 |
| 12b-1 fees (US mutual funds distribution fees) | 89 | 108 |
| Other | 12 | 11 |
| **Total distribution fees** | **262** | **311** |
| Advisory and other revenue: | | |
| Advisory | 19 | 21 |
| Other | 30 | 50 |
| **Total advisory and other revenue** | **49** | **71** |
| **Total revenue** | **$ 3,346** | **$ 3,583** |

(1) Amount includes commodity *iShares* ETFs.

The tables below present the investment advisory, administration fees and securities lending revenue by client type and investment style, respectively:

| (in millions) | Three Months Ended March 31, 2019 | 2018 |
|---|---|---|
| **By client type:** | | |
| Retail | $ 826 | $ 855 |
| *iShares* ETFs | 1,091 | 1,158 |
| Institutional: | | |
| Active | 500 | 527 |
| Index | 247 | 256 |
| Total institutional | 747 | 783 |
| **Long-term** | **2,664** | **2,796** |
| Cash management | 141 | 151 |
| **Total** | **$ 2,805** | **$ 2,947** |
| | | |
| **By investment style:** | | |
| Active | $ 1,307 | $ 1,365 |
| Index and *iShares* ETFs | 1,357 | 1,431 |
| **Long-term** | **2,664** | **2,796** |
| Cash management | 141 | 151 |
| **Total** | **$ 2,805** | **$ 2,947** |

***Investment advisory and administration fees***

The tables below present estimated investment advisory and administration fees expected to be recognized in the future related to the unsatisfied portion of the performance obligations at March 31, 2019 and 2018:

**March 31, 2019**

| *(in millions)* | Remainder of 2019 | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | | |
| Alternatives[1][2] | $ 56 | $ 68 | $ 55 | $ 46 | $ 43 | $ 268 |

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at March 31, 2019. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears.

(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less and (2) variable consideration related to future service periods.

**March 31, 2018**

| *(in millions)* | Remainder of 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | | |
| Alternatives[1][2] | $ 61 | $ 70 | $ 58 | $ 48 | $ 48 | $ 285 |

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at March 31, 2018. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears.

(2) The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less and (2) variable consideration related to future service periods.

***Investment advisory performance fees / Carried interest***

The table below presents changes in the deferred carried interest liability (including the portion related to consolidated VIEs), which is included in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition, for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | 2019 | 2018 |
| Beginning balance | $ 293 | $ 219 |
| Net increase (decrease) in unrealized allocations | 51 | 5 |
| Performance fee revenue recognized | (17) | — |
| Ending balance | $ 327 | $ 224 |

***Technology services revenue***

The tables below present estimated technology services revenue expected to be recognized in the future related to the unsatisfied portion of the performance obligations at March 31, 2019 and 2018:

**March 31, 2019**

| *(in millions)* | **Remainder of 2019** | **2020** | **2021** | **2022** | **Thereafter** | **Total** |
|---|---|---|---|---|---|---|
| Technology services revenue[(1)(2)] | $ 24 | $ 28 | $ 22 | $ 14 | $ 9 | $ 97 |

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.
(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less and (2) variable consideration related to future service periods.

**March 31, 2018**

| *(in millions)* | **Remainder of 2018** | **2019** | **2020** | **2021** | **Thereafter** | **Total** |
|---|---|---|---|---|---|---|
| Technology services revenue[(1)(2)] | $ 25 | $ 24 | $ 20 | $ 15 | $ 10 | $ 94 |

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.
(2) The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less and (2) variable consideration related to future service periods.

In addition to amounts disclosed in the tables above, certain technology services contracts require fixed minimum fees, which are billed on a monthly or quarterly basis in arrears. The Company recognizes such revenue as services are performed. As of March 31, 2019, the estimated fixed minimum fees for the remainder of 2019 for currently outstanding contracts approximated $428 million. As of March 31, 2018, the estimated fixed minimum fees for the remainder of 2018 for currently outstanding contracts approximated $348 million. The term for these contracts, which are either in their initial or renewal period, ranges from one to five years.

The table below presents changes in the technology services deferred revenue liability, which is included in other liabilities on the condensed consolidated statements of financial condition, for the three months ended March 31, 2019 and 2018:

| | **Three Months Ended March 31,** | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Beginning balance | $ 70 | $ 62 |
| Additions | 11 | 12 |
| Revenue recognized that was included in the beginning balance | (8) | (8) |
| Ending balance | $ 73 | $ 66 |

## 15. Stock-Based Compensation

***Restricted Stock and RSUs.***

Restricted stock and restricted stock units (“RSUs”) activity for the three months ended March 31, 2019 is summarized below.

| **Outstanding at** | **Restricted Stock and RSUs** | | **Weighted-Average Grant Date Fair Value** |
|---|---|---|---|
| December 31, 2018 | 2,139,890 | $ | 429.19 |
| Granted | 1,076,516 | $ | 410.11 |
| Converted | (888,966) | $ | 369.49 |
| Forfeited | (16,762) | $ | 437.44 |
| **March 31, 2019[(1)]** | **2,310,678** | **$** | **443.20** |

(1) At March 31, 2019, approximately 2.2 million awards are expected to vest and 0.1 million awards have vested but have not been converted.

In January 2019, the Company granted 674,206 RSUs or shares of restricted stock to employees as part of 2018 annual incentive compensation that vest ratably over three years from the date of grant and 377,291 RSUs or shares of restricted stock to employees that cliff vest 100% on January 31, 2022. The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock’s common stock price. The total fair market value of RSUs/restricted stock granted to employees during the three months ended March 31, 2019 was $441 million.

At March 31, 2019, the intrinsic value of outstanding RSUs was $988 million, reflecting a closing stock price of $427.37.

At March 31, 2019, total unrecognized stock-based compensation expense related to unvested RSUs was $628 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.7 years.

***Performance-Based RSUs.***

Performance-based RSU activity for the three months ended March 31, 2019 is summarized below.

| **Outstanding at** | **Performance-Based RSUs** | | **Weighted-Average Grant Date Fair Value** |
|---|---|---|---|
| December 31, 2018 | 845,285 | $ | 386.13 |
| Granted | 283,014 | $ | 410.32 |
| Additional shares granted due to attainment of performance measures | 2,117 | $ | 296.57 |
| Converted | (360,927) | $ | 296.57 |
| Forfeited | (1,812) | $ | 514.94 |
| **March 31, 2019** | **767,677** | **$** | **436.60** |

In January 2019, the Company granted 283,014 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2022. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures. In January 2019, the Company granted 2,117 additional RSUs to certain employees based on the attainment of Company performance measures during the performance period.

The Company initially values performance-based RSUs at their grant-date fair value as measured by BlackRock’s common stock price. The total grant-date fair market value of performance-based RSUs granted to employees during the three months ended March 31, 2019 was $117 million.

At March 31, 2019, the intrinsic value of outstanding performance-based RSUs was $328 million, reflecting a closing stock price of $427.37.

At March 31, 2019, total unrecognized stock-based compensation expense related to unvested performance-based awards was $186 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period 1.9 years.

See Note 16, *Stock-Based Compensation,* in the 2018 Form 10-K for more information on performance-based RSUs.

***Long-Term Incentive Plans Funded by PNC.*** Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans, including performance-based and market performance-based RSUs. The share surrender agreement commits PNC to provide BlackRock Series C nonvoting participating preferred stock to fund the remaining committed shares. On January 31, 2019, PNC surrendered its remaining 143,458 shares to BlackRock and has completed its share delivery obligation in connection with the agreement.

***Performance-based Stock Options.***

Stock options outstanding at both March 31, 2019 and December 31, 2018 were 2,106,482 with a weighted average exercise price of $513.50.

At March 31, 2019, total unrecognized stock-based compensation expense related to unvested performance-based stock options was $157 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 4.7 years.

See Note 16, *Stock-Based Compensation,* in the 2018 Form 10-K for more information on performance-based stock options.

## 16. Net Capital Requirements

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

At March 31, 2019, the Company was required to maintain approximately $1.8 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a wholly owned subsidiary of the Company that is chartered as a national bank whose powers are limited to trust and other fiduciary activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

## 17. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019[(1)]** | **2018[(1)]** |
| Beginning balance | $ (691) | $ (432) |
| Foreign currency translation adjustments | 68 | 137 |
| Reclassification as a result of adoption of accounting guidance | — | (6) |
| **Ending balance** | **$ (623)** | **$ (301)** |

(1) Amounts primarily relate to foreign currency translation adjustments. Amounts for the three months ended March 31, 2019 and 2018 include a gain from a net investment hedge of $11 million (net of a tax expense of $3 million) and a loss from a net investment hedge of $16 million (net of a tax benefit of $5 million), respectively.

## 18. Capital Stock

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Series A | | |
| Shares authorized, $0.01 par value | 20,000,000 | 20,000,000 |
| Shares issued and outstanding | — | — |
| Series B | | |
| Shares authorized, $0.01 par value | 150,000,000 | 150,000,000 |
| Shares issued and outstanding[(1)] | 823,188 | 823,188 |
| Series C | | |
| Shares authorized, $0.01 par value | 6,000,000 | 6,000,000 |
| Shares issued and outstanding[(1)] | — | 143,458 |
| Series D | | |
| Shares authorized, $0.01 par value | 20,000,000 | 20,000,000 |
| Shares issued and outstanding | — | — |

(1) Shares held by PNC.

***Share Repurchases****.* During the three months ended March 31, 2019, the Company repurchased 3.8 million common shares in open market transactions under the share repurchase program for approximately $1.6 billion, including a $1.3 billion private transaction that closed on March 25, 2019. At March 31, 2019 there were 6.1 million shares still authorized to be repurchased.

***PNC Capital Contribution****.* On January 31, 2019, PNC surrendered its remaining 143,458 shares to BlackRock and has completed its share delivery obligation in connection with its share surrender agreement.

## 19. Restructuring

A restructuring charge of $60 million ($47 million after-tax), comprised of $53 million of severance and $7 million of expense related to the accelerated amortization of previously granted equity compensation awards, was recorded in the fourth quarter of 2018 in connection with an initiative to modify the size and shape of the workforce.

