

**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 June 30, 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
(State or Other Jurisdiction of
Incorporation or Organization)

32-0174431
(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 ☒ 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 ☒ 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 ☒

Non-accelerated filer ☐

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 ☒

As of July 31, 2019, there were 154,573,783 shares of the registrant's common stock outstanding.

BlackRock, Inc.
Index to Form 10-Q

PART I
FINANCIAL INFORMATION

	Page
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Statements of Financial Condition	1
Condensed Consolidated Statements of Income	2
Condensed Consolidated Statements of Comprehensive Income	3
Condensed Consolidated Statements of Changes in Equity	4
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3. Quantitative and Qualitative Disclosures About Market Risk	75
Item 4. Controls and Procedures	76

PART II
OTHER INFORMATION

Item 1. Legal Proceedings	77
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	79
Item 5. Other Information	79
Item 6. Exhibits	80

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)

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 3,920	\$ 6,302
Accounts receivable	2,863	2,657
Investments	1,989	1,796
Assets of consolidated variable interest entities:		
Cash and cash equivalents	103	186
Investments	2,431	2,680
Other assets	63	876
Separate account assets	96,807	90,285
Separate account collateral held under securities lending agreements	18,446	20,655
Property and equipment (net of accumulated depreciation of \$836 and \$750 at June 30, 2019 and December 31, 2018, respectively)	659	643
Intangible assets (net of accumulated amortization of \$284 and \$244 at June 30, 2019 and December 31, 2018, respectively)	18,477	17,839
Goodwill	14,511	13,526
Other assets	3,078	2,128
Total assets	\$ 163,347	\$ 159,573
Liabilities		
Accrued compensation and benefits	\$ 1,078	\$ 1,988
Accounts payable and accrued liabilities	1,277	1,292
Liabilities of consolidated variable interest entities:		
Borrowings	142	84
Other liabilities	502	1,290
Borrowings	5,964	4,979
Separate account liabilities	96,807	90,285
Separate account collateral liabilities under securities lending agreements	18,446	20,655
Deferred income tax liabilities	3,825	3,571
Other liabilities	2,646	1,889
Total liabilities	130,687	126,033
Commitments and contingencies (Note 14)		
Temporary equity		
Redeemable noncontrolling interests	710	1,107
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2
Shares authorized: 500,000,000 at June 30, 2019 and December 31, 2018;		
Shares issued: 171,252,185 at June 30, 2019 and December 31, 2018;		
Shares outstanding: 154,543,673 and 157,553,501 at June 30, 2019 and December 31, 2018, respectively		
Preferred stock (Note 19)	—	—
Additional paid-in capital	18,947	19,168
Retained earnings	20,267	19,282
Accumulated other comprehensive loss	(664)	(691)
Treasury stock, common, at cost (16,708,512 and 13,698,684 shares held at June 30, 2019 and December 31, 2018, respectively)	(6,659)	(5,387)
Total BlackRock, Inc. stockholders' equity	31,893	32,374
Nonredeemable noncontrolling interests	57	59
Total permanent equity	31,950	32,433
Total liabilities, temporary equity and permanent equity	\$ 163,347	\$ 159,573

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in millions, except shares and per share data)</i>	2019	2018	2019	2018
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	\$ 2,061	\$ 2,087	\$ 4,050	\$ 4,199
Other third parties	842	857	1,658	1,692
Total investment advisory, administration fees and securities lending revenue	2,903	2,944	5,708	5,891
Investment advisory performance fees	64	91	90	161
Technology services revenue	237	198	441	382
Distribution fees	267	294	529	605
Advisory and other revenue	53	78	102	149
Total revenue	3,524	3,605	6,870	7,188
Expense				
Employee compensation and benefits	1,083	1,082	2,147	2,203
Distribution and servicing costs	416	415	820	847
Direct fund expense	252	264	494	525
General and administration	470	393	858	776
Amortization of intangible assets	25	11	40	22
Total expense	2,246	2,165	4,359	4,373
Operating income	1,278	1,440	2,511	2,815
Nonoperating income (expense)				
Net gain (loss) on investments	89	3	231	18
Interest and dividend income	20	19	49	34
Interest expense	(52)	(46)	(98)	(92)
Total nonoperating income (expense)	57	(24)	182	(40)
Income before income taxes	1,335	1,416	2,693	2,775
Income tax expense	322	338	620	603
Net income	1,013	1,078	2,073	2,172
Less:				
Net income (loss) attributable to noncontrolling interests	10	5	17	10
Net income attributable to BlackRock, Inc.	\$ 1,003	\$ 1,073	\$ 2,056	\$ 2,162
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	\$ 6.46	\$ 6.67	\$ 13.11	\$ 13.42
Diluted	\$ 6.41	\$ 6.62	\$ 13.02	\$ 13.30
Weighted-average common shares outstanding:				
Basic	155,354,552	160,980,960	156,803,244	161,114,746
Diluted	156,360,741	162,161,937	157,853,711	162,532,637

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
Net income	\$ 1,013	\$ 1,078	\$ 2,073	\$ 2,172
Other comprehensive income (loss):				
Foreign currency translation adjustments ⁽¹⁾	(41)	(274)	27	(137)
Comprehensive income (loss)	972	804	2,100	2,035
Less: Comprehensive income (loss) attributable to noncontrolling interests	10	5	17	10
Comprehensive income attributable to BlackRock, Inc.	<u>\$ 962</u>	<u>\$ 799</u>	<u>\$ 2,083</u>	<u>\$ 2,025</u>

⁽¹⁾ Amounts for the three months ended June 30, 2019 and 2018 include a loss from a net investment hedge of \$8 million (net of tax benefit of \$2 million) and a gain of \$34 million (net of tax of \$11 million), respectively. Amounts for the six months ended June 30, 2019 and 2018 include gains from a net investment hedge of \$3 million (net of tax of \$1 million) and \$18 million (net of tax of \$6 million), respectively.

See accompanying notes to condensed consolidated financial statements.

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

For the Six Months Ended June 30, 2019

<i>(in millions)</i>	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	—	2,056	—	—	2,056	—	2,056	17
Dividends declared (\$6.60 per share)	—	(1,071)	—	—	(1,071)	—	(1,071)	—
Stock-based compensation	294	—	—	—	294	—	294	—
PNC preferred stock capital contribution	60	—	—	—	60	—	60	—
Retirement of preferred stock	(60)	—	—	—	(60)	—	(60)	—
Issuance of common shares related to employee stock transactions	(515)	—	—	523	8	—	8	—
Employee tax withholdings related to employee stock transactions	—	—	—	(229)	(229)	—	(229)	—
Shares repurchased	—	—	—	(1,566)	(1,566)	—	(1,566)	—
Subscriptions (redemptions/distributions)	—	—	—	—	—	1	1	443
— noncontrolling interest holders	—	—	—	—	—	—	—	—
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	(3)	(3)	(857)
Other comprehensive income (loss)	—	—	27	—	27	—	27	—
June 30, 2019	\$ 18,949	\$ 20,267	\$ (664)	\$ (6,659)	\$ 31,893	\$ 57	\$ 31,950	\$ 710

⁽¹⁾ Amounts include \$2 million of common stock at both June 30, 2019 and December 31, 2018.

For the Three Months Ended June 30, 2019

<i>(in millions)</i>	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
March 31, 2019	\$ 18,829	\$ 19,779	\$ (623)	\$ (6,676)	\$ 31,309	\$ 53	\$ 31,362	\$ 1,009
Net income	—	1,003	—	—	1,003	—	1,003	10
Dividends declared (\$3.30 per share)	—	(515)	—	—	(515)	—	(515)	—
Stock-based compensation	140	—	—	—	140	—	140	—
Issuance of common shares related to employee stock transactions	(20)	—	—	24	4	—	4	—
Employee tax withholdings related to employee stock transactions	—	—	—	(7)	(7)	—	(7)	—
Shares repurchased	—	—	—	—	—	—	—	—
Subscriptions (redemptions/distributions)	—	—	—	—	—	6	6	243
— noncontrolling interest holders	—	—	—	—	—	—	—	—
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	(2)	(2)	(552)
Other comprehensive income (loss)	—	—	(41)	—	(41)	—	(41)	—
June 30, 2019	\$ 18,949	\$ 20,267	\$ (664)	\$ (6,659)	\$ 31,893	\$ 57	\$ 31,950	\$ 710

⁽¹⁾ Amounts include \$2 million of common stock at both June 30, 2019 and March 31, 2019.

See accompanying notes to condensed consolidated financial statements.

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

For the Six Months Ended June 30, 2018

<i>(in millions)</i>	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	—	2,162	—	—	2,162	9	2,171	1
Dividends declared (\$5.76 per share)	—	(969)	—	—	(969)	—	(969)	—
Stock-based compensation	310	—	—	—	310	—	310	—
PNC preferred stock capital contribution	58	—	—	—	58	—	58	—
Retirement of preferred stock	(58)	—	—	—	(58)	—	(58)	—
Issuance of common shares related to employee stock transactions	(613)	—	—	619	6	—	6	—
Employee tax withholdings related to employee stock transactions	—	—	—	(405)	(405)	—	(405)	—
Shares repurchased	—	—	—	(635)	(635)	—	(635)	—
Subscriptions (redemptions/distributions)	—	—	—	—	—	(5)	(5)	535
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(266)
Other comprehensive income (loss)	—	—	(137)	—	(137)	—	(137)	—
Adoption of accounting guidance	—	6	(6)	—	—	—	—	—
June 30, 2018	\$ 18,955	\$ 18,138	\$ (575)	\$ (4,388)	\$ 32,130	\$ 54	\$ 32,184	\$ 686

⁽¹⁾ Amounts include \$2 million of common stock at both June 30, 2018 and December 31, 2017.

For the Three Months Ended June 30, 2018

<i>(in millions)</i>	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
March 31, 2018	\$ 18,858	\$ 17,529	\$ (301)	\$ (4,108)	\$ 31,978	\$ 44	\$ 32,022	\$ 561
Net income	—	1,073	—	—	1,073	10	1,083	(5)
Dividends declared (\$2.88 per share)	—	(464)	—	—	(464)	—	(464)	—
Stock-based compensation	135	—	—	—	135	—	135	—
Issuance of common shares related to employee stock transactions	(38)	—	—	41	3	—	3	—
Employee tax withholdings related to employee stock transactions	—	—	—	(21)	(21)	—	(21)	—
Shares repurchased	—	—	—	(300)	(300)	—	(300)	—
Subscriptions (redemptions/distributions)	—	—	—	—	—	—	—	183
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(53)
Other comprehensive income (loss)	—	—	(274)	—	(274)	—	(274)	—
June 30, 2018	\$ 18,955	\$ 18,138	\$ (575)	\$ (4,388)	\$ 32,130	\$ 54	\$ 32,184	\$ 686

⁽¹⁾ Amounts include \$2 million of common stock at both June 30, 2018 and March 31, 2018.

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

	Six Months Ended June 30,	
	2019	2018
Operating activities		
Net income	\$ 2,073	\$ 2,172
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	189	107
Stock-based compensation	294	310
Deferred income tax expense (benefit)	60	2
Other gains	(26)	—
Net (gains) losses within consolidated VIEs	(133)	12
Net (purchases) proceeds within consolidated VIEs	(453)	(531)
(Earnings) losses from equity method investees	(56)	(65)
Distributions of earnings from equity method investees	21	17
Changes in operating assets and liabilities:		
Accounts receivable	(131)	78
Investments, trading	(157)	36
Other assets	(208)	(178)
Accrued compensation and benefits	(930)	(992)
Accounts payable and accrued liabilities	(16)	27
Other liabilities	170	292
Net cash provided by/(used in) operating activities	<u>697</u>	<u>1,287</u>
Investing activities		
Purchases of investments	(73)	(200)
Proceeds from sales and maturities of investments	71	161
Distributions of capital from equity method investees	47	12
Net consolidations (deconsolidations) of sponsored investment funds (VIEs/VREs)	(97)	(52)
Acquisition, net of cash acquired	(1,506)	—
Purchases of property and equipment	(105)	(63)
Net cash provided by/(used in) investing activities	<u>(1,663)</u>	<u>(142)</u>
Financing activities		
Proceeds from long-term borrowings	992	—
Cash dividends paid	(1,071)	(969)
Repurchases of common stock	(1,795)	(1,040)
Net proceeds from (repayments of) borrowings by consolidated VIEs	58	—
Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders	444	530
Other financing activities	(136)	6
Net cash provided by/(used in) financing activities	<u>(1,508)</u>	<u>(1,473)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9	(27)
Net increase/(decrease) in cash, cash equivalents and restricted cash	(2,465)	(355)
Cash, cash equivalents and restricted cash, beginning of period	6,505	7,096
Cash, cash equivalents and restricted cash, end of period	<u>\$ 4,040</u>	<u>\$ 6,741</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 93	\$ 94
Income taxes (net of refunds)	\$ 604	\$ 589
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	\$ 515	\$ 613
PNC preferred stock capital contribution	\$ 60	\$ 58
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	\$ (860)	\$ (266)

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

1. Business Overview

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm providing a broad range of investment and 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, eFront, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

At June 30, 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 June 30, 2019 and for the three and six months ended June 30, 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 Six Months Ended June 30, 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 10, *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 Assets 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 six months ended June 30, 2019 and 2018, the Company had not resold or repledged any of the collateral received under these arrangements. At June 30, 2019 and December 31, 2018, the fair value of loaned securities held by separate accounts was approximately \$17.0 billion and \$18.9 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$18.4 billion and \$20.7 billion, respectively.

3. Acquisition

On May 10, 2019, the Company acquired 100% of the equity interests of eFront Holding SAS (“eFront Transaction” or “eFront”), a leading alternative investment management software and solutions provider for approximately \$1.3 billion, excluding the settlement of eFront’s outstanding debt. The acquisition of eFront will expand *Aladdin*’s illiquid alternative capabilities and enable BlackRock to provide individual alternative or whole-portfolio technology solutions to clients.

The purchase price was funded through a combination of existing cash and issuance of commercial paper (subsequently repaid with existing cash) and long-term notes in April 2019. See Note 13, *Borrowings*, for information on the debt issuance in April 2019.

The purchase price for the eFront Transaction was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the transaction. The goodwill recognized in connection with the acquisition is non-deductible for tax purposes and is primarily attributable to anticipated synergies from the transaction.