The table below presents a rollforward of the Company's restructuring liability, which is included in other liabilities on the condensed consolidated statements of financial condition, for the three months ended March 31, 2019:

| *(in millions)* | | Three Months Ended March 31, 2019 |
|---|---|---|
| **Liability as of December 31, 2018** | $ | 53 |
| Cash payments | | (27) |
| **Liability as of March 31, 2019** | $ | 26 |

## 20. Income Taxes

The three months ended March 31, 2019 and 2018 income tax expense included $22 million and $56 million, respectively, of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of each respective year.

## 21. Earnings Per Share

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

The following table sets forth the computation of basic and diluted EPS for the three months ended March 31, 2019 and 2018 under the treasury stock method:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| *(in millions, except shares and per share data)* | | 2019 | | 2018 |
| Net income attributable to BlackRock | $ | 1,053 | $ | 1,089 |
| Basic weighted-average shares outstanding | | 158,268,034 | | 161,250,018 |
| Dilutive effect of nonparticipating RSUs and stock options | | 1,080,397 | | 1,668,943 |
| Total diluted weighted-average shares outstanding | | 159,348,431 | | 162,918,961 |
| Basic earnings per share | $ | 6.65 | $ | 6.75 |
| Diluted earnings per share | $ | 6.61 | $ | 6.68 |

## 22. Segment Information

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

The following table illustrates total revenue for the three months ended March 31, 2019 and 2018 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides or affiliated services are provided.

| *(in millions)* | Three Months Ended March 31, | |
|---|---|---|
| **Revenue** | **2019** | **2018** |
| Americas | $ 2,240 | $ 2,324 |
| Europe | 943 | 1,093 |
| Asia-Pacific | 163 | 166 |
| Total revenue | $ 3,346 | $ 3,583 |

See Note 14, *Revenue*, for further information on the Company's sources of revenue.

The following table illustrates long-lived assets that consist of goodwill and property and equipment at March 31, 2019 and December 31, 2018 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)*<br>**Long-lived Assets** | **March 31, 2019** | **December 31, 2018** |
|---|---|---|
| Americas | $ 13,791 | $ 13,780 |
| Europe | 303 | 303 |
| Asia-Pacific | 86 | 86 |
| Total long-lived assets | $ 14,180 | $ 14,169 |

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

## 23. Subsequent Events

In March 2019, the Company announced that it made a binding offer and entered into an exclusive agreement to acquire 100% of the equity interests of eFront Holding SAS ("eFront"), a leading alternative investment management software and solutions provider for approximately $1.3 billion, excluding settlement of eFront's outstanding debt. On April 30, 2019, the Company and eFront shareholders subsequently signed a definitive purchase agreement in respect of the acquisition. The Company believes the acquisition of eFront will expand *Aladdin*'s illiquid alternative capabilities and provide whole-portfolio technology solutions to clients. The transaction is expected to be completed in the second quarter of 2019.

In April 2019, the Company issued $1.0 billion in aggregate principal amount of 3.25% senior unsecured and unsubordinated notes maturing on April 30, 2029 (the "2029 Notes"). The net proceeds of the 2029 Notes will be used for general corporate purposes, which may include funding all or a portion of the purchase price of the Company's recently announced acquisition of eFront, repayment of a portion of the 5.00% Notes in December 2019 or repayment of borrowings under its commercial paper program. Interest is payable semi-annually on April 30 and October 30 of each year, commencing October 30, 2019, and is approximately $33 million per year. The 2029 Notes may be redeemed prior to January 30, 2029 in whole or in part at any time, at the option of the Company, at a "make-whole" redemption price or at par thereafter. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2029 Notes.

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

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

### FORWARD-LOOKING STATEMENTS

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

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

BlackRock has previously disclosed risk factors in its Securities and Exchange Commission ("SEC") reports. These risk factors and those identified elsewhere in this report, among others, could cause actual results to differ materially from forward-looking statements or historical performance and include: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management ("AUM"); (3) the relative and absolute investment performance of BlackRock's investment products; (4) the impact of increased competition; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the extent and timing of any share repurchases; (8) the impact, extent and timing of technological changes and the adequacy of intellectual property, information and cyber security protection; (9) the potential for human error in connection with BlackRock's operational systems; (10) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock or The PNC Financial Services Group, Inc. ("PNC"); (11) changes in law and policy and uncertainty pending any such changes; (12) terrorist activities, international hostilities and natural disasters, which may adversely affect the general economy, domestic and local financial and capital markets, specific industries or BlackRock; (13) the ability to attract and retain highly talented professionals; (14) fluctuations in the carrying value of BlackRock's economic investments; (15) the impact of changes to tax legislation, including income, payroll and transaction taxes, and taxation on products or transactions, which could affect the value proposition to clients and, generally, the tax position of the Company; (16) BlackRock's success in negotiating distribution arrangements and maintaining distribution channels for its products; (17) the failure by a key vendor of BlackRock to fulfill its obligations to the Company; (18) any disruption to the operations of third parties whose functions are integral to BlackRock's exchange-traded funds ("ETF") platform; (19) the impact of BlackRock electing to provide support to its products from time to time and any potential liabilities related to securities lending or other indemnification obligations; and (20) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

## OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm with $6.52 trillion of AUM at March 31, 2019. With approximately 14,700 employees in more than 30 countries, BlackRock provides a broad range of investment and technology services to institutional and retail clients worldwide.

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

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

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

At March 31, 2019, PNC held 22.0% of the Company’s voting common stock and 22.4% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

Certain items previously reported have been reclassified to conform to the current period classifications.

### United Kingdom Exit from European Union

Following the June 2016 vote to exit the EU, the United Kingdom (“UK”) served notice under Article 50 of the Treaty on European Union on March 29, 2017 to initiate the process of exiting from the EU, commonly referred to as "Brexit". At the Emergency EU Summit held on April 10, 2019, an agreement was reached to extend the deadline by which the UK is required to exit the EU to October 31, 2019. If a withdrawal agreement between the UK and EU is ratified prior to October 31, 2019, the UK will withdraw from the EU on the first day of the month following such agreement.

Substantial uncertainty remains surrounding the terms upon which the UK will ultimately exit the EU. As a result, the UK’s relationship with the EU, as well as whether a withdrawal agreement will be reached, remains unclear. Moreover, the passage of time without a resolution in place has become a source of economic, political and regulatory instability. BlackRock is implementing a number of steps to prepare for various outcomes, including effecting organizational, governance and operational changes, applying for and receiving licenses and permissions in the EU, and engaging in client communications. These steps, many of which have been time-consuming and costly, are expected to add complexity to BlackRock’s European operations. In addition, depending on the terms of the UK’s exit from the EU, BlackRock may experience organizational and operational challenges and incur additional costs in connection with its European operations post-Brexit, which may impede the Company’s growth or impact its financial performance.

### Acquisition

In March 2019, the Company announced that it made a binding offer and entered into an exclusive agreement to acquire 100% of the equity interests of eFront Holding SAS (“eFront”), a leading alternative investment management software and solutions provider for approximately $1.3 billion, excluding settlement of eFront’s outstanding debt. On April 30, 2019, the Company and eFront shareholders subsequently signed a definitive purchase agreement in respect of the acquisition. The Company believes the acquisition of eFront will expand *Aladdin*’s illiquid alternative capabilities and provide whole-portfolio technology solutions to clients. The transaction is expected to be completed in the second quarter of 2019.

## EXECUTIVE SUMMARY

| (in millions, except shares and per share data) | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **GAAP basis:** | | |
| Total revenue | $ 3,346 | $ 3,583 |
| Total expense | 2,113 | 2,208 |
| Operating income | $ 1,233 | $ 1,375 |
| *Operating margin* | *36.8%* | *38.4%* |
| Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests | 118 | (21) |
| Income tax expense | (298) | (265) |
| Net income attributable to BlackRock | $ 1,053 | $ 1,089 |
| Diluted earnings per common share | $ 6.61 | $ 6.68 |
| Effective tax rate | 22.1% | 19.6% |
| **As adjusted[(1)]:** | | |
| Operating income | $ 1,233 | $ 1,378 |
| *Operating margin* | *41.9%* | *44.1%* |
| Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests | $ 118 | $ (21) |
| Net income attributable to BlackRock | $ 1,053 | $ 1,092 |
| Diluted earnings per common share | $ 6.61 | $ 6.70 |
| Effective tax rate | 22.1% | 19.6% |
| **Other:** | | |
| Assets under management (end of period) | $ 6,515,345 | $ 6,316,984 |
| Diluted weighted-average common shares outstanding[(2)] | 159,348,431 | 162,918,961 |
| Common and preferred shares outstanding (end of period) | 155,323,503 | 161,275,008 |
| Book value per share[(3)] | $ 201.57 | $ 198.28 |
| Cash dividends declared and paid per share | $ 3.30 | $ 2.88 |

(1) As adjusted items are described in more detail in *Non-GAAP Financial Measures*.
(2) Nonvoting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.
(3) Total BlackRock stockholders' equity divided by total common and preferred shares outstanding at March 31 of the respective period-end.

## THREE MONTHS ENDED MARCH 31, 2019 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2018

*GAAP.* Operating income of $1,233 million decreased $142 million and operating margin of 36.8% decreased 160 bps from the first quarter of 2018. The decline in operating income and operating margin reflected the negative impact of markets and foreign exchange on base fees, partially offset by lower employee compensation and benefits and volume-related expense. Nonoperating income (expense) less net income (loss) attributable to noncontrolling interests ("NCI") increased $139 million from the first quarter of 2018, driven by higher marks on un-hedged seed capital investments and the revaluation of certain strategic minority investments.

First quarter 2019 and 2018 income tax expense included $22 million and $56 million, respectively, of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of each respective year. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share decreased $0.07, or 1%, from the first quarter of 2018, driven primarily by lower operating income and a higher effective tax rate in the current quarter, partially offset by higher nonoperating income and the benefit of share repurchases.

*As Adjusted.* Operating income of $1,233 million decreased $145 million and operating margin of 41.9% decreased 145 bps from the first quarter of 2018. Earnings per diluted common share decreased $0.09, or 1%, from the first quarter of 2018.