A summary of the recorded fair values of the assets acquired and liabilities assumed in this acquisition is as follows⁽¹⁾:

<i>(in millions)</i>	Estimate of Fair Value
Accounts receivable	\$ 65
Finite-lived intangible assets:	
Customer relationships ⁽²⁾	452
Technology-related ⁽³⁾	205
Trade name ⁽⁴⁾	21
Goodwill	990
Other assets	31
Deferred income tax liabilities	(194)
Other liabilities assumed	(64)
Total consideration, net of cash acquired	<u>\$ 1,506</u>

<i>(in millions)</i>	Estimate of Fair Value
Cash paid including settlement of outstanding debt of approximately \$0.2 billion	\$ 1,555
Cash acquired	(49)
Total consideration, net of cash acquired	<u>\$ 1,506</u>

⁽¹⁾ At this time, the Company does not expect material changes to the value of the assets acquired or liabilities assumed in conjunction with the transaction with the exception of intangible assets and deferred income tax liabilities, which were valued using preliminary assumptions.

⁽²⁾ The fair value was determined based on the excess earnings method (a Level 3 input), has a weighted-average estimated useful life of approximately 11 years and is amortized using the accelerated amortization method.

⁽³⁾ The fair value was determined based upon a relief from royalty method (a Level 3 input), has a weighted-average estimated useful life of approximately eight years and is amortized using the accelerated amortization method.

⁽⁴⁾ The fair value was determined using a relief from royalty method (a Level 3 input), has an estimated useful life of approximately five years and is amortized using the accelerated amortization method.

Finite-lived intangible assets are amortized over their estimated useful lives, which range from five to 11 years. Amortization expense related to the finite-lived intangible assets was \$10 million for the three and six months ended June 30, 2019. The finite-lived intangible assets had a weighted-average remaining useful life of approximately 10 years with remaining amortization expense as follows:

<i>(in millions)</i>	Amount
Year	
2019 (excluding the six months ended June 30, 2019)	\$ 32
2020	60
2021	58
2022	64
2023	70
Thereafter	384
Total	<u>\$ 668</u>

The financial results of eFront have been included in BlackRock's consolidated financial statements from the closing of the eFront Transaction. For the three and six months ended June 30, 2019, eFront contributed \$22 million of revenue and did not have a material impact to net income attributable to BlackRock, Inc. Consequently, the Company has not presented pro forma combined results of operations for this acquisition.

4. 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.

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 3,920	\$ 6,302
Cash and cash equivalents of consolidated VIEs	103	186
Restricted cash included in other assets	17	17
Total cash, cash equivalents and restricted cash	<u>\$ 4,040</u>	<u>\$ 6,505</u>

5. Investments

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

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Debt securities:		
Held-to-maturity investments	\$ 213	\$ 188
Trading securities (debt securities of consolidated sponsored investment funds of \$143 and \$233 at June 30, 2019 and December 31, 2018, respectively)	<u>180</u>	<u>265</u>
Total debt securities	393	453
Equity securities at FVTNI ⁽¹⁾ (equity securities of consolidated sponsored investment funds of \$309 and \$291 at June 30, 2019 and December 31, 2018, respectively)	537	452
Equity method investments ⁽²⁾	846	781
Federal Reserve Bank stock ⁽³⁾	93	92
Carried interest ⁽⁴⁾	12	18
Other investments ⁽⁵⁾	<u>108</u>	<u>—</u>
Total investments	<u>\$ 1,989</u>	<u>\$ 1,796</u>

⁽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 June 30, 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.

⁽⁵⁾ Other investments include BlackRock's investments in nonmarketable equity securities, which are measured at cost, adjusted for observable price changes. See Note 2, *Significant Accounting Policies*, in the 2018 Form 10-K for more information on investments in nonmarketable equity securities.

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was \$213 million and \$188 million at June 30, 2019 and December 31, 2018, respectively. Held-to-maturity investments included foreign government debt held primarily for regulatory purposes and certain investments in CLOs. The amortized cost (carrying value) of these investments approximated fair value (primarily a Level 2 input). At June 30, 2019, \$44 million of these investments mature between five to ten years and \$169 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:

(in millions)	June 30, 2019		December 31, 2018	
	Cost	Carrying Value	Cost	Carrying Value
Trading debt securities:				
Corporate debt	\$ 122	\$ 122	\$ 144	\$ 140
Government debt	7	7	69	67
Asset/mortgage-backed debt	51	51	67	58
Total trading debt securities	<u>\$ 180</u>	<u>\$ 180</u>	<u>\$ 280</u>	<u>\$ 265</u>
Equity securities at FVTNI:				
Deferred compensation plan mutual funds	\$ 6	\$ 22	\$ 21	\$ 34
Equity securities/multi-asset mutual funds	473	515	420	418
Total equity securities at FVTNI	<u>\$ 479</u>	<u>\$ 537</u>	<u>\$ 441</u>	<u>\$ 452</u>

PennyMac

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At June 30, 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 \$414 million and \$345 million, respectively, at June 30, 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 June 30, 2019 and December 31, 2018, respectively (a Level 1 input). The Company performed an other-than-temporary impairment analysis as of June 30, 2019 and believes the shortfall of market value versus carrying value is temporary.

6. 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)	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 13	\$ 59
Investments:		
Trading debt securities	143	233
Equity securities at FVTNI	309	291
Total investments	<u>452</u>	<u>524</u>
Other assets	7	8
Other liabilities	(10)	(53)
NCI	(44)	(90)
BlackRock's net interests in consolidated VREs	<u>\$ 418</u>	<u>\$ 448</u>

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.

7. 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:

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Assets of consolidated VIEs:		
Cash and cash equivalents	\$ 103	\$ 186
Investments:		
Trading debt securities	939	1,395
Equity securities at FVTNI	736	569
Bank loans	145	84
Other investments	182	263
Carried interest	429	369
Total investments	2,431	2,680
Other assets	63	876
Total assets of consolidated VIEs	2,597	3,742
Liabilities of consolidated VIEs:		
Borrowings	(142)	(84)
Other liabilities	(502)	(1,290)
NCI	(723)	(1,076)
BlackRock's net interests in consolidated VIEs	<u>\$ 1,230</u>	<u>\$ 1,292</u>

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

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Nonoperating net gain (loss) on consolidated VIEs	\$ 39	\$ (14)	\$ 133	\$ (12)
Net income (loss) attributable to NCI on consolidated VIEs	\$ 12	\$ 6	\$ 17	\$ 11

Nonconsolidated VIEs. At June 30, 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)

	<u>Investments</u>	<u>Advisory Fee Receivables</u>	<u>Other Net Assets (Liabilities)</u>	<u>Maximum Risk of Loss⁽¹⁾</u>
At June 30, 2019				
Sponsored investment products	\$ 492	\$ 65	\$ (7)	\$ 574
At December 31, 2018				
Sponsored investment products	\$ 348	\$ 43	\$ (6)	\$ 408

⁽¹⁾ At both June 30, 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 \$11 billion and \$9 billion at June 30, 2019 and December 31, 2018, respectively.

8. Fair Value Disclosures

Fair Value Hierarchy

Assets and liabilities measured at fair value on a recurring basis

June 30, 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 ⁽²⁾	June 30, 2019
Assets:						
<u>Investments:</u>						
Debt securities:						
Held-to-maturity securities	\$ —	\$ —	\$ —	\$ —	\$ 213	\$ 213
Trading securities	—	178	2	—	—	180
Total debt securities	—	178	2	—	213	393
Equity securities at FVTNI:						
Deferred compensation plan mutual funds	22	—	—	—	—	22
Equity securities/Multi-asset mutual funds	515	—	—	—	—	515
Total equity securities at FVTNI	537	—	—	—	—	537
Equity method:						
Equity and fixed income mutual funds	140	—	—	16	—	156
Other	42	—	—	645	3	690
Total equity method	182	—	—	661	3	846
Federal Reserve Bank Stock	—	—	—	—	93	93
Carried interest	—	—	—	—	12	12
Other investments ⁽³⁾	—	—	—	—	108	108
Total investments	719	178	2	661	429	1,989
<u>Investments of consolidated VIEs:</u>						
Trading debt securities	—	939	—	—	—	939
Equity securities at FVTNI	736	—	—	—	—	736
Bank loans	—	20	125	—	—	145
Private equity ⁽⁴⁾	—	—	9	33	78	120
Other	—	—	—	62	—	62
Carried interest	—	—	—	—	429	429
Total investments of consolidated VIEs	736	959	134	95	507	2,431
Other assets ⁽⁵⁾	168	—	—	—	—	168
Separate account assets	69,029	27,001	—	—	777	96,807
<u>Separate account collateral held under securities lending agreements:</u>						
Equity securities	12,113	—	—	—	—	12,113
Debt securities	—	6,333	—	—	—	6,333
Total separate account collateral held under securities lending agreements	12,113	6,333	—	—	—	18,446
Total	\$ 82,765	\$ 34,471	\$ 136	\$ 756	\$ 1,713	\$ 119,841
Liabilities:						
Borrowings of consolidated VIEs ⁽⁶⁾	\$ —	\$ —	\$ 142	\$ —	\$ —	\$ 142
Separate account collateral liabilities under securities lending agreements	12,113	6,333	—	—	—	18,446
Other liabilities ⁽⁷⁾	—	7	168	—	—	175
Total	\$ 12,113	\$ 6,340	\$ 310	\$ —	\$ —	\$ 18,763

(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, adjusted for observable price changes, investments held at 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) Amount includes \$60 million of nonmarketable equity security, which due to observable price change, was revalued during the three months ended June 30, 2019 (a Level 2 input).

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

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

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

(7) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 14, *Commitments and Contingencies*, for more information).

Assets and liabilities measured at fair value on a recurring basis

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 ⁽²⁾	December 31, 2018
Assets:						
<u>Investments:</u>						
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
<u>Investments of consolidated VIEs:</u>						
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
<u>Separate account collateral held under securities lending agreements:</u>						
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 14, *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 \$134 million and \$152 million at June 30, 2019 and December 31, 2018, respectively, related to direct investments in private equity companies held by consolidated private equity funds. At June 30, 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 June 30, 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 June 30, 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 June 30, 2019

<i>(in millions)</i>	March 31, 2019	Realized and Unrealized Gains (Losses)	Purchases	Sales and Maturities	Issuances and other Settlements ⁽¹⁾	Transfers into Level 3	Transfers out of Level 3	June 30, 2019	Total Net Unrealized Gains (Losses) Included in Earnings ⁽²⁾
Assets:									
<u>Investments:</u>									
Debt securities:									
Trading	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 2	
Total investments	—	—	2	—	—	—	—	2	
<u>Assets of consolidated VIEs:</u>									
Bank loans ⁽³⁾	123	—	2	—	—	—	—	125	
Private equity	10	(1)	—	—	—	—	—	9	(1)
Total Assets of consolidated VIEs	133	(1)	2	—	—	—	—	134	(1)
Total Level 3 assets	\$ 133	\$ (1)	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ 136	\$ (1)
Liabilities:									
Borrowings of consolidated VIEs ⁽³⁾	\$ 134	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ —	\$ 142	\$ —
Other liabilities ⁽⁴⁾	275	(13)	—	—	(120)	—	—	168	(13)
Total Level 3 liabilities	\$ 409	\$ (13)	\$ —	\$ —	\$ (112)	\$ —	\$ —	\$ 310	\$ (13)

⁽¹⁾ Amounts include proceeds from borrowings of a consolidated CLO and contingent liability payments in connection with certain prior acquisitions.

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

⁽³⁾ Bank loans and borrowings of consolidated VIEs amounts are related to the consolidated CLO.

⁽⁴⁾ 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 Six Months Ended June 30, 2019

	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⁾	June 30, 2019	Total Net Unrealized Gains (Losses) Included in Earnings ⁽³⁾
<i>(in millions)</i>									
Assets:									
<u>Investments:</u>									
Debt securities:									
Trading	\$ 4	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ (4)	\$ 2	
Total investments	4	—	2	—	—	—	(4)	2	
<u>Assets of consolidated VIEs:</u>									
Bank loans ⁽⁴⁾	70	—	55	—	—	—	—	125	
Private equity	82	(1)	—	—	—	—	(72)	9	(1)
Total Assets of consolidated VIEs	152	(1)	55	—	—	—	(72)	134	(1)
Total Level 3 assets	\$ 156	\$ (1)	\$ 57	\$ —	\$ —	\$ —	\$ (76)	\$ 136	\$ (1)
Liabilities:									
Borrowings of consolidated VIEs ⁽⁴⁾	\$ 84	\$ —	\$ —	\$ —	\$ 58	\$ —	\$ —	\$ 142	\$ —
Other liabilities ⁽⁵⁾	287	(19)	—	—	(138)	—	—	168	(19)
Total Level 3 liabilities	\$ 371	\$ (19)	\$ —	\$ —	\$ (80)	\$ —	\$ —	\$ 310	\$ (19)

⁽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 June 30, 2018

<i>(in millions)</i>	March 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	June 30, 2018	Total Net Unrealized Gains (Losses) Included in Earnings ⁽²⁾
Assets:									
<u>Investments:</u>									
Debt securities:									
Available-for-sale securities ⁽³⁾	\$ 26	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (26)	\$ —	
Trading	5	—	—	—	—	—	(5)	—	
Total investments	31	—	—	—	—	—	(31)	—	
Assets of consolidated VIEs - Private equity	116	—	—	(12)	—	—	—	104	
Total Level 3 assets	\$ 147	\$ —	\$ —	\$ (12)	\$ —	\$ —	\$ (31)	\$ 104	\$ —
Liabilities:									
Other liabilities ⁽⁴⁾	\$ 242	\$ 3	\$ —	\$ —	\$ (16)	\$ —	\$ —	\$ 223	\$ 3

- (1) Issuances and other settlements amount includes payment of a contingent liability in connection with a certain acquisition
- (2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
- (3) Amounts include investments in CLOs.
- (4) 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 Six Months Ended June 30, 2018

<i>(in millions)</i>	December 31, 2017	Realized and Unrealized Gains (Losses)	Purchases	Sales and Maturities	Issuances and other Settlements ⁽¹⁾	Transfers into Level 3	Transfers out of Level 3	June 30, 2018	Total Net Unrealized Gains (Losses) Included in Earnings ⁽²⁾
Assets:									
<u>Investments:</u>									
Available-for-sale securities ⁽³⁾	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ —	\$ (26)	\$ —	
Trading	—	—	5	—	—	—	(5)	—	
Total investments	—	—	31	—	—	—	(31)	—	
Assets of consolidated VIEs - Private equity	116	—	—	(12)	—	—	—	104	
Total Level 3 assets	\$ 116	\$ —	\$ 31	\$ (12)	\$ —	\$ —	\$ (31)	\$ 104	\$ —
Liabilities:									
Other liabilities ⁽⁴⁾	\$ 236	\$ (3)	\$ —	\$ —	\$ (16)	\$ —	\$ —	\$ 223	\$ (3)

⁽¹⁾ Issuances and other settlements amount includes payment of a contingent liability in connection with a certain acquisition.