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

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

## NON-GAAP FINANCIAL MEASURES

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

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

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| **Operating income, GAAP basis** | **$ 1,233** | **$ 1,375** |
| Non-GAAP expense adjustment: | | |
| PNC LTIP funding obligation | — | 3 |
| **Operating income, as adjusted** | **1,233** | **1,378** |
| Product launch costs and commissions | — | 12 |
| Operating income used for operating margin measurement | $ 1,233 | $ 1,390 |
| Revenue, GAAP basis | $ 3,346 | $ 3,583 |
| Non-GAAP adjustment: | | |
| Distribution and servicing costs | (404) | (432) |
| Revenue used for operating margin measurement | $ 2,942 | $ 3,151 |
| **Operating margin, GAAP basis** | **36.8%** | **38.4%** |
| **Operating margin, as adjusted** | **41.9%** | **44.1%** |

Management believes operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock's financial performance over time, and, therefore, provide useful disclosure to investors. Management believes that operating margin, as adjusted, reflects the Company's long-term ability to manage ongoing costs in relation to its revenues. The Company uses operating margin, as adjusted, to assess the Company's financial performance and to determine the long-term and annual compensation of the Company's senior-level employees. Furthermore, this metric is used to evaluate the Company's relative performance against industry peers, as it eliminates margin variability arising from the accounting for different distribution channels utilized by asset managers.

- Operating income, as adjusted, includes a non-GAAP expense adjustment. In the three months ended March 31, 2018, the portion of compensation expense associated with certain long-term incentive plans ("LTIP") funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately does not impact BlackRock's book value.
- Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of product launch costs (e.g. closed-end fund launch costs) and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact BlackRock's results until future periods.
- Revenue used for calculating operating margin, as adjusted, is reduced by the Company's distribution and servicing costs, which are recorded as a separate line item on the condensed consolidated statements of income. Distribution and servicing costs are direct payments to third parties for the distribution and servicing of retail products and may vary between periods based on the type of investment product sold and geographic location. The Company recovers these costs through revenue received from its retail products.

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

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| *(in millions, except per share data)* | **2019** | | **2018** | |
| **Net income attributable to BlackRock, Inc., GAAP basis** | **$** | **1,053** | **$** | **1,089** |
| Non-GAAP adjustment: | | | | |
| PNC LTIP funding obligation, net of tax | | — | | 3 |
| **Net income attributable to BlackRock, Inc., as adjusted** | **$** | **1,053** | **$** | **1,092** |
| Diluted weighted-average common shares outstanding (3) | | 159.3 | | 162.9 |
| **Diluted earnings per common share, GAAP basis (3)** | **$** | **6.61** | **$** | **6.68** |
| **Diluted earnings per common share, as adjusted (3)** | **$** | **6.61** | **$** | **6.70** |

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

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

For each period presented, the non-GAAP adjustment related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustment. Amounts have been excluded from the as adjusted results as these items will not have a cash flow impact and to ensure comparability among periods presented.

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

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

## ASSETS UNDER MANAGEMENT

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

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

| | AUM | | | Net inflows (outflows) | |
|---|---|---|---|---|---|
| *(in millions)* | March 31, 2019 | December 31, 2018 | March 31, 2018 | Three Months Ended March 31, 2019 | Twelve Months Ended March 31, 2019 |
| Retail | $ 646,355 | $ 610,850 | $ 638,363 | $ (813) | $ 1,580 |
| *iShares* ETFs | 1,924,710 | 1,731,425 | 1,767,925 | 30,688 | 163,575 |
| Institutional: | | | | | |
| Active | 1,160,150 | 1,079,979 | 1,130,446 | 15,367 | 12,873 |
| Index | 2,327,080 | 2,103,230 | 2,324,327 | 13,757 | (50,326) |
| Institutional subtotal | 3,487,230 | 3,183,209 | 3,454,773 | 29,124 | (37,453) |
| **Long-term** | **6,058,295** | **5,525,484** | **5,861,061** | **58,999** | **127,702** |
| Cash management | 455,271 | 448,565 | 454,784 | 5,666 | 2,971 |
| Advisory(1) | 1,779 | 1,769 | 1,139 | 1 | 676 |
| **Total** | **$ 6,515,345** | **$ 5,975,818** | **$ 6,316,984** | **$ 64,666** | **$ 131,349** |

### *AUM and Net Inflows (Outflows) by Investment Style and Product Type*

| | AUM | | | Net inflows (outflows) | |
|---|---|---|---|---|---|
| *(in millions)* | March 31, 2019 | December 31, 2018 | March 31, 2018 | Three Months Ended March 31, 2019 | Twelve Months Ended March 31, 2019 |
| Active | $ 1,724,875 | $ 1,617,780 | $ 1,693,883 | $ 13,603 | $ 8,098 |
| Index and *iShares* ETFs | 4,333,420 | 3,907,704 | 4,167,178 | 45,396 | 119,604 |
| **Long-term** | **6,058,295** | **5,525,484** | **5,861,061** | **58,999** | **127,702** |
| Cash management | 455,271 | 448,565 | 454,784 | 5,666 | 2,971 |
| Advisory(1) | 1,779 | 1,769 | 1,139 | 1 | 676 |
| **Total** | **$ 6,515,345** | **$ 5,975,818** | **$ 6,316,984** | **$ 64,666** | **$ 131,349** |

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

| | AUM | | | Net inflows (outflows) | |
|---|---|---|---|---|---|
| *(in millions)* | March 31, 2019 | December 31, 2018 | March 31, 2018 | Three Months Ended March 31, 2019 | Twelve Months Ended March 31, 2019 |
| Equity | $ 3,375,885 | $ 3,035,825 | $ 3,363,237 | $ (26,077) | $ (37,425) |
| Fixed income | 2,029,966 | 1,884,417 | 1,886,523 | 79,923 | 132,351 |
| Multi-asset | 499,520 | 461,884 | 476,697 | (1,655) | 17,245 |
| Alternatives: | | | | | |
| Illiquid alternatives | 66,462 | 59,827 | 49,472 | 5,938 | 11,965 |
| Liquid alternatives | 53,118 | 51,718 | 52,091 | (99) | 1,932 |
| Currency and commodities(2) | 33,344 | 31,813 | 33,041 | 969 | 1,634 |
| Alternatives subtotal | 152,924 | 143,358 | 134,604 | 6,808 | 15,531 |
| **Long-term** | **6,058,295** | **5,525,484** | **5,861,061** | **58,999** | **127,702** |
| Cash management | 455,271 | 448,565 | 454,784 | 5,666 | 2,971 |
| Advisory(1) | 1,779 | 1,769 | 1,139 | 1 | 676 |
| **Total** | **$ 6,515,345** | **$ 5,975,818** | **$ 6,316,984** | **$ 64,666** | **$ 131,349** |

(1) Advisory AUM represents long-term portfolio liquidation assignments.
(2) Amounts include commodity *iShares* ETFs.

### ***Component Changes in AUM for the Three Months Ended March 31, 2019***

The following table presents the component changes in AUM by client type and product type for the three months ended March 31, 2019.

| *(in millions)* | December 31, 2018 | Net inflows (outflows) | Market change | FX impact[1] | March 31, 2019 | Average AUM[2] |
|---|---|---|---|---|---|---|
| Retail: | | | | | | |
| Equity | $ 205,714 | $ (3,613) | $ 23,370 | $ 521 | $ 225,992 | $ 219,245 |
| Fixed income | 271,588 | 5,929 | 4,099 | (50) | 281,566 | 277,587 |
| Multi-asset | 113,417 | (3,692) | 8,086 | 87 | 117,898 | 116,924 |
| Alternatives | 20,131 | 563 | 226 | (21) | 20,899 | 20,495 |
| Retail subtotal | 610,850 | (813) | 35,781 | 537 | 646,355 | 634,251 |
| *iShares* ETFs: | | | | | | |
| Equity | 1,274,262 | (1,622) | 151,100 | (536) | 1,423,204 | 1,369,626 |
| Fixed income | 427,596 | 32,203 | 12,010 | (648) | 471,161 | 451,119 |
| Multi-asset | 4,485 | (636) | 320 | 2 | 4,171 | 4,204 |
| Alternatives | 25,082 | 743 | 354 | (5) | 26,174 | 26,119 |
| *iShares* ETFs subtotal | 1,731,425 | 30,688 | 163,784 | (1,187) | 1,924,710 | 1,851,068 |
| Institutional: | | | | | | |
| Active: | | | | | | |
| Equity | 110,976 | (5,536) | 12,941 | 272 | 118,653 | 117,018 |
| Fixed income | 538,961 | 12,992 | 18,942 | 418 | 571,313 | 551,584 |
| Multi-asset | 336,237 | 2,591 | 30,680 | (462) | 369,046 | 355,060 |
| Alternatives | 93,805 | 5,320 | 1,905 | 108 | 101,138 | 98,044 |
| Active subtotal | 1,079,979 | 15,367 | 64,468 | 336 | 1,160,150 | 1,121,706 |
| Index: | | | | | | |
| Equity | 1,444,873 | (15,306) | 177,919 | 550 | 1,608,036 | 1,558,876 |
| Fixed income | 646,272 | 28,799 | 25,821 | 5,034 | 705,926 | 676,391 |
| Multi-asset | 7,745 | 82 | 600 | (22) | 8,405 | 8,182 |
| Alternatives | 4,340 | 182 | 157 | 34 | 4,713 | 4,511 |
| Index subtotal | 2,103,230 | 13,757 | 204,497 | 5,596 | 2,327,080 | 2,247,960 |
| Institutional subtotal | 3,183,209 | 29,124 | 268,965 | 5,932 | 3,487,230 | 3,369,666 |
| **Long-term** | **5,525,484** | **58,999** | **468,530** | **5,282** | **6,058,295** | **5,854,985** |
| Cash management | 448,565 | 5,666 | 676 | 364 | 455,271 | 450,140 |
| Advisory[3] | 1,769 | 1 | 3 | 6 | 1,779 | 1,778 |
| **Total** | **$ 5,975,818** | **$ 64,666** | **$ 469,209** | **$ 5,652** | **$ 6,515,345** | **$ 6,306,903** |

[1] Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
[2] Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
[3] Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by investment style and product type for the three months ended March 31, 2019.

| *(in millions)* | December 31, 2018 | Net inflows (outflows) | Market change | FX impact[1] | March 31, 2019 | Average AUM[2] |
|---|---|---|---|---|---|---|
| Active: | | | | | | |
| Equity | $ 258,205 | $ (9,464) | $ 29,893 | $ 310 | $ 278,944 | $ 273,333 |
| Fixed income | 795,985 | 18,285 | 22,525 | 155 | 836,950 | 813,821 |
| Multi-asset | 449,654 | (1,101) | 38,766 | (375) | 486,944 | 471,984 |
| Alternatives | 113,936 | 5,883 | 2,131 | 87 | 122,037 | 118,539 |
| Active subtotal | 1,617,780 | 13,603 | 93,315 | 177 | 1,724,875 | 1,677,677 |
| Index and *iShares* ETFs: | | | | | | |
| *iShares* ETFs: | | | | | | |
| Equity | 1,274,262 | (1,622) | 151,100 | (536) | 1,423,204 | 1,369,626 |
| Fixed income | 427,596 | 32,203 | 12,010 | (648) | 471,161 | 451,119 |
| Multi-asset | 4,485 | (636) | 320 | 2 | 4,171 | 4,204 |
| Alternatives | 25,082 | 743 | 354 | (5) | 26,174 | 26,119 |
| *iShares* ETFs subtotal | 1,731,425 | 30,688 | 163,784 | (1,187) | 1,924,710 | 1,851,068 |
| Non-ETF Index: | | | | | | |
| Equity | 1,503,358 | (14,991) | 184,337 | 1,033 | 1,673,737 | 1,621,806 |
| Fixed income | 660,836 | 29,435 | 26,337 | 5,247 | 721,855 | 691,741 |
| Multi-asset | 7,745 | 82 | 600 | (22) | 8,405 | 8,182 |
| Alternatives | 4,340 | 182 | 157 | 34 | 4,713 | 4,511 |
| Non-ETF Index subtotal | 2,176,279 | 14,708 | 211,431 | 6,292 | 2,408,710 | 2,326,240 |
| Index & *iShares* ETFs subtotal | 3,907,704 | 45,396 | 375,215 | 5,105 | 4,333,420 | 4,177,308 |
| **Long-term** | **5,525,484** | **58,999** | **468,530** | **5,282** | **6,058,295** | **5,854,985** |
| Cash management | 448,565 | 5,666 | 676 | 364 | 455,271 | 450,140 |
| Advisory[3] | 1,769 | 1 | 3 | 6 | 1,779 | 1,778 |
| **Total** | **$ 5,975,818** | **$ 64,666** | **$ 469,209** | **$ 5,652** | **$ 6,515,345** | **$ 6,306,903** |

The following table presents component changes in AUM by product type for the three months ended March 31, 2019.

| *(in millions)* | December 31, 2018 | Net inflows (outflows) | Market change | FX impact[1] | March 31, 2019 | Average AUM[2] |
|---|---|---|---|---|---|---|
| Equity | $ 3,035,825 | $ (26,077) | $ 365,330 | $ 807 | $ 3,375,885 | $ 3,264,765 |
| Fixed income | 1,884,417 | 79,923 | 60,872 | 4,754 | 2,029,966 | 1,956,681 |
| Multi-asset | 461,884 | (1,655) | 39,686 | (395) | 499,520 | 484,370 |
| Alternatives: | | | | | | |
| Illiquid alternatives | 59,827 | 5,938 | 600 | 97 | 66,462 | 63,757 |
| Liquid alternatives | 51,718 | (99) | 1,494 | 5 | 53,118 | 52,362 |
| Currency and commodities[4] | 31,813 | 969 | 548 | 14 | 33,344 | 33,050 |
| Alternatives subtotal | 143,358 | 6,808 | 2,642 | 116 | 152,924 | 149,169 |
| **Long-term** | **5,525,484** | **58,999** | **468,530** | **5,282** | **6,058,295** | **5,854,985** |
| Cash management | 448,565 | 5,666 | 676 | 364 | 455,271 | 450,140 |
| Advisory[3] | 1,769 | 1 | 3 | 6 | 1,779 | 1,778 |
| **Total** | **$ 5,975,818** | **$ 64,666** | **$ 469,209** | **$ 5,652** | **$ 6,515,345** | **$ 6,306,903** |

(1) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(3) Advisory AUM represents long-term portfolio liquidation assignments.
(4) Amounts include commodity *iShares* ETFs.

AUM increased $539.5 billion to $6.52 trillion at March 31, 2019, driven by net market appreciation and positive net inflows.

Net market appreciation of $469.2 billion was primarily driven by higher US and global equity markets.

Long-term net inflows of $59.0 billion included $30.7 billion and $29.1 billion from *iShares* ETFs and institutional clients, respectively, partially offset by net outflows of $0.8 billion from retail clients. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of $30.7 billion were led by fixed income ETFs, which generated $32.2 billion of net inflows, across high yield, emerging market bonds and treasuries. *iShares* ETFs net inflows reflected $19.5 billion and $11.2 billion of net inflows into Core and non-Core ETFs, respectively. By region, *iShares* ETFs inflows were diversified with $16.7 billion of net inflows in US-listed *iShares* ETFs and $14.6 billion of net inflows in European-listed *iShares* ETFs.

- Institutional active net inflows of $15.4 billion were driven by active fixed income, alternative and multi-asset net inflows of $13.0 billion, $5.3 billion and $2.6 billion, respectively, partially offset by active equity net outflows of $5.5 billion. Active fixed income net inflows reflected strong activity in the insurance client channel. Alternative net inflows of $5.3 billion reflected net flows into illiquid alternatives, led by infrastructure, real estate, private credit and the first close of Long Term Private Capital ("LTPC"), a perpetual, direct private equity fund.

- Institutional index net inflows of $13.8 billion were led by fixed income net inflows of $28.8 billion, reflecting continued demand for liability-driven investment solutions, partially offset by equity net outflows of $15.3 billion.

- Retail net outflows of $0.8 billion reflected net outflows in international equities and world allocation strategies, partially offset by strength in BlackRock's municipal fixed income franchise and event-driven liquid alternative funds.

Cash management AUM increased to $455.3 billion, driven by positive net inflows of $5.7 billion.

AUM increased $5.7 billion due to the impact of foreign exchange movements, primarily due to the weakening of the US dollar, largely against the British pound, partially offset by the strengthening of the US dollar against the Euro.

***Component Changes in AUM for the Twelve Months Ended March 31, 2019***

The following table presents the component changes in AUM by client type and product for the twelve months ended March 31, 2019.

| *(in millions)* | **March 31, 2018** | **Net inflows (outflows)** | **Acquisitions and dispositions[1]** | **Market change** | **FX impact[2]** | **March 31, 2019** | **Average AUM[3]** |
|---|---|---|---|---|---|---|---|
| Retail: | | | | | | | |
| Equity | $ 232,955 | $ (5,771) | $ 2,137 | $ 2,077 | $ (5,406) | $ 225,992 | $ 228,018 |
| Fixed income | 266,571 | 7,411 | 14,070 | (2,343) | (4,143) | 281,566 | 273,072 |
| Multi-asset | 121,601 | (2,813) | 2,519 | (2,465) | (944) | 117,898 | 119,768 |
| Alternatives | 17,236 | 2,753 | 1,628 | (427) | (291) | 20,899 | 19,305 |
| Retail subtotal | 638,363 | 1,580 | 20,354 | (3,158) | (10,784) | 646,355 | 640,163 |
| *iShares* ETFs: | | | | | | | |
| Equity | 1,344,564 | 81,482 | - | 9,013 | (11,855) | 1,423,204 | 1,367,394 |
| Fixed income | 394,191 | 79,923 | - | 3,410 | (6,363) | 471,161 | 418,978 |
| Multi-asset | 3,766 | 366 | - | 43 | (4) | 4,171 | 3,908 |
| Alternatives | 25,404 | 1,804 | - | (933) | (101) | 26,174 | 25,078 |
| *iShares* ETFs subtotal | 1,767,925 | 163,575 | - | 11,533 | (18,323) | 1,924,710 | 1,815,358 |
| Institutional: | | | | | | | |
| Active: | | | | | | | |
| Equity | 136,470 | (13,136) | (4,296) | 3,196 | (3,581) | 118,653 | 126,525 |
| Fixed income | 563,572 | (3,640) | 2,417 | 18,775 | (9,811) | 571,313 | 551,214 |
| Multi-asset | 343,344 | 18,645 | (1,593) | 19,190 | (10,540) | 369,046 | 351,477 |
| Alternatives | 87,060 | 11,004 | 3,374 | 1,674 | (1,974) | 101,138 | 91,929 |
| Active subtotal | 1,130,446 | 12,873 | (98) | 42,835 | (25,906) | 1,160,150 | 1,121,145 |
| Index: | | | | | | | |
| Equity | 1,649,248 | (100,000) | 4,749 | 84,973 | (30,934) | 1,608,036 | 1,624,596 |
| Fixed income | 662,189 | 48,657 | 2,051 | 23,973 | (30,944) | 705,926 | 651,967 |
| Multi-asset | 7,986 | 1,047 | (243) | (167) | (218) | 8,405 | 7,965 |
| Alternatives | 4,904 | (30) | 1 | (27) | (135) | 4,713 | 4,610 |
| Index subtotal | 2,324,327 | (50,326) | 6,558 | 108,752 | (62,231) | 2,327,080 | 2,289,138 |
| Institutional subtotal | 3,454,773 | (37,453) | 6,460 | 151,587 | (88,137) | 3,487,230 | 3,410,283 |
| **Long-term** | **5,861,061** | **127,702** | **26,814** | **159,962** | **(117,244)** | **6,058,295** | **5,865,804** |
| Cash management | 454,784 | 2,971 | 686 | 2,184 | (5,354) | 455,271 | 453,287 |
| Advisory[4] | 1,139 | 676 | - | 22 | (58) | 1,779 | 1,473 |
| **Total** | **$ 6,316,984** | **$ 131,349** | **$ 27,500** | **$ 162,168** | **$ (122,656)** | **$ 6,515,345** | **$ 6,320,564** |

(1) Amounts include $5.4 billion and $25.6 billion of net AUM from the acquisitions of Tennenbaum Capital Partners in August 2018 (“TCP Transaction”) and the asset management business of Citibanamex in September 2018 (“Citibanamex Transaction”), respectively. In addition, amounts include $18.6 billion and $2.3 billion of AUM reclassifications and net dispositions, respectively, related to the transfer of BlackRock’s UK Defined Contribution Administration and Platform business to Aegon N.V. in July 2018 (“Aegon Transaction”) and $1.2 billion of net AUM dispositions related to the sale of BlackRock’s minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to the DSP Group in August 2018 (“DSP Transaction”).