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

⁽³⁾ Amounts include investments in CLOs.

⁽⁴⁾ 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 June 30, 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:

	June 30, 2019		December 31, 2018		Fair Value Hierarchy
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
(in millions)					
Financial Assets ⁽¹⁾ :					
Cash and cash equivalents	\$ 3,920	\$ 3,920	\$ 6,302	\$ 6,302	Level 1 ^{(2) (3)}
Cash and cash equivalents of consolidated VIEs	\$ 103	\$ 103	\$ 186	\$ 186	Level 1 ^{(2) (3)}
Other assets	\$ 63	\$ 63	\$ 18	\$ 18	Level 1 ^{(2) (4)}
Financial Liabilities:					
Long-term borrowings	\$ 5,964	\$ 6,257	\$ 4,979	\$ 5,034	Level 2 ⁽⁵⁾

⁽¹⁾ See Note 5, *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 June 30, 2019 and December 31, 2018, approximately \$371 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 June 30, 2019 and December 31, 2018, approximately \$13 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 June 2019 and December 2018, respectively. See Note 13, *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).

June 30, 2019

<i>(in millions)</i>	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity method:⁽¹⁾					
Hedge funds/funds of hedge funds	(a)	\$ 188	\$ 85	Daily/Monthly (27%) Quarterly (20%) N/R (53%)	1 – 90 days
Private equity funds	(b)	123	349	N/R	N/R
Real assets funds	(c)	334	142	Quarterly (64%) N/R (36%)	60 days
Other		16	11	Daily/Monthly (73%) N/R (27%)	3 – 5 days
Consolidated VIEs:					
Private equity funds of funds	(d)	33	11	N/R	N/R
Hedge fund	(a)	4	—	Quarterly	90 days
Real assets funds	(c)	58	10	N/R	N/R
Total		<u>\$ 756</u>	<u>\$ 608</u>		

December 31, 2018

<i>(in millions)</i>	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%) Quarterly (18%) N/R (52%)	1 – 90 days
Private equity funds	(b)	116	83	N/R	N/R
Real assets funds	(c)	353	93	Quarterly (68%) N/R (32%)	60 days
Other		14	16	Daily (80%) 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		<u>\$ 762</u>	<u>\$ 343</u>		

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 June 30, 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 June 30, 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 June 30, 2019 and December 31, 2018. The total remaining unfunded commitments to real assets funds were \$152 million and \$130 million at June 30, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the real assets funds of \$145 million at June 30, 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 June 30, 2019 and December 31, 2018. The total remaining unfunded commitments to other third-party funds were \$11 million and \$18 million at June 30, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the consolidated funds of \$22 million at both June 30, 2019 and December 31, 2018.

Fair Value Option.

At both June 30, 2019 and December 31, 2018, the Company elected the fair value option for certain investments in CLOs of approximately \$32 million, 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:

<i>(in millions)</i>	June 30, 2019	December 31, 2018
CLO Bank loans:		
Aggregate principal amounts outstanding	\$ 145	\$ 84
Fair value	145	84
Aggregate unpaid principal balance in excess of (less than) fair value	\$ —	\$ —
CLO Borrowings:		
Aggregate principal amounts outstanding	\$ 142	\$ 84
Fair value	\$ 142	\$ 84

At June 30, 2019, the principal amounts outstanding of the borrowings issued by the CLOs mature in 2030.

During the three and six months ended June 30, 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.

9. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At June 30, 2019 and December 31, 2018, the Company had outstanding total return swaps with aggregate notional values of approximately \$522 million and \$483 million, respectively.

At both June 30, 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 Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At June 30, 2019 and December 31, 2018, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately \$2.1 billion and \$2.2 billion, respectively.

The fair values of the outstanding total return swaps, credit default swap and forward foreign currency exchange contracts were not material to the condensed consolidated statement of financial condition at both June 30, 2019 and 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 June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
Derivative Instruments	Statement of Income Classification	Gains (Losses)		Gains (Losses)	
Total return swaps	Nonoperating income (expense)	\$ (14)	\$ 2	\$ (64)	\$ 7
Forward foreign currency exchange contracts	Other general and administration expense	(49)	(93)	(13)	(63)
Total gain (loss) from derivative instruments		<u>\$ (63)</u>	<u>\$ (91)</u>	<u>\$ (77)</u>	<u>\$ (56)</u>

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 and six months ended June 30, 2019 and 2018.

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

10. 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 June 30, 2019	Six Months Ended June 30, 2019
Lease cost:		
Operating lease cost ⁽¹⁾	\$ 34	\$ 68
Variable lease cost ⁽²⁾	10	18
Total lease cost	<u>\$ 44</u>	<u>\$ 86</u>

⁽¹⁾ Amount includes short-term leases, which are immaterial for the three and six months ended June 30, 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	June 30, 2019
Statement of Financial Condition information:		
Operating lease ROU assets	Other assets	\$ 646
Operating lease liabilities	Other liabilities	\$ 754

Supplemental information related to operating lease is summarized below:

<i>(in millions)</i>		Six Months Ended June 30, 2019
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$	70
Supplemental noncash information:		
ROU assets in exchange for operating lease liabilities in connection with the adoption of ASU 2016-02	\$	661
ROU assets in exchange for operating lease liabilities	\$	44

	Six Months Ended June 30, 2019
Lease term and discount rate:	
Weighted-average remaining lease term	9 years
Weighted-average discount rate	3 %

<i>(in millions)</i>		Amount⁽¹⁾
Maturity of operating lease liabilities at June 30, 2019		
Remainder of 2019	\$	72
2020		143
2021		135
2022		123
2023		73
Thereafter		312
Total lease payments	\$	858
Less: imputed interest		104
Present value of lease liabilities	\$	754

⁽¹⁾ Amount excludes \$1.3 billion of legally binding minimum lease payments for leases signed but not yet commenced. See Note 14, *Commitments and Contingencies*, for more information.

11. Goodwill

Goodwill activity during the six months ended June 30, 2019 was as follows:

<i>(in millions)</i>		
December 31, 2018	\$	13,526
Acquisition ⁽¹⁾		990
Goodwill adjustments related to Quellos ⁽²⁾		(5)
June 30, 2019	\$	14,511

⁽¹⁾ The increase in goodwill during the six months ended June 30, 2019 resulted from the \$990 million of goodwill associated with the eFront Transaction, which closed on May 10, 2019. See Note 3, *Acquisition*, for information on the eFront Transaction.

⁽²⁾ The decrease in goodwill during the six months ended June 30, 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 \$121 million and \$137 million at June 30, 2019 and December 31, 2018, respectively.

12. Intangible Assets

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

<i>(in millions)</i>	Indefinite-lived	Finite-lived	Total
December 31, 2018	\$ 17,578	\$ 261	\$ 17,839
Amortization expense	—	(40)	(40)
Acquisition ⁽¹⁾	—	678	678
June 30, 2019	<u>\$ 17,578</u>	<u>\$ 899</u>	<u>\$ 18,477</u>

⁽¹⁾ In connection with the eFront Transaction, which closed on May 10, 2019, the Company acquired \$452 million of finite-lived customer relationships, \$205 million of finite-lived technology-related intangible assets and \$21 million of a finite-lived trade name, with weighted-average estimated lives of approximately 11 years, eight years and five years, respectively. See Note 3, *Acquisition*, for information on the eFront Transaction.

13. 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 June 30, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At June 30, 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 June 30, 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 June 30, 2019 included the following:

		Unamortized Discount and Debt		
<i>(in millions)</i>	Maturity Amount	Issuance Costs	Carrying Value	Fair Value
5.00% Notes due 2019	\$ 1,000	\$ —	\$ 1,000	\$ 1,011
4.25% Notes due 2021	750	(1)	749	780
3.375% Notes due 2022	750	(2)	748	777
3.50% Notes due 2024	1,000	(5)	995	1,062
1.25% Notes due 2025	797	(6)	791	849
3.20% Notes due 2027	700	(5)	695	731
3.25% Notes due 2029	1,000	(14)	986	1,047
Total Long-term Borrowings	<u>\$ 5,997</u>	<u>\$ (33)</u>	<u>\$ 5,964</u>	<u>\$ 6,257</u>

2029 Notes. 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"). 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.

See Note 13, *Borrowings*, in the 2018 Form 10-K for more information regarding the Company's borrowings.

14. Commitments and Contingencies

Investment Commitments. At June 30, 2019, the Company had \$605 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 June 30, 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	<u>\$ 2,157</u>

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 June 30, 2019 totaled \$168 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 9, *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 governmental and 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 this 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, which remains pending.

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." The plaintiffs seek unspecified monetary and rescission damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, the 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 this 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 the 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 the 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, and on June 3, 2019, the plaintiffs filed a motion seeking to certify both the Plan and the CTF classes. Both motions are 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 June 30, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$205 billion. The Company held, as agent, cash and securities totaling \$219 billion as collateral for indemnified securities on loan at June 30, 2019. The fair value of these indemnifications was not material at June 30, 2019.

15. Revenue

The table below presents detail of revenue for the three and six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	\$ 385	\$ 426	\$ 760	\$ 864
iShares ETFs	870	911	1,717	1,837
Non-ETF Index	163	187	327	363
Equity subtotal	1,418	1,524	2,804	3,064
Fixed income:				
Active	474	458	931	914
iShares ETFs	234	207	454	415
Non-ETF Index	98	101	195	194
Fixed income subtotal	806	766	1,580	1,523
Multi-asset	288	295	564	591
Alternatives:				
Illiquid alternatives	118	83	228	160
Liquid alternatives	102	93	196	194
Currency and commodities ⁽¹⁾	24	26	48	51
Alternatives subtotal	244	202	472	405
Long-term	2,756	2,787	5,420	5,583
Cash management	147	157	288	308
Total base fees	2,903	2,944	5,708	5,891
Investment advisory performance fees:				
Equity	4	43	4	61
Fixed income	—	(1)	2	2
Multi-asset	6	9	6	14
Alternatives:				
Illiquid alternatives	15	2	35	2
Liquid alternatives	39	38	43	82
Alternatives subtotal	54	40	78	84
Total performance fees	64	91	90	161
Technology services revenue	237	198	441	382
Distribution fees:				
Retrocessions	164	181	325	373
12b-1 fees (US mutual funds distribution fees)	88	103	177	211
Other	15	10	27	21
Total distribution fees	267	294	529	605
Advisory and other revenue:				
Advisory	22	33	41	54
Other	31	45	61	95
Total advisory and other revenue	53	78	102	149
Total revenue	\$ 3,524	\$ 3,605	\$ 6,870	\$ 7,188

⁽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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
By client type:				
Retail	\$ 846	\$ 858	\$ 1,672	\$ 1,713
<i>iShares</i> ETFs	1,128	1,143	2,219	2,301
Institutional:				
Active	537	511	1,037	1,038
Index	245	275	492	531
Total institutional	782	786	1,529	1,569
Long-term	2,756	2,787	5,420	5,583
Cash management	147	157	288	308
Total	\$ 2,903	\$ 2,944	\$ 5,708	\$ 5,891
By investment style:				
Active	\$ 1,365	\$ 1,352	\$ 2,672	\$ 2,717
Index and <i>iShares</i> ETFs	1,391	1,435	2,748	2,866
Long-term	2,756	2,787	5,420	5,583
Cash management	147	157	288	308
Total	\$ 2,903	\$ 2,944	\$ 5,708	\$ 5,891

Investment advisory and administration fees – remaining performance obligation

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 June 30, 2019 and 2018:

June 30, 2019

<i>(in millions)</i>	Remainder of 2019	2020	2021	2022	Thereafter	Total
Investment advisory and administration fees: Alternatives ⁽¹⁾⁽²⁾	\$ 41	\$ 74	\$ 62	\$ 53	\$ 50	\$ 280

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at June 30, 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.

June 30, 2018

<i>(in millions)</i>	Remainder of 2018	2019	2020	2021	Thereafter	Total
Investment advisory and administration fees: Alternatives ⁽¹⁾⁽²⁾	\$ 43	\$ 75	\$ 64	\$ 52	\$ 52	\$ 286

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at June 30, 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 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.

Change in Deferred Carried Interest Liability

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 and six months ended June 30, 2019 and 2018:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Beginning balance	\$ 327	\$ 224	\$ 293	\$ 219
Net increase (decrease) in unrealized allocations	48	22	99	27
Performance fee revenue recognized	(10)	(4)	(27)	(4)
Ending balance	<u>\$ 365</u>	<u>\$ 242</u>	<u>\$ 365</u>	<u>\$ 242</u>

Technology services revenue – remaining performance obligation

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 June 30, 2019 and 2018:

June 30, 2019

(in millions)	Remainder of 2019	2020	2021	2022	Thereafter	Total
Technology services revenue ⁽¹⁾⁽²⁾	\$ 60	\$ 47	\$ 33	\$ 19	\$ 12	\$ 171

⁽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.

June 30, 2018

(in millions)	Remainder of 2018	2019	2020	2021	Thereafter	Total
Technology services revenue ⁽¹⁾⁽²⁾	\$ 15	\$ 27	\$ 23	\$ 17	\$ 14	\$ 96

⁽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 June 30, 2019, the estimated fixed minimum fees for the remainder of 2019 for currently outstanding contracts approximated \$303 million. As of June 30, 2018, the estimated fixed minimum fees for the remainder of 2018 for currently outstanding contracts approximated \$258 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 and six months ended June 30, 2019 and 2018:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Beginning balance	\$ 73	\$ 66	\$ 70	\$ 62
Acquisition, net of revenue recognized ⁽¹⁾	24	—	24	—
Additions	12	8	23	20
Revenue recognized that was included in the beginning balance	(9)	(10)	(17)	(18)
Ending balance	<u>\$ 100</u>	<u>\$ 64</u>	<u>\$ 100</u>	<u>\$ 64</u>

⁽¹⁾ The increase during the three and six months ended June 30, 2019 resulted from the eFront Transaction, which closed on May 10, 2019. See Note 3, *Acquisition*, for information on the eFront Transaction.

16. Stock-Based Compensation

Restricted Stock and RSUs.

Restricted stock and restricted stock units (“RSUs”) activity for the six months ended June 30, 2019 is summarized below.

<u>Outstanding at</u>	Restricted Stock and RSUs	Weighted- Average Grant Date Fair Value
December 31, 2018	2,139,890	\$ 429.19
Granted	1,166,382	\$ 413.22
Converted	(954,315)	\$ 375.09
Forfeited	(49,190)	\$ 420.81
June 30, 2019⁽¹⁾	<u>2,302,767</u>	<u>\$ 443.70</u>

⁽¹⁾ At June 30, 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 six months ended June 30, 2019 was \$482 million.