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

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

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

The following table presents component changes in AUM by investment style and product type for the twelve months ended March 31, 2019.

| (in millions) | March 31, 2018 | Net inflows (outflows) | Acquisitions and dispositions[1] | Market change | FX impact[2] | March 31, 2019 | Average AUM[3] |
|---|---|---|---|---|---|---|---|
| Active: | | | | | | | |
| Equity | $ 308,367 | $ (22,909) | $ (2,160) | $ 2,532 | $ (6,886) | $ 278,944 | $ 291,305 |
| Fixed income | 816,274 | 1,419 | 16,487 | 15,878 | (13,108) | 836,950 | 809,653 |
| Multi-asset | 464,945 | 15,832 | 926 | 16,725 | (11,484) | 486,944 | 471,245 |
| Alternatives | 104,297 | 13,756 | 5,002 | 1,247 | (2,265) | 122,037 | 111,234 |
| Active subtotal | 1,693,883 | 8,098 | 20,255 | 36,382 | (33,743) | 1,724,875 | 1,683,437 |
| Index and *iShares* ETFs: | | | | | | | |
| *iShares* ETFs: | | | | | | | |
| Equity | 1,344,564 | 81,482 | - | 9,013 | (11,855) | 1,423,204 | 1,367,394 |
| Fixed income | 394,191 | 79,923 | - | 3,410 | (6,363) | 471,161 | 418,978 |
| Multi-asset | 3,766 | 366 | - | 43 | (4) | 4,171 | 3,908 |
| Alternatives | 25,404 | 1,804 | - | (933) | (101) | 26,174 | 25,078 |
| *iShares* ETFs subtotal | 1,767,925 | 163,575 | - | 11,533 | (18,323) | 1,924,710 | 1,815,358 |
| Non-ETF Index | | | | | | | |
| Equity | 1,710,306 | (95,998) | 4,750 | 87,714 | (33,035) | 1,673,737 | 1,687,834 |
| Fixed income | 676,058 | 51,009 | 2,051 | 24,527 | (31,790) | 721,855 | 666,600 |
| Multi-asset | 7,986 | 1,047 | (243) | (167) | (218) | 8,405 | 7,965 |
| Alternatives | 4,903 | (29) | 1 | (27) | (135) | 4,713 | 4,610 |
| Non-ETF Index subtotal | 2,399,253 | (43,971) | 6,559 | 112,047 | (65,178) | 2,408,710 | 2,367,009 |
| Index & *iShares* ETFs subtotal | 4,167,178 | 119,604 | 6,559 | 123,580 | (83,501) | 4,333,420 | 4,182,367 |
| **Long-term** | **5,861,061** | **127,702** | **26,814** | **159,962** | **(117,244)** | **6,058,295** | **5,865,804** |
| Cash management | 454,784 | 2,971 | 686 | 2,184 | (5,354) | 455,271 | 453,287 |
| Advisory[4] | 1,139 | 676 | - | 22 | (58) | 1,779 | 1,473 |
| **Total** | **$ 6,316,984** | **$ 131,349** | **$ 27,500** | **$ 162,168** | **$ (122,656)** | **$ 6,515,345** | **$6,320,564** |

The following table presents component changes in AUM by product type for the twelve months ended March 31, 2019.

| (in millions) | March 31, 2018 | Net inflows (outflows) | Acquisitions and dispositions[1] | Market change | FX impact[2] | March 31, 2019 | Average AUM[3] |
|---|---|---|---|---|---|---|---|
| Equity | $ 3,363,237 | $ (37,425) | $ 2,590 | $ 99,259 | $ (51,776) | $ 3,375,885 | $ 3,346,533 |
| Fixed income | 1,886,523 | 132,351 | 18,538 | 43,815 | (51,261) | 2,029,966 | 1,895,231 |
| Multi-asset | 476,697 | 17,245 | 683 | 16,601 | (11,706) | 499,520 | 483,118 |
| Alternatives: | | | | | | | |
| Illiquid alternatives | 49,472 | 11,965 | 4,968 | 1,238 | (1,181) | 66,462 | 56,670 |
| Liquid alternatives | 52,091 | 1,932 | 28 | 77 | (1,010) | 53,118 | 52,039 |
| Currency and commodities[5] | 33,041 | 1,634 | 7 | (1,028) | (310) | 33,344 | 32,213 |
| Alternatives subtotal | 134,604 | 15,531 | 5,003 | 287 | (2,501) | 152,924 | 140,922 |
| **Long-term** | **5,861,061** | **127,702** | **26,814** | **159,962** | **(117,244)** | **6,058,295** | **5,865,804** |
| Cash management | 454,784 | 2,971 | 686 | 2,184 | (5,354) | 455,271 | 453,287 |
| Advisory[4] | 1,139 | 676 | - | 22 | (58) | 1,779 | 1,473 |
| **Total** | **$ 6,316,984** | **$ 131,349** | **$ 27,500** | **$ 162,168** | **$ (122,656)** | **$ 6,515,345** | **$ 6,320,564** |

(1) Amounts include net AUM impact from the TCP Transaction, the Citibanamex Transaction, the Aegon Transaction and the DSP Transaction.
(2) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents long-term portfolio liquidation assignments.
(5) Amounts include commodity *iShares* ETFs.

AUM increased $198.4 billion to $6.52 trillion at March 31, 2019, driven by net market appreciation, net inflows and net AUM added from strategic transactions, partially offset by the impact of foreign exchange movements.

Net market appreciation of $162.2 billion included $99.3 billion from equity products, driven by higher US equity markets and $43.8 billion from fixed income strategies.

Long-term net inflows of $127.7 billion were comprised of net inflows of $163.6 billion and $1.6 billion from *iShares* ETFs and retail clients, respectively, partially offset by net outflows of $37.5 billion from institutional clients. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of $163.6 billion reflected $93.4 billion and $70.2 billion of net inflows into Core and non-Core ETFs, respectively. Equity net inflows of $81.5 billion were driven by both US and international equity market exposures. Fixed income net inflows of $79.9 billion were led by flows into treasuries, investment grade corporate bond and emerging markets debt ETFs.

- Institutional active net inflows of $12.9 billion reflected active multi-asset and alternative net inflows of $18.6 billion and $11.0 billion, respectively, partially offset by active equity and fixed income net outflows of $13.1 billion and $3.6 billion, respectively. Multi-asset net inflows were driven by ongoing demand for the *LifePath*® target-date series and outsourced chief investment officer mandates. Alternatives net inflows were led by flows into illiquid alternatives, including infrastructure, real estate and the previously mentioned first close of LTPC.

- Retail net inflows of $1.6 billion reflected net inflows of $18.8 billion in the United States, partially offset by net outflows of $17.2 billion internationally. Retail net inflows were led by fixed income net inflows of $7.4 billion, reflecting inflows into municipal and core bond funds, partially offset by net outflows from emerging market debt and unconstrained strategies.

- Institutional index net outflows of $50.3 billion were primarily driven by equity net outflows of $100.0 billion, linked to client asset allocation, re-balancing and cash needs, partially offset by fixed income net inflows of $48.7 billion, led by continued demand for liability-driven investment fixed income solutions.

Cash management AUM increased to $455.3 billion, primarily due to positive net inflows and net market appreciation, partially offset by the impact of foreign exchange movements.

AUM decreased $122.7 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the US dollar, largely against the British pound and the Euro.

## DISCUSSION OF FINANCIAL RESULTS

The Company's results of operations for the three months ended March 31, 2019 and 2018 are discussed below. For a further description of the Company's revenue and expense, see the Company's Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Form 10-K").

### Revenue

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Investment advisory, administration fees and securities lending revenue: | | |
| Equity: | | |
| Active | $ 375 | $ 438 |
| *iShares* ETFs | 847 | 926 |
| Non-ETF Index | 164 | 176 |
| Equity subtotal | 1,386 | 1,540 |
| Fixed income: | | |
| Active | 457 | 456 |
| *iShares* ETFs | 220 | 208 |
| Non-ETF Index | 97 | 93 |
| Fixed income subtotal | 774 | 757 |
| Multi-asset | 276 | 296 |
| Alternatives: | | |
| Illiquid alternatives | 110 | 77 |
| Liquid alternatives | 94 | 101 |
| Currency and commodities[1] | 24 | 25 |
| Alternatives subtotal | 228 | 203 |
| **Long-term** | **2,664** | **2,796** |
| Cash management | 141 | 151 |
| **Total base fees** | **2,805** | **2,947** |
| Investment advisory performance fees: | | |
| Equity | — | 18 |
| Fixed income | 2 | 3 |
| Multi-asset | — | 5 |
| Alternatives: | | |
| Illiquid alternatives | 20 | — |
| Liquid alternatives | 4 | 44 |
| Alternatives subtotal | 24 | 44 |
| **Total performance fees** | **26** | **70** |
| **Technology services revenue** | **204** | **184** |
| Distribution fees: | | |
| Retrocessions | 161 | 192 |
| 12b-1 fees (US mutual funds distribution fees) | 89 | 108 |
| Other | 12 | 11 |
| **Total distribution fees** | **262** | **311** |
| Advisory and other revenue: | | |
| Advisory | 19 | 21 |
| Other | 30 | 50 |
| **Total advisory and other revenue** | **49** | **71** |
| **Total revenue** | **$ 3,346** | **$ 3,583** |

[1] Amount include commodity *iShares* ETFs.