At June 30, 2019, the intrinsic value of outstanding RSUs was \$1.1 billion, reflecting a closing stock price of \$469.30.

At June 30, 2019, total unrecognized stock-based compensation expense related to unvested RSUs was \$512 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

Performance-Based RSUs.

Performance-based RSU activity for the six months ended June 30, 2019 is summarized below.

<u>Outstanding at</u>	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	(11,024)	\$ 456.66
June 30, 2019	<u>758,465</u>	<u>\$ 436.50</u>

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 six months ended June 30, 2019 was \$117 million.

At June 30, 2019, the intrinsic value of outstanding performance-based RSUs was \$356 million, reflecting a closing stock price of \$469.30.

At June 30, 2019, total unrecognized stock-based compensation expense related to unvested performance-based awards was \$161 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period 1.6 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 June 30, 2019 and December 31, 2018 were 2,106,482 with a weighted average exercise price of \$513.50.

At June 30, 2019, total unrecognized stock-based compensation expense related to unvested performance-based stock options was \$148 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 4.4 years.

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

17. 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 June 30, 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.

18. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2019 and 2018:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Beginning balance	\$ (623)	\$ (301)	\$ (691)	\$ (432)
Foreign currency translation adjustments ⁽¹⁾	(41)	(274)	27	(137)
Reclassification as a result of adoption of accounting guidance	—	—	—	(6)
Ending balance	\$ (664)	\$ (575)	\$ (664)	\$ (575)

⁽¹⁾ Amounts for the three months ended June 30, 2019 and 2018 include a loss from a net investment hedge of \$8 million (net of tax benefit of \$2 million) and a gain of \$34 million (net of tax of \$11 million), respectively. Amounts for the six months ended June 30, 2019 and 2018 include gains from a net investment hedge of \$3 million (net of tax of \$1 million) and \$18 million (net of tax of \$6 million), respectively.

19. Capital Stock

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

	June 30, 2019	December 31, 2018
<u>Series A</u>		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	—	—
<u>Series B</u>		
Shares authorized, \$0.01 par value	150,000,000	150,000,000
Shares issued and outstanding ⁽¹⁾	823,188	823,188
<u>Series C</u>		
Shares authorized, \$0.01 par value	6,000,000	6,000,000
Shares issued and outstanding ⁽¹⁾	—	143,458
<u>Series D</u>		
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 six months ended June 30, 2019, the Company repurchased 3.8 million common shares under the share repurchase program for approximately \$1.6 billion, including a \$1.3 billion private transaction that closed on March 25, 2019. At June 30, 2019, there were 6.1 million shares still authorized to be repurchased.

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

20. 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 six months ended June 30, 2019:

	Six Months Ended June 30, 2019
<i>(in millions)</i>	
Liability as of December 31, 2018	\$ 53
Cash payments	(42)
Liability as of June 30, 2019	<u>\$ 11</u>

21. Income Taxes

The six months ended June 30, 2019 and 2018 income tax expense included \$22 million and \$58 million, respectively, of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of each respective year.

22. 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 and six months ended June 30, 2019 and 2018 under the treasury stock method:

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in millions, except shares and per share data)</i>	2019	2018	2019	2018
Net income attributable to BlackRock	\$ 1,003	\$ 1,073	\$ 2,056	\$ 2,162
Basic weighted-average shares outstanding	155,354,552	160,980,960	156,803,244	161,114,746
Dilutive effect of nonparticipating RSUs and stock options	1,006,189	1,180,977	1,050,467	1,417,891
Total diluted weighted-average shares outstanding	<u>156,360,741</u>	<u>162,161,937</u>	<u>157,853,711</u>	<u>162,532,637</u>
Basic earnings per share	\$ 6.46	\$ 6.67	\$ 13.11	\$ 13.42
Diluted earnings per share	\$ 6.41	\$ 6.62	\$ 13.02	\$ 13.30

23. 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 and six months ended June 30, 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) Revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas	\$ 2,366	\$ 2,337	\$ 4,606	\$ 4,661
Europe	995	1,082	1,938	2,175
Asia-Pacific	163	186	326	352
Total revenue	<u>\$ 3,524</u>	<u>\$ 3,605</u>	<u>\$ 6,870</u>	<u>\$ 7,188</u>

See Note 15, *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 June 30, 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) Long-lived Assets	June 30, 2019	December 31, 2018
Americas	\$ 13,791	\$ 13,780
Europe	1,292	303
Asia-Pacific	87	86
Total long-lived assets	<u>\$ 15,170</u>	<u>\$ 14,169</u>

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.

24. Subsequent Events

The Company continues to strategically invest in illiquid alternatives to drive future growth. On August 5, 2019, the Company adopted a carried interest retention incentive program referred to as the BlackRock Leadership Retention Carry Plan (the “Plan”), pursuant to which senior-level employees (but not including the Chief Executive Officer), as may be determined by the Company from time to time, will be eligible to receive a portion of the cash payments, based on their percentage points, in the total carried interest distributions payable to the Company from participating carry funds. Participating carry funds shall consist of BlackRock carry vehicles that (i) had an initial close during the period commencing in the year of grant and ending on the participant’s termination and (ii) are listed in the award documentation.

Carried interest generally represents the right to receive distributions only if (i) distributions are made to investors in the participating carry funds following the realization of an investment and (ii) a specified return is achieved with respect to such investments. Consequently, the actual amount of any potential carried interest distribution received by the Company, and the participants in the Plan, is solely a function of the performance of the eligible carry fund and the realization of its underlying investments. The Plan is not expected to have a material financial impact on the Company.

Cash payments, if any, with respect to these percentage points will be made following the recipient’s termination of employment due to qualified retirement, death or disability, subject to his or her execution of a release of claims and continued compliance with his or her restrictive covenant obligations following termination. Any payments received under the Plan will be treated as ordinary income and not long term capital gains.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the full text of the BlackRock Leadership Retention Carry Plan and the Form of Percentage Points Award Agreement under the BlackRock Leadership Retention Carry Plan, which are filed as Exhibits 10.1 and 10.2, respectively, to this Periodic Report on Form 10-Q and incorporated herein by reference.

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 \$6.84 trillion of AUM at June 30, 2019. With approximately 16,000 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, eFront, 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 June 30, 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 European Union (“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

On May 10, 2019, the Company acquired 100% of the equity interests of eFront Holding SAS (“eFront Transaction” or “eFront”), a leading alternative investment management software and solutions provider for approximately \$1.3 billion, excluding the settlement of eFront’s outstanding debt. The acquisition of eFront will expand *Aladdin*’s illiquid alternative capabilities and enable BlackRock to provide individual alternative or whole-portfolio technology solutions to clients.

EXECUTIVE SUMMARY

(in millions, except shares and per share data)

GAAP basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total revenue	\$ 3,524	\$ 3,605	\$ 6,870	\$ 7,188
Total expense	2,246	2,165	4,359	4,373
Operating income	\$ 1,278	\$ 1,440	\$ 2,511	\$ 2,815
Operating margin	36.3%	39.9%	36.6%	39.2%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	47	(29)	165	(50)
Income tax expense	(322)	(338)	(620)	(603)
Net income attributable to BlackRock	\$ 1,003	\$ 1,073	\$ 2,056	\$ 2,162
Diluted earnings per common share	\$ 6.41	\$ 6.62	\$ 13.02	\$ 13.30
Effective tax rate	24.3%	24.0%	23.2%	21.8%

As adjusted⁽¹⁾:

Operating income	\$ 1,278	\$ 1,443	\$ 2,511	\$ 2,821
Operating margin	43.1%	45.2%	42.5%	44.7%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	\$ 47	\$ (29)	\$ 165	\$ (50)
Net income attributable to BlackRock	\$ 1,003	\$ 1,080	\$ 2,056	\$ 2,172
Diluted earnings per common share	\$ 6.41	\$ 6.66	\$ 13.02	\$ 13.36
Effective tax rate	24.3%	23.7%	23.2%	21.7%

Other:

Assets under management (end of period)	\$ 6,842,482	\$ 6,299,706	\$ 6,842,482	\$ 6,299,706
Diluted weighted-average common shares outstanding ⁽²⁾	156,360,741	162,161,937	157,853,711	162,532,637
Common and preferred shares outstanding (end of period)	155,366,861	160,779,596	155,366,861	160,779,596
Book value per share ⁽³⁾	\$ 205.28	\$ 199.84	\$ 205.28	\$ 199.84
Cash dividends declared and paid per share	\$ 3.30	\$ 2.88	\$ 6.60	\$ 5.76

⁽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 June 30 of the respective period-end.

THREE MONTHS ENDED JUNE 30, 2019 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2018

GAAP. Operating income of \$1,278 million decreased \$162 million and operating margin of 36.3% decreased 360 bps from the second quarter of 2018. The decline in operating income and operating margin reflected lower base fees, driven in part by lower securities lending revenue, and lower performance fees, partially offset by growth in technology services revenue. The decline also reflected \$61 million of product launch costs associated with the close of the \$1.4 billion BlackRock Science and Technology Trust II, a closed-end active equity fund. Nonoperating income (expense) less net income (loss) attributable to noncontrolling interests ("NCI") increased \$76 million from the second quarter of 2018, primarily driven by the revaluation of certain minority investments and higher marks on un-hedged fixed income seed capital investments.

Earnings per diluted common share decreased \$0.21, or 3%, from the second 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 a lower diluted share count.

As Adjusted. Operating income of \$1,278 million decreased \$165 million and operating margin of 43.1% decreased 210 bps from the second quarter of 2018. Earnings per diluted common share decreased \$0.25, or 4%, from the second quarter of 2018.

SIX MONTHS ENDED JUNE 30, 2019 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2018

GAAP. Operating income of \$2,511 million decreased \$304 million and operating margin of 36.6% decreased 260 bps from the six months ended June 30, 2018. The decline in operating income and operating margin reflected lower base and performance fees, and lower advisory and other revenue, partially offset by higher technology services revenue and lower employee compensation and benefits, and volume-related expense. Operating income for the six months ended June 30, 2019 also included the previously mentioned \$61 million of product launch costs associated with the close of a closed-end fund. Nonoperating income (expense) less net income (loss) attributable to NCI increased \$215 million from the six months ended June 30, 2018, driven by higher marks on un-hedged seed capital investments and the revaluation of certain strategic minority investments.

Income tax expense for the six months ended June 30, 2019 and 2018 included \$22 million and \$58 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 \$0.28, or 2%, from the six months ended June 30, 2018, driven primarily by lower operating income and a higher effective tax rate, partially offset by higher nonoperating income and a lower diluted share count.

As Adjusted. Operating income of \$2,511 million decreased \$310 million and operating margin of 42.5% decreased 220 bps from the six months ended June 30, 2018. Earnings per diluted common share decreased \$0.34, or 3%, from the six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in millions)				
Operating income, GAAP basis	\$ 1,278	\$ 1,440	\$ 2,511	\$ 2,815
Non-GAAP expense adjustment:				
PNC LTIP funding obligation	—	3	—	6
Operating income, as adjusted	1,278	1,443	2,511	2,821
Product launch costs and commissions	61	—	61	12
Operating income used for operating margin measurement	\$ 1,339	\$ 1,443	\$ 2,572	\$ 2,833
Revenue, GAAP basis	\$ 3,524	\$ 3,605	\$ 6,870	\$ 7,188
Non-GAAP adjustment:				
Distribution and servicing costs	(416)	(415)	(820)	(847)
Revenue used for operating margin measurement	\$ 3,108	\$ 3,190	\$ 6,050	\$ 6,341
Operating margin, GAAP basis	36.3%	39.9%	36.6%	39.2%
Operating margin, as adjusted	43.1%	45.2%	42.5%	44.7%

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 and six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(in millions, except per share data)</i>				
Net income attributable to BlackRock, Inc., GAAP basis	\$ 1,003	\$ 1,073	\$ 2,056	\$ 2,162
Non-GAAP adjustments:				
PNC LTIP funding obligation, net of tax	—	3	—	6
Income tax matters	—	4	—	4
Net income attributable to BlackRock, Inc., as adjusted	\$ 1,003	\$ 1,080	\$ 2,056	\$ 2,172
Diluted weighted-average common shares outstanding (3)	156.4	162.2	157.9	162.5
Diluted earnings per common share, GAAP basis (3)	\$ 6.41	\$ 6.62	\$ 13.02	\$ 13.30
Diluted earnings per common share, as adjusted (3)	\$ 6.41	\$ 6.66	\$ 13.02	\$ 13.36

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 for income tax matters represent net noncash (benefits) expense primarily associated with the revaluation of certain deferred tax liabilities related to intangible assets and goodwill as a result of tax rate changes. 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)		
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019	Twelve Months Ended June 30, 2019
(in millions)							
Retail	\$ 664,906	\$ 646,355	\$ 610,850	\$ 636,825	\$ 1,914	\$ 1,101	\$ (2,002)
iShares ETFs	2,008,867	1,924,710	1,731,425	1,776,765	36,096	66,785	181,860
Institutional:							
Active	1,272,532	1,160,150	1,079,979	1,123,388	73,174	88,540	81,390
Index	2,413,191	2,327,080	2,103,230	2,304,764	14,181	27,938	(22,680)
Institutional subtotal	3,685,723	3,487,230	3,183,209	3,428,152	87,355	116,478	58,710
Long-term	6,359,496	6,058,295	5,525,484	5,841,742	125,365	184,364	238,568
Cash management	481,208	455,271	448,565	457,054	25,621	31,287	22,864
Advisory ⁽¹⁾	1,778	1,779	1,769	910	(1)	-	888
Total	\$ 6,842,482	\$ 6,515,345	\$ 5,975,818	\$ 6,299,706	\$ 150,985	\$ 215,651	\$ 262,320

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

	AUM				Net inflows (outflows)		
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019	Twelve Months Ended June 30, 2019
(in millions)							
Active	\$ 1,853,393	\$ 1,724,875	\$ 1,617,780	\$ 1,682,794	\$ 74,981	\$ 88,585	\$ 75,193
Index and iShares ETFs	4,506,103	4,333,420	3,907,704	4,158,948	50,384	95,779	163,375
Long-term	6,359,496	6,058,295	5,525,484	5,841,742	125,365	184,364	238,568
Cash management	481,208	455,271	448,565	457,054	25,621	31,287	22,864
Advisory ⁽¹⁾	1,778	1,779	1,769	910	(1)	-	888
Total	\$ 6,842,482	\$ 6,515,345	\$ 5,975,818	\$ 6,299,706	\$ 150,985	\$ 215,651	\$ 262,320

AUM and Net Inflows (Outflows) by Product Type

	AUM				Net inflows (outflows)		
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019	Twelve Months Ended June 30, 2019
(in millions)							
Equity	\$ 3,485,869	\$ 3,375,885	\$ 3,035,825	\$ 3,366,480	\$ 5,915	\$ (20,163)	\$ (9,135)
Fixed income	2,191,130	2,029,966	1,884,417	1,858,609	110,392	190,315	216,323
Multi-asset	523,728	499,520	461,884	481,666	6,192	4,537	15,061
Alternatives:							
Illiquid alternatives	67,910	66,462	59,827	50,734	982	6,920	11,126
Liquid alternatives	55,514	53,118	51,718	52,034	1,377	1,279	3,225
Currency and commodities ⁽²⁾	35,345	33,344	31,813	32,219	507	1,476	1,968
Alternatives subtotal	158,769	152,924	143,358	134,987	2,866	9,675	16,319
Long-term	6,359,496	6,058,295	5,525,484	5,841,742	125,365	184,364	238,568
Cash management	481,208	455,271	448,565	457,054	25,621	31,287	22,864
Advisory ⁽¹⁾	1,778	1,779	1,769	910	(1)	-	888
Total	\$ 6,842,482	\$ 6,515,345	\$ 5,975,818	\$ 6,299,706	\$ 150,985	\$ 215,651	\$ 262,320

⁽¹⁾ Advisory AUM represents long-term portfolio liquidation assignments.