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

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | Mix of Base Fees | | Mix of Average AUM by Asset Class[1] | |
| | 2019 | 2018 | 2019 | 2018 |
| Equity: | | | | |
| Active | 13% | 15% | 4% | 5% |
| *iShares* ETFs | 30% | 31% | 22% | 21% |
| Non-ETF Index | 6% | 6% | 26% | 27% |
| Equity subtotal | 49% | 52% | 52% | 53% |
| Fixed income: | | | | |
| Active | 16% | 15% | 13% | 13% |
| *iShares* ETFs | 9% | 8% | 7% | 6% |
| Non-ETF Index | 3% | 3% | 11% | 10% |
| Fixed income subtotal | 28% | 26% | 31% | 29% |
| Multi-asset | 10% | 10% | 8% | 8% |
| Alternatives: | | | | |
| Illiquid alternatives | 4% | 3% | 1% | 1% |
| Liquid alternatives | 3% | 3% | 1% | 1% |
| Currency and commodities | 1% | 1% | —% | 1% |
| Alternatives subtotal | 8% | 7% | 2% | 3% |
| **Long-term** | **95%** | **95%** | **93%** | **93%** |
| Cash management | 5% | 5% | 7% | 7% |
| **Total excluding Advisory AUM** | **100%** | **100%** | **100%** | **100%** |

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

**Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018**

Revenue decreased $237 million, or 7%, from the three months ended March 31, 2018, primarily driven by lower base fees.

Investment advisory, administration fees and securities lending revenue of $2,805 million decreased $142 million from $2,947 million for the three months ended March 31, 2018, primarily driven by the negative impact of markets and foreign exchange on average AUM and the impact of strategic pricing investments, partially offset by the positive impact of acquisitions and organic growth. Securities lending revenue was $148 million in the current quarter compared with $155 million in the first quarter of 2018.

Investment advisory performance fees of $26 million decreased $44 million from $70 million for the three months ended March 31, 2018, primarily reflecting lower revenue from liquid alternatives and long-only products, partially offset by higher revenue from illiquid alternatives.

Technology services revenue of $204 million increased $20 million from $184 million for the three months ended March 31, 2018, primarily reflecting higher revenue from *Aladdin*.

Advisory and other revenue of $49 million decreased $22 million from $71 million for the three months ended March 31, 2018, primarily reflecting lower earnings from an equity method investment.

**Expense**

| (in millions) | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Expense, GAAP:** | | |
| Employee compensation and benefits | $ 1,064 | $ 1,121 |
| Distribution and servicing costs: | | |
| Retrocessions | 161 | 192 |
| 12b-1 costs | 88 | 106 |
| Other | 155 | 134 |
| Total distribution and servicing costs | 404 | 432 |
| Direct fund expense | 242 | 261 |
| General and administration: | | |
| Marketing and promotional | 81 | 85 |
| Occupancy and office related | 74 | 74 |
| Portfolio services | 62 | 70 |
| Technology | 69 | 53 |
| Professional services | 33 | 32 |
| Communications | 9 | 10 |
| Foreign exchange remeasurement | 8 | 1 |
| Contingent consideration fair value adjustments | 6 | 6 |
| Product launch costs | — | 11 |
| Other general and administration | 46 | 41 |
| Total general and administration expense | 388 | 383 |
| Amortization of intangible assets | 15 | 11 |
| **Total expense, GAAP** | **$ 2,113** | **$ 2,208** |
| **Less non-GAAP expense adjustments:** | | |
| Employee compensation and benefits: | | |
| PNC LTIP funding obligation | — | 3 |
| **Expense, as adjusted:** | | |
| Employee compensation and benefits | $ 1,064 | $ 1,118 |
| Distribution and servicing costs | 404 | 432 |
| Direct fund expense | 242 | 261 |
| General and administration | 388 | 383 |
| Amortization of intangible assets | 15 | 11 |
| **Total expense, as adjusted** | **$ 2,113** | **$ 2,205** |

**Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018**

***GAAP***. Expense decreased $95 million from the three months ended March 31, 2018, driven primarily by lower employee compensation and benefits expense and lower volume-related expense.

Employee compensation and benefits expense decreased $57 million from the three months ended March 31, 2018, primarily reflecting lower incentive compensation, driven in part by lower operating income. Employees at March 31, 2019 totaled approximately 14,700 compared with approximately 14,000 at March 31, 2018.

General and administration expense increased $5 million from the three months ended March 31, 2018, primarily driven by higher technology expense, partially offset by the impact of product launch costs recorded during the three months ended Marched 31, 2018.

***As Adjusted***. Expense, as adjusted, decreased $92 million, or 4%, to $2,113 million from $2,205 million for the three months ended March 31, 2018. The decrease in total expense, as adjusted, is driven primarily by lower employee compensation and benefits expense and lower volume-related expense.

**Nonoperating Results**

The summary and reconciliation of GAAP nonoperating income (expense) to nonoperating income (expense), as adjusted for the three months ended March 31, 2019 and 2018 was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Nonoperating income (expense), GAAP basis[(1)] | $ 125 | $ (16) |
| Less: Net income (loss) attributable to NCI | 7 | 5 |
| Nonoperating income (expense), as adjusted, net of NCI[(2)(3)] | $ 118 | $ (21) |

(1) Amounts include gains of $94 million and $2 million for the three months ended March 31, 2019 and 2018, respectively, attributable to consolidated variable interest entities ("VIEs").
(2) Net of income (loss) attributable to NCI.
(3) Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three months ended March 31, 2019 and 2018.

The components of nonoperating income (expense), as adjusted, for the three months ended March 31, 2019 and 2018 were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Net gain (loss) on investments[(1)(2)] | | |
| Private equity | $ — | $ 1 |
| Real assets | 6 | 5 |
| Other alternatives[(3)] | 8 | 3 |
| Other investments[(4)] | 73 | 1 |
| Subtotal | 87 | 10 |
| Other gains[(5)] | 48 | — |
| Total net gain (loss) on investments[(1)(2)] | 135 | 10 |
| Interest and dividend income | 29 | 15 |
| Interest expense | (46) | (46) |
| Net interest expense | (17) | (31) |
| Nonoperating income (expense), as adjusted[(1)(2)] | $ 118 | $ (21) |

(1) Net of net income (loss) attributable to NCI. Amounts also include net gain (loss) on consolidated VIEs.
(2) Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three months ended March 31, 2019 and 2018.
(3) Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions.
(4) Amounts primarily include net gains (losses) related to equity and fixed income investments.
(5) Amounts primarily include noncash pre-tax gains related to the revaluation of certain minority strategic investments.

**Income Tax Expense**

| (in millions) | GAAP Three Months Ended March 31, 2019 | GAAP Three Months Ended March 31, 2018 | As Adjusted Three Months Ended March 31, 2019 | As Adjusted Three Months Ended March 31, 2018 |
|---|---|---|---|---|
| Operating income[1] | $ 1,233 | $ 1,375 | $ 1,233 | $ 1,378 |
| Total nonoperating income (expense)[1][2] | 118 | (21) | 118 | (21) |
| Income before income taxes[2] | $ 1,351 | $ 1,354 | $ 1,351 | $ 1,357 |
| Income tax expense | $ 298 | $ 265 | $ 298 | $ 265 |
| Effective tax rate | *22.1%* | *19.6%* | *22.1%* | *19.6%* |

(1) Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See *Non-GAAP Financial Measures* for further information.
(2) Net of net income (loss) attributable to NCI.

**Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018**

For the three months ended March 31, 2019 and 2018 income tax expense (GAAP) included $22 million and $56 million, respectively, of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of each respective year.

## BALANCE SHEET OVERVIEW

### As Adjusted Balance Sheet

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

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

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

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

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

*Consolidated Sponsored Investment Products*

The Company consolidates certain sponsored investment products accounted for as voting rights entities ("VREs") and VIEs, (collectively, "Consolidated Sponsored Investment Products"). See Note 2, *Significant Accounting Policies*, in the notes to the consolidated financial statements contained in the 2018 Form 10-K for more information on the Company's consolidation policy.

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

| (in millions) | March 31, 2019 GAAP Basis | Separate Account Assets/ Collateral(1) | Consolidated Sponsored Investment Products(2) | As Adjusted |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 3,891 | $ — | $ 42 | $ 3,849 |
| Accounts receivable | 2,771 | — | — | 2,771 |
| Investments | 1,917 | — | 32 | 1,885 |
| Assets of consolidated VIEs: | | | | |
| Cash and cash equivalents | 170 | — | 170 | — |
| Investments | 2,592 | — | 986 | 1,606 |
| Other assets | 69 | — | 69 | — |
| Separate account assets and collateral held under securities lending agreements | 118,784 | 118,784 | — | — |
| Other assets(3) | 3,466 | — | 15 | 3,451 |
| Subtotal | 133,660 | 118,784 | 1,314 | 13,562 |
| Goodwill and intangible assets, net | 31,348 | — | — | 31,348 |
| Total assets | $ 165,008 | $ 118,784 | $ 1,314 | $ 44,910 |
| **Liabilities** | | | | |
| Accrued compensation and benefits | $ 730 | $ — | $ — | $ 730 |
| Accounts payable and accrued liabilities | 1,225 | — | — | 1,225 |
| Liabilities of consolidated VIEs | 613 | — | 613 | — |
| Borrowings | 4,966 | — | — | 4,966 |
| Separate account liabilities and collateral liabilities under securities lending agreements | 118,784 | 118,784 | — | — |
| Deferred income tax liabilities(4) | 3,654 | — | — | 3,654 |
| Other liabilities(5) | 2,665 | — | (361) | 3,026 |
| Total liabilities | 132,637 | 118,784 | 252 | 13,601 |
| **Equity** | | | | |
| Total stockholders' equity | 31,309 | — | — | 31,309 |
| Noncontrolling interests | 1,062 | — | 1,062 | — |
| Total equity | 32,371 | — | 1,062 | 31,309 |
| Total liabilities and equity | $ 165,008 | $ 118,784 | $ 1,314 | $ 44,910 |

(1) Amounts represent segregated client assets generating advisory fees in which BlackRock has no economic interest or liability.
(2) Amounts primarily represent the portion of assets and liabilities of Consolidated Sponsored Investment Products attributable to NCI.
(3) Amounts include property and equipment, operating lease right-of-use ("ROU") assets and other assets.
(4) Amount includes approximately $4.0 billion of deferred income tax liabilities related to goodwill and intangibles.
(5) Amount includes operating lease liabilities and other liabilities.