⁽²⁾ Amounts include commodity iShares ETFs.

Component Changes in AUM for the Three Months Ended June 30, 2019

The following table presents the component changes in AUM by client type and product type for the three months ended June 30, 2019.

<i>(in millions)</i>	March 31, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Retail:						
Equity	\$ 225,992	\$ (1,813)	\$ 8,966	\$ (716)	\$ 232,429	\$ 226,710
Fixed income	281,566	5,350	4,623	233	291,772	286,163
Multi-asset	117,898	(3,039)	3,345	(69)	118,135	117,275
Alternatives	20,899	1,416	253	2	22,570	21,829
Retail subtotal	646,355	1,914	17,187	(550)	664,906	651,977
iShares ETFs:						
Equity	1,423,204	4,175	33,511	1,733	1,462,623	1,435,308
Fixed income	471,161	31,502	10,221	959	513,843	486,433
Multi-asset	4,171	159	107	5	4,442	4,260
Alternatives	26,174	260	1,502	23	27,959	26,038
iShares ETFs subtotal	1,924,710	36,096	45,341	2,720	2,008,867	1,952,039
Institutional:						
Active:						
Equity	118,653	2,920	4,470	(159)	125,884	121,308
Fixed income	571,313	59,307	18,831	473	649,924	599,153
Multi-asset	369,046	9,740	13,332	983	393,101	378,608
Alternatives	101,138	1,207	1,274	4	103,623	102,269
Active subtotal	1,160,150	73,174	37,907	1,301	1,272,532	1,201,338
Index:						
Equity	1,608,036	633	55,824	440	1,664,933	1,626,540
Fixed income	705,926	14,233	18,456	(3,024)	735,591	717,001
Multi-asset	8,405	(668)	261	52	8,050	8,113
Alternatives	4,713	(17)	(74)	(5)	4,617	4,610
Index subtotal	2,327,080	14,181	74,467	(2,537)	2,413,191	2,356,264
Institutional subtotal	3,487,230	87,355	112,374	(1,236)	3,685,723	3,557,602
Long-term	6,058,295	125,365	174,902	934	6,359,496	6,161,618
Cash management	455,271	25,621	746	(430)	481,208	462,001
Advisory ⁽³⁾	1,779	(1)	(15)	15	1,778	1,772
Total	\$ 6,515,345	\$ 150,985	\$ 175,633	\$ 519	\$ 6,842,482	\$ 6,625,391

⁽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 June 30, 2019.

(in millions)	March 31, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Active:						
Equity	\$ 278,944	\$ 530	\$ 10,651	\$ (255)	\$ 289,870	\$ 281,490
Fixed income	836,950	65,127	23,077	943	926,097	869,698
Multi-asset	486,944	6,701	16,677	914	511,236	495,883
Alternatives	122,037	2,623	1,524	6	126,190	124,097
Active subtotal	1,724,875	74,981	51,929	1,608	1,853,393	1,771,168
Index and iShares ETFs:						
iShares ETFs:						
Equity	1,423,204	4,175	33,511	1,733	1,462,623	1,435,308
Fixed income	471,161	31,502	10,221	959	513,843	486,433
Multi-asset	4,171	159	107	5	4,442	4,260
Alternatives	26,174	260	1,502	23	27,959	26,038
iShares ETFs subtotal	1,924,710	36,096	45,341	2,720	2,008,867	1,952,039
Non-ETF Index:						
Equity	1,673,737	1,210	58,609	(180)	1,733,376	1,693,068
Fixed income	721,855	13,763	18,833	(3,261)	751,190	732,619
Multi-asset	8,405	(668)	261	52	8,050	8,113
Alternatives	4,713	(17)	(71)	(5)	4,620	4,611
Non-ETF Index subtotal	2,408,710	14,288	77,632	(3,394)	2,497,236	2,438,411
Index & iShares ETFs subtotal	4,333,420	50,384	122,973	(674)	4,506,103	4,390,450
Long-term	6,058,295	125,365	174,902	934	6,359,496	6,161,618
Cash management	455,271	25,621	746	(430)	481,208	462,001
Advisory ⁽³⁾	1,779	(1)	(15)	15	1,778	1,772
Total	\$ 6,515,345	\$ 150,985	\$ 175,633	\$ 519	\$ 6,842,482	\$ 6,625,391

The following table presents component changes in AUM by product type for the three months ended June 30, 2019.

(in millions)	March 31, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Equity	\$ 3,375,885	\$ 5,915	\$ 102,771	\$ 1,298	\$ 3,485,869	\$ 3,409,866
Fixed income	2,029,966	110,392	52,131	(1,359)	2,191,130	2,088,750
Multi-asset	499,520	6,192	17,045	971	523,728	508,256
Alternatives:						
Illiquid alternatives	66,462	982	518	(52)	67,910	67,059
Liquid alternatives	53,118	1,377	1,020	(1)	55,514	54,370
Currency and commodities ⁽⁴⁾	33,344	507	1,417	77	35,345	33,317
Alternatives subtotal	152,924	2,866	2,955	24	158,769	154,746
Long-term	6,058,295	125,365	174,902	934	6,359,496	6,161,618
Cash management	455,271	25,621	746	(430)	481,208	462,001
Advisory ⁽³⁾	1,779	(1)	(15)	15	1,778	1,772
Total	\$ 6,515,345	\$ 150,985	\$ 175,633	\$ 519	\$ 6,842,482	\$ 6,625,391

(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 \$327.1 billion to \$6.84 trillion at June 30, 2019, driven by net market appreciation and positive net inflows.

Net market appreciation of \$175.6 billion was primarily driven by higher US and global equity markets and fixed income appreciation.

Long-term net inflows of \$125.4 billion included \$87.4 billion, \$36.1 billion and \$1.9 billion from institutional clients, *iShares* ETFs and retail clients, respectively. Net flows in long-term products are described below.

- Institutional active net inflows of \$73.2 billion were driven by active fixed income inflows of \$59.3 billion, reflecting two significant strategic client mandates. Active multi-asset net inflows reflected continued growth in *LifePath*® target-date series and active equity net inflows were primarily into quantitative strategies.
- *iShares* ETFs net inflows of \$36.1 billion reflected continued growth in Core, Fixed Income, Factor and Sustainable ETFs. Core and non-Core *iShares* ETFs saw net inflows of \$19.7 billion and \$16.4 billion, respectively. By region, *iShares* ETFs inflows were diversified with \$27.2 billion of net inflows in US-listed *iShares* ETFs and \$8.6 billion of net inflows in European-listed *iShares* ETFs.
- Institutional index net inflows of \$14.2 billion were led by fixed income net inflows of \$14.2 billion, reflecting continued demand for liability-driven investment solutions.
- Retail net inflows of \$1.9 billion reflected net inflows of \$6.6 billion in the United States, partially offset by net outflows of \$4.7 billion internationally. Retail inflows reflected strength in municipal fixed income funds, event-driven liquid alternative funds and the close of the BlackRock Science and Technology Trust II closed-end fund.

Cash management AUM increased to \$481.2 billion, driven by net inflows of \$25.6 billion.

AUM increased \$0.5 billion due to the impact of foreign exchange movements, primarily due to the weakening of the US dollar, largely against the Euro and Japanese yen, partially offset by the strengthening of the US dollar against the British pound.

Component Changes in AUM for the Six Months Ended June 30, 2019

The following table presents the component changes in AUM by client type and product for the six months ended June 30, 2019.

<i>(in millions)</i>	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Retail:						
Equity	\$ 205,714	\$ (5,426)	\$ 32,335	\$ (194)	\$ 232,429	\$ 222,547
Fixed income	271,588	11,279	8,723	182	291,772	281,920
Multi-asset	113,417	(6,731)	11,430	19	118,135	116,985
Alternatives	20,131	1,979	479	(19)	22,570	21,200
Retail subtotal	610,850	1,101	52,967	(12)	664,906	642,652
iShares ETFs:						
Equity	1,274,262	2,553	184,612	1,196	1,462,623	1,399,504
Fixed income	427,596	63,706	22,231	310	513,843	468,436
Multi-asset	4,485	(477)	427	7	4,442	4,240
Alternatives	25,082	1,003	1,856	18	27,959	26,065
iShares ETFs subtotal	1,731,425	66,785	209,126	1,531	2,008,867	1,898,245
Institutional:						
Active:						
Equity	110,976	(2,617)	17,411	114	125,884	119,236
Fixed income	538,961	72,299	37,772	892	649,924	575,948
Multi-asset	336,237	12,330	44,013	521	393,101	366,519
Alternatives	93,805	6,528	3,179	111	103,623	100,016
Active subtotal	1,079,979	88,540	102,375	1,638	1,272,532	1,161,719
Index:						
Equity	1,444,873	(14,673)	233,741	992	1,664,933	1,590,518
Fixed income	646,272	43,031	44,277	2,011	735,591	695,377
Multi-asset	7,745	(585)	861	29	8,050	8,110
Alternatives	4,340	165	84	28	4,617	4,539
Index subtotal	2,103,230	27,938	278,963	3,060	2,413,191	2,298,544
Institutional subtotal	3,183,209	116,478	381,338	4,698	3,685,723	3,460,263
Long-term	5,525,484	184,364	643,431	6,217	6,359,496	6,001,160
Cash management	448,565	31,287	1,422	(66)	481,208	456,185
Advisory ⁽³⁾	1,769	-	(12)	21	1,778	1,775
Total	\$ 5,975,818	\$ 215,651	\$ 644,841	\$ 6,172	\$ 6,842,482	\$ 6,459,120

⁽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 seven 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 six months ended June 30, 2019.

(in millions)	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Active:						
Equity	\$ 258,205	\$ (8,934)	\$ 40,543	\$ 56	\$ 289,870	\$ 277,193
Fixed income	795,985	83,412	45,602	1,098	926,097	842,447
Multi-asset	449,654	5,600	55,443	539	511,236	483,504
Alternatives	113,936	8,507	3,656	91	126,190	121,216
Active subtotal	1,617,780	88,585	145,244	1,784	1,853,393	1,724,360
Index and <i>iShares</i> ETFs:						
<i>iShares</i> ETFs:						
Equity	1,274,262	2,553	184,612	1,196	1,462,623	1,399,504
Fixed income	427,596	63,706	22,231	310	513,843	468,436
Multi-asset	4,485	(477)	427	7	4,442	4,240
Alternatives	25,082	1,003	1,856	18	27,959	26,065
<i>iShares</i> ETFs subtotal	1,731,425	66,785	209,126	1,531	2,008,867	1,898,245
Non-ETF Index						
Equity	1,503,358	(13,782)	242,944	856	1,733,376	1,655,108
Fixed income	660,836	43,197	45,170	1,987	751,190	710,798
Multi-asset	7,745	(586)	861	30	8,050	8,110
Alternatives	4,340	165	86	29	4,620	4,539
Non-ETF Index subtotal	2,176,279	28,994	289,061	2,902	2,497,236	2,378,555
Index & <i>iShares</i> ETFs subtotal	3,907,704	95,779	498,187	4,433	4,506,103	4,276,800
Long-term	5,525,484	184,364	643,431	6,217	6,359,496	6,001,160
Cash management	448,565	31,287	1,422	(66)	481,208	456,185
Advisory ⁽³⁾	1,769	-	(12)	21	1,778	1,775
Total	\$ 5,975,818	\$ 215,651	\$ 644,841	\$ 6,172	\$ 6,842,482	\$ 6,459,120

The following table presents component changes in AUM by product type for the six months ended June 30, 2019.

(in millions)	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	June 30, 2019	Average AUM ⁽²⁾
Equity	\$ 3,035,825	\$ (20,163)	\$ 468,099	\$ 2,108	\$ 3,485,869	\$ 3,331,805
Fixed income	1,884,417	190,315	113,003	3,395	2,191,130	2,021,681
Multi-asset	461,884	4,537	56,731	576	523,728	495,854
Alternatives:						
Illiquid alternatives	59,827	6,920	1,120	43	67,910	65,258
Liquid alternatives	51,718	1,279	2,514	3	55,514	53,401
Currency and commodities ⁽⁴⁾	31,813	1,476	1,964	92	35,345	33,161
Alternatives subtotal	143,358	9,675	5,598	138	158,769	151,820
Long-term	5,525,484	184,364	643,431	6,217	6,359,496	6,001,160
Cash management	448,565	31,287	1,422	(66)	481,208	456,185
Advisory ⁽³⁾	1,769	-	(12)	21	1,778	1,775
Total	\$ 5,975,818	\$ 215,651	\$ 644,841	\$ 6,172	\$ 6,842,482	\$ 6,459,120

⁽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 seven months.

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

⁽⁴⁾ Amounts include commodity *iShares* ETFs.

AUM increased \$866.7 billion to \$6.84 trillion at June 30, 2019, driven by net market appreciation and net inflows.

Net market appreciation of \$644.8 billion was driven by higher US and global equity markets and fixed income appreciation.

Long-term net inflows of \$184.4 billion included \$116.5 billion, \$66.8 billion and \$1.1 billion from institutional clients, *iShares* ETFs and retail clients, respectively. Net flows in long-term products are described below.

- Institutional active net inflows of \$88.5 billion were primarily driven by active fixed income, multi-asset and alternative net inflows of \$72.3 billion, \$12.3 billion and \$6.5 billion, respectively. Active fixed income net inflows included the previously mentioned significant strategic client mandates and active multi-asset net inflows reflected continued growth in *LifePath* target-date franchise and asset allocation strategies. Alternatives net inflows were led by flows into illiquid alternatives, including infrastructure, real estate and the first close of Long Term Private Capital ("LTPC"), a perpetual, direct private equity fund.
- *iShares* ETFs net inflows of \$66.8 billion were led by fixed income ETFs, which generated \$63.7 billion of net inflows, across treasuries, high yield and emerging markets debt ETFs. *iShares* ETFs reflected \$39.2 billion and \$27.6 billion of net inflows into Core and non-Core ETFs, respectively. By region, *iShares* ETFs inflows were diversified with \$44.0 billion of net inflows in US-listed *iShares* ETFs and \$23.2 billion of net inflows in European-listed *iShares* ETFs.
- Institutional index net inflows of \$27.9 billion were primarily driven by fixed income net inflows of \$43.0 billion, led by continued demand for liability-driven investment fixed income solutions, partially offset by equity net outflows of \$14.7 billion.
- Retail net inflows of \$1.1 billion reflected net inflows of \$9.8 billion in the United States, partially offset by net outflows of \$8.7 billion internationally. Retail net inflows reflected strength in municipal fixed income funds and event-driven liquid alternative funds, as well as the close of the BlackRock Science and Technology Trust II closed-end fund, partially offset by net outflows from international equities.

Cash management AUM increased to \$481.2 billion, primarily due to net inflows of \$31.3 billion.

AUM increased \$6.2 billion due to the impact of foreign exchange movements, primarily due to the weakening of the US dollar, largely against the Canadian dollar and Japanese yen, partially offset by the strengthening of the US dollar against the British pound and Euro.

Component Changes in AUM for the Twelve Months Ended June 30, 2019

The following table presents the component changes in AUM by client type and product for the twelve months ended June 30, 2019.

<i>(in millions)</i>	June 30, 2018	Net inflows (outflows)	Acquisitions and dispositions ⁽¹⁾	Market change	FX impact ⁽²⁾	June 30, 2019	Average AUM ⁽³⁾
Retail:							
Equity	\$ 232,617	\$ (6,019)	\$ 2,137	\$ 5,930	\$ (2,236)	\$ 232,429	\$ 226,117
Fixed income	266,987	6,542	14,070	5,711	(1,538)	291,772	277,967
Multi-asset	119,299	(5,772)	2,519	2,530	(441)	118,135	118,757
Alternatives	17,922	3,247	1,628	(117)	(110)	22,570	20,392
Retail subtotal	636,825	(2,002)	20,354	14,054	(4,325)	664,906	643,233
iShares ETFs:							
Equity	1,346,288	84,277	-	34,624	(2,566)	1,462,623	1,386,175
Fixed income	401,731	95,478	-	18,198	(1,564)	513,843	440,536
Multi-asset	3,767	502	-	170	3	4,442	4,030
Alternatives	24,979	1,603	-	1,381	(4)	27,959	25,057
iShares ETFs subtotal	1,776,765	181,860	-	54,373	(4,131)	2,008,867	1,855,798
Institutional:							
Active:							
Equity	134,986	(9,003)	(4,296)	5,321	(1,124)	125,884	123,053
Fixed income	550,444	58,586	2,417	40,684	(2,207)	649,924	563,219
Multi-asset	350,545	20,476	(1,593)	26,501	(2,828)	393,101	359,706
Alternatives	87,413	11,331	3,374	2,061	(556)	103,623	95,532
Active subtotal	1,123,388	81,390	(98)	74,567	(6,715)	1,272,532	1,141,510
Index:							
Equity	1,652,589	(78,390)	4,749	94,042	(8,057)	1,664,933	1,618,260
Fixed income	639,447	55,717	2,051	47,758	(9,382)	735,591	668,056
Multi-asset	8,055	(145)	(243)	353	30	8,050	8,002
Alternatives	4,673	138	1	(175)	(20)	4,617	4,585
Index subtotal	2,304,764	(22,680)	6,558	141,978	(17,429)	2,413,191	2,298,903
Institutional subtotal	3,428,152	58,710	6,460	216,545	(24,144)	3,685,723	3,440,413
Long-term	5,841,742	238,568	26,814	284,972	(32,600)	6,359,496	5,939,444
Cash management	457,054	22,864	686	2,601	(1,997)	481,208	454,495
Advisory ⁽⁴⁾	910	888	-	(16)	(4)	1,778	1,629
Total	\$ 6,299,706	\$ 262,320	\$ 27,500	\$ 287,557	\$ (34,601)	\$ 6,842,482	\$6,395,568

⁽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 June 30, 2019.

<i>(in millions)</i>	June 30, 2018	Net inflows (outflows)	Acquisitions and dispositions ⁽¹⁾	Market change	FX impact ⁽²⁾	June 30, 2019	Average AUM ⁽³⁾
Active:							
Equity	\$ 304,098	\$ (17,983)	\$ (2,160)	\$ 8,184	\$ (2,269)	\$ 289,870	\$ 285,012
Fixed income	803,515	63,894	16,487	45,518	(3,317)	926,097	826,162
Multi-asset	469,845	14,704	926	29,030	(3,269)	511,236	478,463
Alternatives	105,336	14,578	5,002	1,940	(666)	126,190	115,924
Active subtotal	1,682,794	75,193	20,255	84,672	(9,521)	1,853,393	1,705,561
Index and <i>iShares</i> ETFs:							
<i>iShares</i> ETFs:							
Equity	1,346,288	84,277	-	34,624	(2,566)	1,462,623	1,386,175
Fixed income	401,731	95,478	-	18,198	(1,564)	513,843	440,536
Multi-asset	3,767	502	-	170	3	4,442	4,030
Alternatives	24,979	1,603	-	1,381	(4)	27,959	25,057
<i>iShares</i> ETFs subtotal	1,776,765	181,860	-	54,373	(4,131)	2,008,867	1,855,798
Non-ETF Index:							
Equity	1,716,094	(75,429)	4,750	97,109	(9,148)	1,733,376	1,682,418
Fixed income	653,363	56,951	2,051	48,635	(9,810)	751,190	683,080
Multi-asset	8,054	(145)	(243)	354	30	8,050	8,002
Alternatives	4,672	138	1	(171)	(20)	4,620	4,585
Non-ETF Index subtotal	2,382,183	(18,485)	6,559	145,927	(18,948)	2,497,236	2,378,085
Index & <i>iShares</i> ETFs subtotal	4,158,948	163,375	6,559	200,300	(23,079)	4,506,103	4,233,883
Long-term	5,841,742	238,568	26,814	284,972	(32,600)	6,359,496	5,939,444
Cash management	457,054	22,864	686	2,601	(1,997)	481,208	454,495
Advisory ⁽⁴⁾	910	888	-	(16)	(4)	1,778	1,629
Total	\$ 6,299,706	\$ 262,320	\$ 27,500	\$ 287,557	\$ (34,601)	\$ 6,842,482	\$ 6,395,568

The following table presents component changes in AUM by product type for the twelve months ended June 30, 2019.

<i>(in millions)</i>	June 30, 2018	Net inflows (outflows)	Acquisitions and dispositions ⁽¹⁾	Market change	FX impact ⁽²⁾	June 30, 2019	Average AUM ⁽³⁾
Equity	\$ 3,366,480	\$ (9,135)	\$ 2,590	\$ 139,917	\$ (13,983)	\$ 3,485,869	\$ 3,353,605
Fixed income	1,858,609	216,323	18,538	112,351	(14,691)	2,191,130	1,949,778
Multi-asset	481,666	15,061	683	29,554	(3,236)	523,728	490,495
Alternatives:							
Illiquid alternatives	50,734	11,126	4,968	1,449	(367)	67,910	60,697
Liquid alternatives	52,034	3,225	28	586	(359)	55,514	52,683
Currency and commodities ⁽⁵⁾	32,219	1,968	7	1,115	36	35,345	32,186
Alternatives subtotal	134,987	16,319	5,003	3,150	(690)	158,769	145,566
Long-term	5,841,742	238,568	26,814	284,972	(32,600)	6,359,496	5,939,444
Cash management	457,054	22,864	686	2,601	(1,997)	481,208	454,495
Advisory ⁽⁴⁾	910	888	-	(16)	(4)	1,778	1,629
Total	\$ 6,299,706	\$ 262,320	\$ 27,500	\$ 287,557	\$ (34,601)	\$ 6,842,482	\$ 6,395,568

⁽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 \$542.8 billion to \$6.84 trillion at June 30, 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 \$287.6 billion was driven by higher US equity markets and fixed income appreciation.

Long-term net inflows of \$238.6 billion were comprised of net inflows of \$181.9 billion and \$58.7 billion from *iShares* ETFs and institutional clients, respectively, partially offset by net outflows of \$2.0 billion from retail clients. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$181.9 billion reflected \$92.7 billion and \$89.2 billion of net inflows into Core and non-Core ETFs, respectively. By region, *iShares* ETFs inflows were diversified with \$129.7 billion of net inflows in US-listed *iShares* ETFs and \$40.5 billion of net inflows in European-listed *iShares* ETFs. Fixed income net inflows of \$95.5 billion were led by flows into treasuries, investment grade corporate bond and emerging markets debt ETFs. Equity net inflows of \$84.3 billion were driven by both US and international equity market exposures.
- Institutional active net inflows of \$81.4 billion reflected active fixed income, multi-asset and alternative net inflows of \$58.6 billion, \$20.5 billion and \$11.3 billion, respectively, partially offset by active equity net outflows of \$9.0 billion. Active fixed income net inflows included the previously mentioned significant strategic client mandates and active multi-asset net inflows reflected continued growth in *LifePath* target-date series and asset allocation strategies. Alternatives net inflows were led by flows into illiquid alternatives, including infrastructure, real estate and LTPC.
- Institutional index net outflows of \$22.7 billion were primarily driven by equity net outflows of \$78.4 billion, linked to client asset allocation, re-balancing and cash needs, partially offset by fixed income net inflows of \$55.7 billion, led by continued demand for liability-driven investment fixed income solutions.
- Retail net outflows of \$2.0 billion reflected net outflows of \$19.1 billion internationally, partially offset by net inflows of \$17.1 billion in the United States. Retail net outflows reflected net outflows from international equities and world allocation strategies, partially offset by net inflows into fixed income products and event-driven liquid alternative funds, as well as the close of the BlackRock Science and Technology Trust II closed-end fund.

Cash management AUM increased to \$481.2 billion, primarily due to net inflows of \$22.9 billion.

AUM decreased \$34.6 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the US dollar, largely against the British pound and Euro, partially offset by the weakening of the US dollar against the Japanese yen.

DISCUSSION OF FINANCIAL RESULTS

The Company's results of operations for the three and six months ended June 30, 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

The table below presents detail of revenue for the three and six months ended June 30, 2019 and 2018 and includes the asset type mix of investment advisory, administration fees and securities lending revenue (collectively "base fees").

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	\$ 385	\$ 426	\$ 760	\$ 864
iShares ETFs	870	911	1,717	1,837
Non-ETF Index	163	187	327	363
Equity subtotal	1,418	1,524	2,804	3,064
Fixed income:				
Active	474	458	931	914
iShares ETFs	234	207	454	415
Non-ETF Index	98	101	195	194
Fixed income subtotal	806	766	1,580	1,523
Multi-asset	288	295	564	591
Alternatives:				
Illiquid alternatives	118	83	228	160
Liquid alternatives	102	93	196	194
Currency and commodities ⁽¹⁾	24	26	48	51
Alternatives subtotal	244	202	472	405
Long-term	2,756	2,787	5,420	5,583
Cash management	147	157	288	308
Total base fees	2,903	2,944	5,708	5,891
Investment advisory performance fees:				
Equity	4	43	4	61
Fixed income	—	(1)	2	2
Multi-asset	6	9	6	14
Alternatives:				
Illiquid alternatives	15	2	35	2
Liquid alternatives	39	38	43	82
Alternatives subtotal	54	40	78	84
Total performance fees	64	91	90	161
Technology services revenue	237	198	441	382
Distribution fees:				
Retrocessions	164	181	325	373
12b-1 fees (US mutual funds distribution fees)	88	103	177	211
Other	15	10	27	21
Total distribution fees	267	294	529	605
Advisory and other revenue:				
Advisory	22	33	41	54
Other	31	45	61	95
Total advisory and other revenue	53	78	102	149
Total revenue	\$ 3,524	\$ 3,605	\$ 6,870	\$ 7,188

⁽¹⁾ Amount include commodity iShares ETFs.

The table below lists base fees and mix of average AUM by product type:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Mix of Base Fees		Mix of Average AUM by Asset Class ⁽¹⁾		Mix of Base Fees		Mix of Average AUM by Asset Class ⁽²⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Equity:								
Active	13%	15%	4%	5%	13%	15%	4%	5%
iShares ETFs	30%	31%	22%	21%	30%	31%	22%	21%
Non-ETF Index	6%	6%	25%	27%	6%	6%	25%	27%
Equity subtotal	49%	52%	51%	53%	49%	52%	51%	53%
Fixed income:								
Active	17%	16%	14%	13%	17%	16%	13%	13%
iShares ETFs	8%	7%	7%	6%	8%	7%	7%	6%
Non-ETF Index	3%	3%	11%	10%	3%	3%	11%	10%
Fixed income subtotal	28%	26%	32%	29%	28%	26%	31%	29%
Multi-asset	10%	10%	8%	8%	10%	10%	8%	8%
Alternatives:								
Illiquid alternatives	4%	3%	1%	1%	4%	3%	1%	1%
Liquid alternatives	3%	3%	1%	1%	3%	3%	1%	1%
Currency and commodities	1%	1%	0%	1%	1%	1%	1%	1%
Alternatives subtotal	8%	7%	2%	3%	8%	7%	3%	3%
Long-term	95%	95%	93%	93%	95%	95%	93%	93%
Cash management	5%	5%	7%	7%	5%	5%	7%	7%
Total excluding Advisory AUM	100%	100%	100%	100%	100%	100%	100%	100%

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

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

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Revenue decreased \$81 million, or 2%, from the three months ended June 30, 2018, primarily driven by lower base fees, performance fees and advisory and other revenue, partially offset by higher technology services revenue.