The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of March 31, 2019 and December 31, 2018 contained in Part I, Item 1 of this filing. The discussion does not include changes related to assets and liabilities that are equal and offsetting and have no impact on BlackRock's stockholders' equity.

***Assets.*** Cash and cash equivalents at March 31, 2019 and December 31, 2018 included $42 million and $59 million, respectively, of cash held by consolidated VREs (see *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during the three months ended March 31, 2019).

Accounts receivable at March 31, 2019 increased $114 million from December 31, 2018, primarily due to higher base fees and securities lending receivables. Investments were $1,917 million at March 31, 2019 (for more information see *Investments* herein). Goodwill and intangible assets decreased $17 million from December 31, 2018, primarily due to amortization of intangible assets. Other assets (including operating lease ROU assets and property and equipment) increased $695 million from December 31, 2018, primarily due to the recognition of the operating lease ROU assets related to the adoption of the new lease accounting guidance and an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within other liabilities), partially offset by a decrease in current taxes receivable.

***Liabilities.*** Accrued compensation and benefits at March 31, 2019 decreased $1,258 million from December 31, 2018, primarily due to 2018 incentive compensation cash payments in the first quarter of 2019, partially offset by 2019 incentive compensation accruals. Accounts payable and accrued liabilities at March 31, 2019 decreased $67 million from December 31, 2018, primarily due to lower current income taxes payables. Other liabilities increased $776 million from December 31, 2018, primarily due to the recognition of the operating lease liabilities related to the adoption of the new lease accounting guidance and higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within other assets). Net deferred income tax liabilities at March 31, 2019 increased $83 million from December 31, 2018, primarily due to the effects of temporary differences associated with stock-based compensation and investment income.

**Investments and Investments of Consolidated VIEs**

The Company's investments and investments of consolidated VIEs (collectively, "Total Investments") were $1,917 million and $2,592 million, respectively, at March 31 2019. Total Investments include consolidated investments held by sponsored investment products accounted for as VREs and VIEs. Management reviews BlackRock's Total Investments on an "economic" basis, which eliminates the portion of Total Investments that does not impact BlackRock's book value or net income attributable to BlackRock. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

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

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investments, GAAP | $ 1,917 | $ 1,796 |
| Investments held by consolidated VIEs, GAAP | 2,592 | 2,680 |
| Total Investments | **4,509** | **4,476** |
| Investments held by consolidated VIEs | (2,592) | (2,680) |
| Net interest in consolidated VIEs[1] | 1,606 | 1,661 |
| Investments held by consolidated VREs | (586) | (524) |
| Net interest in consolidated VREs | 554 | 448 |
| Total Investments, as adjusted | **3,491** | **3,381** |
| Federal Reserve Bank stock | (93) | (92) |
| Deferred compensation investments | (22) | (34) |
| Hedged investments | (493) | (483) |
| Carried interest (VIEs/VREs) | (404) | (387) |
| Total "economic" investment exposure | **$ 2,479** | **$ 2,385** |

(1) Amount includes $390 million of carried interest (VIEs) as of March 31, 2019 and $369 million as of December 31, 2018, which has no impact on the Company's "economic" investment exposure.

The following table represents the carrying value of the Company's economic investment exposure, by asset type, at March 31, 2019 and December 31, 2018:

| (in millions) | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Private equity | $ 310 | $ 305 |
| Real assets | 378 | 377 |
| Other alternatives[1] | 234 | 199 |
| Other investments[2] | 1,557 | 1,504 |
| Total "economic" investment exposure | **$ 2,479** | **$ 2,385** |

(1) Other alternatives include direct hedge fund strategies and hedge fund solutions.
(2) Other investments primarily include seed investments in fixed income, equity and multi-asset mutual funds/strategies as well as UK government securities, primarily held for regulatory purposes.

As adjusted investment activity for the three months ended March 31, 2019 was as follows:

| (in millions) | Three Months Ended March 31, 2019 |
|---|---|
| **Total Investments, as adjusted, beginning balance** | **$ 3,381** |
| Purchases/capital contributions/acquisitions | 203 |
| Sales/maturities | (225) |
| Distributions[1] | (24) |
| Market appreciation(depreciation)/earnings from equity method investments | 142 |
| Carried interest capital allocations/(distributions) | 17 |
| Other | (3) |
| **Total Investments, as adjusted, ending balance** | **$ 3,491** |

(1) Amount includes distributions representing return of capital and return on investments.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table presents a reconciliation of the condensed consolidated statements of cash flows presented on a GAAP basis to the condensed consolidated statements of cash flows, excluding the impact of the cash flows of Consolidated Sponsored Investment Products:

| *(in millions)* | GAAP Basis | Impact on Cash Flows of Consolidated Sponsored Investment Products | Cash Flows Excluding Impact of Consolidated Sponsored Investment Products |
|---|---|---|---|
| **Cash, cash equivalents and restricted cash, December 31, 2018** | **$ 6,505** | **$ 245** | **$ 6,260** |
| Cash flows from/(used in) operating activities | (225) | (232) | 7 |
| Cash flows from/(used in) investing activities | (118) | (46) | (72) |
| Cash flows from/(used in) financing activities | (2,112) | 245 | (2,357) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 28 | — | 28 |
| Net change in cash, cash equivalents and restricted cash | (2,427) | (33) | (2,394) |
| **Cash, cash equivalents and restricted cash, March 31, 2019** | **$ 4,078** | **$ 212** | **$ 3,866** |

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

For details of the Company's GAAP cash flows from operating, investing and financing activities, see the condensed consolidated statements of cash flows contained in Part I, Item 1 of this filing.

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

Cash flows used in investing activities, excluding the impact of Consolidated Sponsored Investment Products, for the three months ended March 31, 2019 were $72 million and primarily reflected $48 million of investment purchases and $58 million of purchases of property and equipment, partially offset by $27 million of net proceeds from sales and maturities of certain investments.

Cash flows used in financing activities, excluding the impact of Consolidated Sponsored Investment Products, for the three months ended March 31, 2019 were $2,357 million, primarily resulting from $1.8 billion of share repurchases, including $1.6 billion in open market transactions reflecting the impact of a $1.3 billion private transaction and $222 million of employee tax withholdings related to employee stock transactions, and $556 million of cash dividend payments.

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at March 31, 2019 and December 31, 2018 were as follows:

| *(in millions)* | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents[(1)] | $ 3,891 | $ 6,302 |
| Cash and cash equivalents held by consolidated VREs[(2)] | (42) | (59) |
| Subtotal | 3,849 | 6,243 |
| Credit facility – undrawn | 4,000 | 4,000 |
| Total liquidity resources[(3)] | $ 7,849 | $ 10,243 |

(1) The percentage of cash and cash equivalents held by the Company's US subsidiaries was approximately 35% and 50% at March 31, 2019 and December 31, 2018, respectively. See *Net Capital Requirements* herein for more information on net capital requirements in certain regulated subsidiaries.
(2) The Company cannot readily access such cash to use in its operating activities.
(3) Amount does not reflect year-end incentive compensation accruals, which are paid in the first quarter.

Total liquidity resources decreased $2,394 million during the three months ended March 31, 2019, primarily reflecting cash payments of 2018 year-end incentive awards, share repurchases of $1.8 billion reflecting the impact of a $1.3 billion private transaction, cash dividend payments of $556 million, partially offset by cash flows from other operating activities.

A significant portion of the Company's $3,491 million of Total Investments, as adjusted, is illiquid in nature and, as such, cannot be readily convertible to cash.

**Share Repurchases.** In January 2019, the Board of Directors authorized the repurchase of an additional seven million shares under the Company's existing share repurchase program for a total up to approximately 9.9 million shares of BlackRock common stock.

During the three months ended March 31, 2019, the Company repurchased 3.8 million common shares in open market transactions under the share repurchase program for approximately $1.6 billion, including a $1.3 billion private transaction that closed on March 25, 2019. The Company has now completed its targeted level of share repurchases for the year, but will remain opportunistic should relative valuation opportunities arise. At March 31, 2019, there were 6.1 million shares still authorized to be repurchased.

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

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

At both March 31, 2019 and December 31, 2018, the Company was required to maintain approximately $1.8 billion in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

## Short-Term Borrowings

*2019 Revolving Credit Facility.* The Company's credit facility has an aggregate commitment amount of $4.0 billion and was amended in March 2019 to extend the maturity date to March 2024 (the "2019 credit facility"). The 2019 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 2019 credit facility to an aggregate principal amount not to exceed $5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2019 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at March 31, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2019, the Company had no amount outstanding under the credit facility.

*Commercial Paper Program.* The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4.0 billion. The commercial paper program is currently supported by the 2019 credit facility. At March 31, 2019, BlackRock had no CP Notes outstanding.

## Long-Term Borrowings

At March 31, 2019, the principal amount of long-term borrowings outstanding was $5.0 billion. See Note 13, *Borrowings*, in the 2018 Form 10-K for more information on borrowings outstanding as of December 31, 2018.

During the three months ended March 31, 2019, the Company paid approximately $29 million of interest on long-term borrowings. Future principal repayments and interest requirements at March 31, 2019 were as follows:

*(in millions)*

| Year | Principal | Interest | Total Payments |
|---|---|---|---|
| Remainder of 2019 | 1,000 | 146 | 1,146 |
| 2020 | — | 124 | 124 |
| 2021 | 750 | 108 | 858 |
| 2022 | 750 | 80 | 830 |
| 2023 | — | 67 | 67 |
| 2024 | 1,000 | 50 | 1,050 |
| Thereafter[1] | 1,486 | 65 | 1,551 |
| Total | $ 4,986 | $ 640 | $ 5,626 |

(1) The amount of principal and interest payments for the 2025 Notes (issued in Euros) represents the expected payment amounts using the EUR/USD foreign exchange rate as of March 31, 2019.