Investment advisory, administration fees and securities lending revenue of \$2,903 million decreased \$41 million from \$2,944 million for the three months ended June 30, 2018, primarily driven by lower securities lending revenue, as well as the negative impact of divergent equity beta and foreign exchange movements on average AUM, mix shift toward fixed income and cash, and strategic price changes to certain products, partially offset by the positive impact of acquisitions and organic growth. Securities lending revenue of \$150 million in the current quarter compared with \$183 million in the second quarter of 2018, primarily reflecting reduced borrowing demand, lower cash spreads and reduced European seasonal demand.

Investment advisory performance fees of \$64 million decreased \$27 million from \$91 million for the three months ended June 30, 2018, primarily reflecting lower revenue from long-only equity products.

Technology services revenue of \$237 million increased \$39 million from \$198 million for the three months ended June 30, 2018, primarily reflecting higher revenue from *Aladdin* and the impact of the eFront acquisition.

Advisory and other revenue of \$53 million decreased \$25 million from \$78 million for the three months ended June 30, 2018, primarily reflecting lower fees from advisory and transition management assignments.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Revenue decreased \$318 million, or 4%, from the six months ended June 30, 2018, primarily driven by lower base fees, performance fees and advisory and other revenue, partially offset by higher technology services revenue.

Investment advisory, administration fees and securities lending revenue of \$5,708 million decreased \$183 million from \$5,891 million for the six months ended June 30, 2018, primarily driven by the impact of negative markets and foreign exchange movements on average AUM, mix shift toward fixed income and cash, strategic price changes to certain products and lower securities lending revenue, partially offset by the positive impact of acquisitions and organic growth. Securities lending revenue of \$298 million for the six months ended June 30, 2019 compared with \$338 million for the six months ended June 30, 2018, primarily reflecting reduced European seasonal demand and lower cash spreads.

Investment advisory performance fees of \$90 million decreased \$71 million from \$161 million for the six months ended June 30, 2018, primarily reflecting lower revenue from long-only equity products and liquid alternatives, partially offset by higher revenue from illiquid alternatives.

Technology services revenue of \$441 million increased \$59 million from \$382 million for the six months ended June 30, 2018, primarily reflecting higher revenue from *Aladdin* and the impact of the eFront acquisition.

Advisory and other revenue of \$102 million decreased \$47 million from \$149 million for the six months ended June 30, 2018, primarily reflecting lower earnings from an equity method investment and lower fees from advisory and transition management assignments.

Expense

(in millions)

Expense, GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Employee compensation and benefits	\$ 1,083	\$ 1,082	\$ 2,147	\$ 2,203
Distribution and servicing costs:				
Retrocessions	164	181	325	373
12b-1 costs	88	101	176	207
Other	164	133	319	267
Total distribution and servicing costs	416	415	820	847
Direct fund expense	252	264	494	525
General and administration:				
Marketing and promotional	81	91	162	176
Occupancy and office related	75	73	149	147
Portfolio services	65	73	127	143
Technology	67	58	136	111
Professional services	44	37	77	69
Communications	10	9	19	19
Foreign exchange remeasurement	12	4	20	5
Contingent consideration fair value adjustments	13	(1)	19	5
Product launch costs	59	—	59	11
Other general and administration	44	49	90	90
Total general and administration expense	470	393	858	776
Amortization of intangible assets	25	11	40	22
Total expense, GAAP	\$ 2,246	\$ 2,165	\$ 4,359	\$ 4,373

Less non-GAAP expense adjustments:

Employee compensation and benefits:				
PNC LTIP funding obligation	—	3	—	6

Expense, as adjusted:

Employee compensation and benefits	\$ 1,083	\$ 1,079	\$ 2,147	\$ 2,197
Distribution and servicing costs	416	415	820	847
Direct fund expense	252	264	494	525
General and administration	470	393	858	776
Amortization of intangible assets	25	11	40	22
Total expense, as adjusted	\$ 2,246	\$ 2,162	\$ 4,359	\$ 4,367

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

GAAP. Expense increased \$81 million from the three months ended June 30, 2018, primarily driven by higher general and administrative expense, which reflected product launch costs and acquisition-related expense in the current quarter.

General and administration expense increased \$77 million from the three months ended June 30, 2018, primarily due to \$59 million of previously mentioned product launch costs. The increase also reflected contingent consideration fair value adjustments related to prior acquisitions and professional fees incurred in connection with the eFront Transaction.

Amortization of intangible assets expense increased \$14 million from the three months ended June 30, 2018, primarily reflecting amortization of intangible assets associated with the eFront Transaction and the acquisition of TCP.

As Adjusted. Expense, as adjusted, increased \$84 million, or 4%, to \$2,246 million from \$2,162 million for the three months ended June 30, 2018. The increase in total expense, as adjusted, is driven primarily by higher general and administrative expense, including the previously described product launch costs, and amortization of intangible assets.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

GAAP. Expense decreased \$14 million from the six months ended June 30, 2018, driven primarily by lower employee compensation and benefits expense and lower volume-related expense, partially offset by higher general and administration expense, which reflected the previously mentioned product launch costs.

Employee compensation and benefits expense decreased \$56 million from the six months ended June 30, 2018, primarily reflecting lower incentive compensation, driven in part by lower operating income, partially offset by higher headcount.

Distribution and servicing costs decreased \$27 million from the six months ended June 30, 2018, reflecting lower average AUM.

Direct fund expense decreased \$31 million from the six months ended June 30, 2018, reflecting the negative impact of markets and foreign exchange movements on average AUM.

General and administration expense increased \$82 million from the six months ended June 30, 2018, primarily due to higher product launch costs, technology expense and the impact of foreign exchange remeasurement expense, partially offset by lower portfolio services and marketing and promotional expense. The increase also reflected higher contingent consideration fair value adjustments related to prior acquisitions and professional fees incurred in connection with the eFront Transaction.

Amortization of intangible assets expense increased \$18 million from the six months ended June 30, 2018, primarily reflecting amortization of intangible assets associated with the eFront Transaction and the acquisition of TCP.

As Adjusted. Expense, as adjusted, decreased \$8 million for the six months ended June 30, 2018. The decrease in total expense, as adjusted, is driven primarily by lower employee compensation and benefits expense and lower volume-related expense, partially offset by higher general and administration expense.

Nonoperating Results

The summary and reconciliation of GAAP nonoperating income (expense) to nonoperating income (expense), as adjusted for the three and six months ended June 30, 2019 and 2018 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in millions)				
Nonoperating income (expense), GAAP basis ⁽¹⁾	\$ 57	\$ (24)	\$ 182	\$ (40)
Less: Net income (loss) attributable to NCI	10	5	17	10
Nonoperating income (expense), as adjusted, net of NCI ⁽²⁾⁽³⁾	<u>\$ 47</u>	<u>\$ (29)</u>	<u>\$ 165</u>	<u>\$ (50)</u>

⁽¹⁾ Amounts include a gain of \$39 million and a loss of \$14 million for the three months ended June 30, 2019 and 2018, respectively, attributable to consolidated variable interest entities ("VIEs"). Amounts include a gain of \$133 million and a loss of \$12 million for the six months ended June 30, 2019 and 2018, respectively, attributable to consolidated 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 and six months ended June 30, 2019 and 2018.

The components of nonoperating income (expense), as adjusted, for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in millions)				
Net gain (loss) on investments ⁽¹⁾⁽²⁾				
Private equity	\$ 32	\$ 5	\$ 32	\$ 6
Real assets	4	9	10	14
Other alternatives ⁽³⁾	7	1	15	4
Other investments ⁽⁴⁾	31	(18)	104	(17)
Subtotal	74	(3)	161	7
Other gains ⁽⁵⁾	5	1	53	1
Total net gain (loss) on investments ⁽¹⁾⁽²⁾	79	(2)	214	8
Interest and dividend income	20	19	49	34
Interest expense	(52)	(46)	(98)	(92)
Net interest expense	(32)	(27)	(49)	(58)
Nonoperating income (expense), as adjusted ⁽¹⁾⁽²⁾	<u>\$ 47</u>	<u>\$ (29)</u>	<u>\$ 165</u>	<u>\$ (50)</u>

⁽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 and six months ended June 30, 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 strategic minority investments.

Income Tax Expense

	GAAP				As Adjusted			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
(in millions)	2019	2018	2019	2018	2019	2018	2019	2018
Operating income ⁽¹⁾	\$ 1,278	\$ 1,440	\$ 2,511	\$ 2,815	\$ 1,278	\$ 1,443	\$ 2,511	\$ 2,821
Total nonoperating income (expense) ⁽¹⁾⁽²⁾	47	(29)	165	(50)	47	(29)	165	(50)
Income before income taxes ⁽²⁾	\$ 1,325	\$ 1,411	\$ 2,676	\$ 2,765	\$ 1,325	\$ 1,414	\$ 2,676	\$ 2,771
Income tax expense	\$ 322	\$ 338	\$ 620	\$ 603	\$ 322	\$ 334	\$ 620	\$ 599
Effective tax rate	24.3%	24.0%	23.2%	21.8%	24.3%	23.7%	23.2%	21.7%

⁽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.

The six months ended June 30, 2019 and 2018 income tax expense included \$22 million and \$58 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.

June 30, 2019				
(in millions)	GAAP Basis	Separate Account Assets/Collateral ⁽¹⁾	Consolidated Sponsored Investment Products ⁽²⁾	As Adjusted
Assets				
Cash and cash equivalents	\$ 3,920	\$ —	\$ 13	\$ 3,907
Accounts receivable	2,863	—	—	2,863
Investments	1,989	—	34	1,955
Assets of consolidated VIEs:				
Cash and cash equivalents	103	—	103	—
Investments	2,431	—	772	1,659
Other assets	63	—	63	—
Separate account assets and collateral held under securities lending agreements	115,253	115,253	—	—
Other assets ⁽³⁾	3,737	—	(8)	3,745
Subtotal	130,359	115,253	977	14,129
Goodwill and intangible assets, net	32,988	—	—	32,988
Total assets	<u>\$ 163,347</u>	<u>\$ 115,253</u>	<u>\$ 977</u>	<u>\$ 47,117</u>
Liabilities				
Accrued compensation and benefits	\$ 1,078	\$ —	\$ —	\$ 1,078
Accounts payable and accrued liabilities	1,277	—	—	1,277
Liabilities of consolidated VIEs	644	—	644	—
Borrowings	5,964	—	—	5,964
Separate account liabilities and collateral liabilities under securities lending agreements	115,253	115,253	—	—
Deferred income tax liabilities ⁽⁴⁾	3,825	—	—	3,825
Other liabilities	2,646	—	(434)	3,080
Total liabilities	<u>130,687</u>	<u>115,253</u>	<u>210</u>	<u>15,224</u>
Equity				
Total stockholders' equity	31,893	—	—	31,893
Noncontrolling interests	767	—	767	—
Total equity	<u>32,660</u>	<u>—</u>	<u>767</u>	<u>31,893</u>
Total liabilities and equity	<u>\$ 163,347</u>	<u>\$ 115,253</u>	<u>\$ 977</u>	<u>\$ 47,117</u>

(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 and other assets.

(4) Amount includes approximately \$4.2 billion of deferred income tax liabilities related to goodwill and intangibles.

The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of June 30, 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 June 30, 2019 and December 31, 2018 included \$13 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 six months ended June 30, 2019).

Accounts receivable at June 30, 2019 increased \$206 million from December 31, 2018, primarily due to higher technology services and base fees receivables. Investments were \$1,989 million at June 30, 2019 (for more information see *Investments* herein). Goodwill and intangible assets increased \$1,623 million from December 31, 2018, primarily due to the eFront Transaction, partially offset by amortization of intangible assets. Other assets (including operating lease right-of-use ("ROU") assets and property and equipment) increased \$966 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).

Liabilities. Accrued compensation and benefits at June 30, 2019 decreased \$910 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. Other liabilities increased \$757 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), partially offset by contingent liability payments in connection with certain prior acquisitions. Net deferred income tax liabilities at June 30, 2019 increased \$254 million from December 31, 2018, primarily due to the effects of temporary differences associated with the eFront Transaction, 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 \$1,989 million and \$2,431 million, respectively, at June 30, 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.

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Investments, GAAP	\$ 1,989	\$ 1,796
Investments held by consolidated VIEs, GAAP	2,431	2,680
Total Investments	4,420	4,476
Investments held by consolidated VIEs	(2,431)	(2,680)
Net interest in consolidated VIEs ⁽¹⁾	1,659	1,661
Investments held by consolidated VREs	(452)	(524)
Net interest in consolidated VREs	418	448
Total Investments, as adjusted	3,614	3,381
Federal Reserve Bank stock	(93)	(92)
Deferred compensation investments	(22)	(34)
Hedged investments	(522)	(483)
Carried interest (VIEs/VREs)	(441)	(387)
Total "economic" investment exposure	\$ 2,536	\$ 2,385

⁽¹⁾ Amount includes \$429 million of carried interest (VIEs) as of June 30, 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 June 30, 2019 and December 31, 2018:

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Private equity	\$ 232	\$ 305
Real assets	356	377
Other alternatives ⁽¹⁾	231	199
Other investments ⁽²⁾	1,717	1,504
Total "economic" investment exposure	\$ 2,536	\$ 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 six months ended June 30, 2019 was as follows:

<i>(in millions)</i>	Six Months Ended June 30, 2019
Total Investments, as adjusted, beginning balance	\$ 3,381
Purchases/capital contributions/acquisitions	387
Sales/maturities	(365)
Distributions ⁽¹⁾	(77)
Market appreciation(depreciation)/earnings from equity method investments	234
Carried interest capital allocations/(distributions)	54
Total Investments, as adjusted, ending balance	\$ 3,614

⁽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:

	GAAP Basis	Impact on Cash Flows of Consolidated Sponsored Investment Products	Cash Flows Excluding Impact of Consolidated Sponsored Investment Products
<i>(in millions)</i>			
Cash, cash equivalents and restricted cash, December 31, 2018	\$ 6,505	\$ 245	\$ 6,260
Net cash provided by/(used in) operating activities	697	(534)	1,231
Net cash provided by/(used in) investing activities	(1,663)	(97)	(1,566)
Net cash provided by/(used in) financing activities	(1,508)	502	(2,010)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9	—	9
Net increase/(decrease) in cash, cash equivalents and restricted cash	(2,465)	(129)	(2,336)
Cash, cash equivalents and restricted cash, June 30, 2019	\$ 4,040	\$ 116	\$ 3,924

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 provided by 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 six months ended June 30, 2019 were \$1,566 million and primarily reflected \$1.5 billion of cash outflow related to the eFront Transaction, \$73 million of investment purchases and \$105 million of purchases of property and equipment, partially offset by \$71 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 six months ended June 30, 2019 were \$2,010 million, primarily resulting from \$1.8 billion of share repurchases, including \$300 million in open market transactions, a \$1.3 billion private transaction and \$229 million of employee tax withholdings related to employee stock transactions, and \$1.1 billion of cash dividend payments, partially offset by \$992 million of proceeds from long-term borrowings.