In April 2019, the Company issued $1.0 billion in aggregate principal amount of 3.25% senior unsecured and unsubordinated notes maturing on April 30, 2029 (the "2029 Notes"). The net proceeds of the 2029 Notes will be used for general corporate purposes, which may include funding all or a portion of the purchase price of the Company's recently announced acquisition of eFront, repayment of a portion of the 5.00% Notes in December 2019 or repayment of borrowings under its commercial paper program. Interest is payable semi-annually on April 30 and October 30 of each year, commencing October 30, 2019, and is approximately $33 million per year. The 2029 Notes may be redeemed prior to January 30, 2029 in whole or in part at any time, at the option of the Company, at a "make-whole" redemption price or at par thereafter. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2029 Notes.

**Commitments and Contingencies**

*Investment Commitments.* At March 31, 2019, the Company had $635 million of various capital commitments to fund sponsored investment products, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

*Contingent Payments Related to Business Acquisitions*. In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31, 2019 totaled $275 million and is included in other liabilities on the condensed consolidated statements of financial condition.

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

*Indemnifications.* On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At March 31, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately $214 billion. The Company held, as agent, cash and securities totaling $227 billion as collateral for indemnified securities on loan at March 31, 2019. The fair value of these indemnifications was not material at March 31, 2019.

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

## Critical Accounting Policies

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the condensed consolidated financial statements. For a summary of these and additional accounting policies see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements, including information regarding the adoption of Accounting Standards Update 2016-02, Leases. In addition, see *Critical Accounting Policies* in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, *Significant Accounting Policies*, in the 2018 Form 10-K for further information.

***Consolidation.*** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles. The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VREs are consolidated if the Company can exert control over the financial and operating policies of the investee, which generally exists if there is greater than 50% voting interest. See Note 5, *Consolidated Voting Rights Entities*, in the notes to the condensed consolidated financial statements for more information. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity. BlackRock is deemed to be the PB of a VIE if it has the power to direct the activities that most significantly impact the entities' economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. The Company generally consolidates VIEs in which it holds an equity ownership interest of 10% or greater and deconsolidates such VIEs once equity ownership falls below 10%. See Note 6, *Variable Interest Entities*, in the notes to the condensed consolidated financial statements for more information.

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

***Leases.*** The Company determines if a contract is a lease or contains a lease at inception. The identification of whether a contract contains a lease requires judgment, including determining whether there are identified assets in the contract and whether the Company has control over such identified assets.

Fixed lease payments are included in ROU assets and lease liabilities on the condensed consolidated statement of financial condition. The Company recognizes ROU assets and lease liabilities based on the present value of the future lease payments over the lease term at the commencement date discounted using the Company's incremental borrowing rate ("IBR"). Management judgment is required in determining a Company's IBR, including assessing the Company's credit rating using various financial metrics, including revenue, operating margin and revenue growth, and, as appropriate, performing market analysis of yields on publicly traded bonds (secured or unsecured) of comparable companies. See Note 2, *Significant Accounting Policies*, in the notes to the condensed consolidated financial statements for more information on leases.

***Investment Advisory Performance Fees / Carried Interest.*** The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annual or longer measurement periods.

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Given the unique nature of each fee arrangement, contracts with customers are evaluated on an individual basis to determine the timing of revenue recognition. Significant judgement is involved in making such determination. Performance fees typically arise from investment management services that began in prior reporting periods. Consequently, a portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest their sales proceeds.

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

The Company records a liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2019 and December 31, 2018, the Company had $327 million and $293 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown. See Note 14*, Revenue,* in the notes to the condensed consolidated financial statements for detailed changes in the deferred carried interest liability balance for the three months ended March 31, 2019 and 2018.

**Accounting Developments**

For accounting pronouncements that the Company adopted during the three months ended March 31, 2019, see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

**AUM Market Price Risk.** BlackRock's investment advisory and administration fees are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At March 31, 2019, the majority of the Company's investment advisory and administration fees were based on average or period end AUM of the applicable investment funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates or all three could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

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

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

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes, including real assets, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record, to hedge exposure to certain deferred compensation plans or for regulatory purposes. Currently, the Company has a seed capital hedging program in which it enters into swaps to hedge market and interest rate exposure to certain investments. At March 31, 2019, the Company had outstanding total return swaps with an aggregate notional value of approximately $493 million. At March 31, 2019, there were no outstanding interest rate swaps.

At March 31, 2019, approximately $3.2 billion of BlackRock's Total Investments were maintained in consolidated sponsored investment funds accounted for as VREs and VIEs. Excluding the impact of the Federal Reserve Bank stock, carried interest, investments made to hedge exposure to certain deferred compensation plans and certain investments that are hedged via the seed capital hedging program, the Company's economic exposure to its investment portfolio is $2,479 million. See *Balance Sheet Overview- Investments and Investments of Consolidated VIEs* in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company's Total Investments.

**Equity Market Price Risk.** At March 31, 2019, the Company's net exposure to equity market price risk in its investment portfolio was approximately $911 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real assets investments, hedge funds and funds of funds as well as mutual funds. The Company estimates that a hypothetical 10% adverse change in market prices would result in a decrease of approximately $91.1 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk**. At March 31, 2019, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately $1,568 million of Total Investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately $41.5 million in the carrying value of such investments.

**Foreign Exchange Rate Risk.** As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the British pound and Euro, was $660 million at March 31, 2019. A 10% adverse change in the applicable foreign exchange rates would result in approximately a $66.0 million decline in the carrying value of such investments.

**Other Market Risks.** The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange risk movements. At March 31, 2019, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $2.2 billion.

## Item 4. Controls and Procedures

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

***Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2019 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

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

On May 27, 2014, certain investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the US District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. In the lawsuit, which purports to be brought derivatively on behalf of the Funds, the plaintiffs allege that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On June 13, 2018, the court granted in part and denied in part the defendants' motion for summary judgment. On July 25, 2018, the plaintiffs served a pleading that supplemented the time period of their alleged damages to run through the date of trial. The lawsuit seeks, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by the defendants beginning twelve months preceding the start of the lawsuit with respect to each Fund and ending on the date of judgment, along with purported lost investment returns on those amounts, plus interest. The defendants believe the claims in the lawsuit are without merit. The trial on the remaining issues was completed on August 29, 2018. On February 8, 2019, the court issued an order dismissing the claims in their entirety. The plaintiffs filed a notice of appeal on March 8, 2019.

On June 16, 2016, *iShares* Trust, BlackRock, Inc. and certain of its advisory subsidiaries, and the directors and certain officers of the *iShares* ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain *iShares* ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." Plaintiffs seek unspecified monetary and rescission damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. On April 27, 2017, the court partially granted the defendants' motion for judgment on the pleadings, dismissing certain of the plaintiffs' claims. On September 18, 2017, the court issued a decision dismissing the remainder of the lawsuit after a one-day bench trial. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit, which is pending. The defendants believe the claims in the lawsuit are without merit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the US District Court for the Northern District of California by a former employee on behalf of all participants and beneficiaries in the BlackRock employee 401(k) Plan (the "Plan") from April 5, 2011 to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated in investment options managed by BlackRock. On October 18, 2017, the plaintiffs filed an Amended Complaint, which, among other things, added as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also included a new purported class claim on behalf of investors in certain Collective Trust Funds ("CTFs") managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the securities lending agent on terms that plaintiffs claim were excessive. The Amended Complaint also alleged that BlackRock took undue risks in its management of securities lending cash reinvestment vehicles during the financial crisis. On August 23, 2018, the court granted permission to plaintiffs to file a Second Amended Complaint ("SAC") which added as defendants the BlackRock, Inc. Management Development and Compensation Committee, the Plan's independent investment consultant and the Plan's Administrative Committee and its members. On October 22, 2018, BlackRock filed a motion to dismiss the SAC, which is pending. The defendants believe the claims in this lawsuit are without merit.

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

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

During the three months ended March 31, 2019, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[(2)] |
|---|---|---|---|---|
| January 1, 2019 through January 31, 2019 | 778,869 [(1)] | $ 408.67 | 235,909 | 9,619,661 |
| February 1, 2019 through February 28, 2019 | 431,000 [(1)] | $ 426.58 | 431,000 | 9,188,661 |
| March 1, 2019 through March 31, 2019 | 3,110,505 [(1)] | $ 413.30 | 3,111,227 | 6,077,434 |
| Total | 4,320,374 | $ 413.79 | 3,778,136 | |

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

(2) In January 2019, the Board of Directors authorized the repurchase of an additional seven million shares under the Company's existing share repurchase program for a total remaining capacity of up to approximately 9.9 million shares of BlackRock common stock.

## Item 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 31.1 | Section 302 Certification of Chief Executive Officer |
| 31.2 | Section 302 Certification of Chief Financial Officer |
| 32.1 | Section 906 Certification of Chief Executive Officer and Chief Financial Officer |
| 101.INS | XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## SIGNATURES

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

BLACKROCK, INC.
(Registrant)

By: /s/ Gary S. Shedlin

Date: May 9, 2019

Gary S. Shedlin
Senior Managing Director &
Chief Financial Officer

**Exhibit 31.1**

## CEO CERTIFICATION

I, Laurence D. Fink, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2019 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

By: /s/ Laurence D. Fink
Laurence D. Fink
Chairman & Chief Executive Officer

**Exhibit 31.2**

## CFO CERTIFICATION

I, Gary S. Shedlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2019 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

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

**Exhibit 32.1**

**Certification of CEO and CFO Pursuant to**
**18 U.S.C. Section 1350,**
**as Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of BlackRock, Inc. (the “Company”) for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Laurence D. Fink, as Chief Executive Officer of the Company, and Gary S. Shedlin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Laurence D. Fink
Name: Laurence D. Fink
Title: Chairman & Chief Executive Officer
Date: May 9, 2019

/s/ Gary S. Shedlin
Name: Gary S. Shedlin
Title: Senior Managing Director & Chief Financial Officer
Date: May 9, 2019