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at June 30, 2019 and December 31, 2018 were as follows:

<i>(in millions)</i>	June 30, 2019	December 31, 2018
Cash and cash equivalents ⁽¹⁾	\$ 3,920	\$ 6,302
Cash and cash equivalents held by consolidated VREs ⁽²⁾	(13)	(59)
Subtotal	3,907	6,243
Credit facility – undrawn	4,000	4,000
Total liquidity resources ⁽³⁾	<u>\$ 7,907</u>	<u>\$ 10,243</u>

⁽¹⁾ The percentage of cash and cash equivalents held by the Company's US subsidiaries was approximately 40% and 50% at June 30, 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 \$2,336 million during the six months ended June 30, 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, approximately \$1.5 billion of cash outflow related to the eFront Transaction, and cash dividend payments of \$1.1 billion, partially offset by \$992 million of proceeds from long-term borrowings and cash flows from other operating activities.

A significant portion of the Company's \$3,614 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 six months ended June 30, 2019, the Company repurchased 3.8 million common shares 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 June 30, 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 and other fiduciary 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 June 30, 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 June 30, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At June 30, 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 June 30, 2019, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

At June 30, 2019, the principal amount of long-term borrowings outstanding was \$6.0 billion. See Note 13, *Borrowings*, in the 2018 Form 10-K for more information on borrowings outstanding as of December 31, 2018.

During the six months ended June 30, 2019, the Company paid approximately \$92 million of interest on long-term borrowings. Future principal repayments and interest requirements at June 30, 2019 were as follows:

(in millions)

Year	Principal	Interest	Total Payments
Remainder of 2019	\$ 1,000	\$ 99	\$ 1,099
2020	—	157	157
2021	750	141	891
2022	750	113	863
2023	—	100	100
2024	1,000	83	1,083
Thereafter ⁽¹⁾	2,497	212	2,709
Total	<u>\$ 5,997</u>	<u>\$ 905</u>	<u>\$ 6,902</u>

⁽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 June 30, 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"). 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 June 30, 2019, the Company had \$605 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 June 30, 2019 totaled \$168 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 June 30, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$205 billion. The Company held, as agent, cash and securities totaling \$219 billion as collateral for indemnified securities on loan at June 30, 2019. The fair value of these indemnifications was not material at June 30, 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 notes to 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 6, *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 7, *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 notes to 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 June 30, 2019 and December 31, 2018, the Company had \$365 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 15, *Revenue*, in the notes to the condensed consolidated financial statements for detailed changes in the deferred carried interest liability balance for the three and six months ended June 30, 2019 and 2018.

Accounting Developments

For accounting pronouncements that the Company adopted during the six months ended June 30, 2019, see Note 2, *Significant Accounting Policies*, in the notes to 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 June 30, 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 June 30, 2019, the Company had outstanding total return swaps with an aggregate notional value of approximately \$522 million. At June 30, 2019, there were no outstanding interest rate swaps.

At June 30, 2019, approximately \$2.9 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 \$2,536 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 June 30, 2019, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$1,023 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 \$102 million in the carrying value of such investments.

Interest Rate/Credit Spread Risk. At June 30, 2019, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$1,513 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 \$44 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 \$733 million at June 30, 2019. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$73 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 June 30, 2019, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$2.1 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 June 30, 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 governmental and 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 this 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, which remains pending.

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." The plaintiffs seek unspecified monetary and rescission damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, the 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 this 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 the 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 the 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, and on June 3, 2019, the plaintiffs filed a motion seeking to certify both the Plan and the CTF classes. Both motions are 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 June 30, 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⁽¹⁾	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
April 1, 2019 through April 30, 2019	2,631	\$ 427.38	—	6,077,434
May 1, 2019 through May 31, 2019	6,095	\$ 478.99	—	6,077,434
June 1, 2019 through June 30, 2019	8,486	\$ 426.59	—	6,077,434
Total	17,212	\$ 445.27	—	

⁽¹⁾ Consists of 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.

Item 5. Other Information

On August 5, 2019, the Company adopted a carried interest retention incentive program. For further information, see Note 24, *Subsequent Events*, to the condensed consolidated financial statements included in Part I of this Form 10-Q.

Item 6. Exhibits

Exhibit No.	Description
10.1	BlackRock, Inc. Leadership Retention Carry Plan. +
10.2	Form of Percentage Points Award Agreement pursuant to the BlackRock, Inc. Leadership Retention Carry Plan. +
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

+ Denotes compensatory plan or arrangement.

SIGNATURES

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

BLACKROCK, INC.
(Registrant)

Date: August 8, 2019

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

BLACKROCK, INC.
LEADERSHIP RETENTION CARRY PLAN

1. Purpose. The Plan is intended to provide deferred compensation for a select group of management or highly compensated employees, as described in Section 201(2) of ERISA, in the form of Percentage Points granted to Eligible Individuals. The purpose of the Plan is to afford a retention incentive to Eligible Individuals to (i) continue as employees of the Company and its Affiliates, (ii) increase their efforts on behalf of the Company, (iii) further align their interests with those of the Company's clients, and (iv) promote the success of the Company's business. Pursuant to the Plan, the Company may grant Percentage Points to Eligible Individuals. Capitalized terms used but not otherwise defined herein shall have the meaning set forth in Section 2.
2. Definitions.
 - (a) "Affiliate" has the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
 - (b) "Award" means an award of Percentage Points granted under the Plan.
 - (c) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.
 - (d) "BlackRock Share Carry Pool" means, as determined by the Committee in its sole discretion, a dollar amount equal to 100% of the total carried interest distributions allocated and paid to the Company or any of its Subsidiaries or Affiliates, including any amounts payable to Eligible Individuals pursuant to the terms of the Plan; provided, that no amount shall be deemed to be part of the BlackRock Share Carry Pool unless and until it is no longer subject to clawback pursuant to the terms of the governing documents of the applicable Participating Carry Fund. For the avoidance of doubt, the BlackRock Share Carry Pool shall not include (i) the "management share" of carried interest distributions in respect of any Participating Carry Fund and (ii) any amounts received by the Company or any of its Subsidiaries or Affiliates that are allocated to participants under any compensatory programs (other than the Plan) intended to track the value of interests in the Participating Carry Funds (i.e., "shadow carry" programs), in each case as determined by the Committee in its sole discretion.
 - (e) "Board" means the Board of Directors of the Company.
 - (f) "Cause" means the occurrence of any of the following: (i) gross negligence or intentional misconduct by the Grantee that (a) is in connection with the Grantee's duties to the Company or any Subsidiary or Affiliate or (b) causes, or is reasonably expected to cause, harm (monetarily or otherwise) to the Company or its Subsidiaries or Affiliates, employees or Clients; (ii) the Grantee's breach of fiduciary duty owed to the Company or its Subsidiaries or Affiliates or Clients; (iii) any misappropriation or embezzlement by the Grantee, or any action by the Grantee involving theft, fraud or material personal dishonesty; (iv) any violation by the Grantee of any domestic or foreign securities laws, rules or regulations including, but not limited to, those of any self-regulatory organization or authority; (v) the Grantee's indictment, conviction of or guilty or nolo contendere plea to a felony or any crime involving theft, fraud or embezzlement or personal dishonesty, provided that if the Grantee is terminated for Cause because of an indictment and such indictment does not ultimately result in a conviction or plea that would otherwise constitute Cause hereunder, then such

termination will be deemed to be an involuntary termination other than for Cause as of the date of Grantee's original termination; (vi) the Grantee's willful failure or refusal to perform material duties or material obligations owed to the Company or its Subsidiaries or Affiliates; or (vii) the Grantee's material violation of the written policies of the Company or its Subsidiaries or Affiliates, including the Confidentiality Policy and Code of Business Conduct and Ethics. A determination of Cause shall be in the sole discretion of the Company. For purposes of the Plan, (i) "Client" means any person, firm, company, or other organization (including an Intermediary Client) to whom the Company or any of its Affiliates has supplied services, products or professional advice and (ii) "Intermediary Client" means any person or entity (such as a broker dealer, distributor, financial adviser, administrator or other marketing or service organization) through which the Company or any of its Affiliates offers, markets, distributes or provides its services, products or advice.

- (g) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- (h) "Committee" means the Management Development and Compensation Committee of the Board, or any person or group of persons to whom the Management Development and Compensation Committee of the Board delegates authority to administer the Plan.
- (i) "Company" means BlackRock, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.
- (j) "Competitive Activity" means any activity that competes with the business operations of the Company, as determined by the Committee in its sole discretion, and shall include representing or associating in any capacity (including, without limitation, as an officer, employee, partner, director, consultant, agent, advisor or security holder) with a company that competes with the Company or any of its Subsidiaries or Affiliates. Notwithstanding the foregoing, the Grantee's beneficial ownership of less than five percent (5%) of the economic or voting interests of a publicly-held company shall not constitute a Competitive Activity.
- (k) "Confidentiality Policy" means the Company's Confidentiality and Employment Policy, as it may be amended from time to time.
- (l) "Disability" means a disability as defined in Section 409A(a)(2)(C) of the Code and the applicable guidance thereunder.
- (m) "Eligible Individual" means any individual performing services for the Company or an Affiliate and designated as an employee on the payroll records of the Company or such Affiliate, as determined and designated by the Committee in its sole discretion; provided that participation in the Plan shall be limited to a select group of management or highly compensated employees, as described in Section 201(2) of ERISA.
- (n) "ERISA" means the Employee Retirement Income Security Act of 1972, as amended from time to time.
- (o) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.
- (p) "Good Leaver Date" means the effective date of the Grantee's Good Leaver Termination.

- (q) “Good Leaver Termination” means a termination of the Grantee’s employment with the Company or an Affiliate due to the Grantee’s Retirement, Disability or death.
- (r) “Grantee” means an Eligible Individual who has been granted an Award under the Plan.
- (s) “Measurement Date” means January 31 of the year of distribution with respect to each of the Initial Distribution, Second Distribution and Third Distribution.
- (t) “Participating Carry Funds” will be those carry vehicles (which may include one or more series or classes under a particular “master” carry vehicle) that (i) had an initial close during the period commencing in the year of grant and ending on participant’s “Good Leaver Date” and (ii) are listed in the Award Agreement for each Grantee, as may be updated from time to time as determined by the Committee or its delegate in its sole discretion.
- (u) “Percentage Points” mean an award of points granted pursuant to Section 6 that is used to determine the cash payments to the Grantee with respect to the BlackRock Share Carry Pool.
- (v) “Plan” means this BlackRock, Inc. Leadership Retention Carry Plan, as amended from time to time.
- (w) “Restrictive Covenant Obligations” mean, collectively with the Confidentiality Policy, any restrictive covenant obligations included in or attached as an appendix to an Award Agreement.
- (x) “Retirement” means the occurrence of a Good Leaver Date as a result of the Grantee’s voluntary resignation (other than a voluntary resignation following the occurrence of an event that constitutes Cause) that is (i) in circumstances where the Grantee represents that any future work will not involve a breach of the Restrictive Covenant Obligations and (ii) after the Grantee has satisfied the Rule of 65, (A) (1) with at least the age of 60, if the Grantee did not attain age 54 on or prior to January 19, 2016, or (2) with at least the age of 55, if the Grantee attained age 54 on or prior to January 19, 2016, and (B) with a total of at least three (3) years of Credited Service (as defined below); in each case, provided, that, the Grantee has provided written notice to the Company at least one (1) year prior to such Good Leaver Date in accordance with applicable Company policy, unless, in each case, as otherwise determined by the Committee in its sole discretion.
- (y) “Rule of 65” means the sum of the Grantee’s age and years of combined and continuous service with Company or any of its Affiliates (including periods of employment with an entity prior to it becoming a Subsidiary and, to the extent determined by the Committee) (such service, “Credited Service”) equals at least sixty-five (65). For purposes of determining the Rule of 65, years of age and Credited Service equal full years and completed months.
- (z) “Subsidiary” means any corporation in an unbroken chain of corporations beginning with the Company if, at the time of granting of an Award, each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

3. Administration.

- (a) The Plan shall be administered by the Committee. The Committee's decisions, determinations and interpretations will be final and binding on the Company and all of the Eligible Individuals. The Committee shall have the power and authority, without limitation: (i) to select Eligible Individuals; (ii) to determine whether and to what extent Percentage Points are to be granted to Eligible Individuals; (iii) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all outstanding Percentage Points (including any amendments to the terms and conditions or number of outstanding Percentage Points or Participating Carry Funds); (iv) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable; (v) to construe and interpret the terms and provisions of the Plan and any Award Agreement; (vi) to correct any defect, supply any omission or reconcile any inconsistency in the terms of the Plan or any Award Agreement in the manner and to the extent that it shall deem advisable and (vii) to otherwise supervise the administration of the Plan and to exercise all powers and authorities necessary and advisable in the administration of the Plan.
- (b) The Committee's determinations under the Plan need not be uniform and may be made by it selectively among Eligible Individuals (whether or not such Eligible Individuals are similarly-situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform Award Agreements, as to the Eligible Individuals to receive Awards under the Plan and the terms and provisions of Awards under the Plan. The Committee may provide that any conditions, restrictions or forfeiture conditions relating to the Plan will be waived or will not apply, in whole or in part, or in any individual case, as it may deem advisable or necessary.
- (c) No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

4. Eligibility. Except as provided below, Awards shall be granted to the Eligible Individuals selected by the Committee. In determining the Eligible Individuals to whom Awards shall be granted, the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan. Each Eligible Individual selected to participate in the Plan shall receive an Award Agreement confirming such Eligible Individual's participation in the Plan.

5. Percentage Points Subject to the Plan.

- (a) Percentage Points. A total of one hundred (100) Percentage Points shall be reserved for issuance under the Plan. If any Percentage Points subject to an Award are forfeited, cancelled, exchanged or surrendered, the Percentage Points with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange or surrender, again be available for issuance under the Plan.
- (b) Adjustments. In the event that the Committee shall determine that any dividend or other distribution, recapitalization, reorganization, merger, consolidation, spin-off, combination, reclassification or other similar corporate transaction or event (any such event, a "Change in Capitalization") affects the Plan or any Award granted thereunder such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Grantees under the Plan, then the Committee shall make

such equitable changes or adjustments as it deems necessary or appropriate in its sole discretion to the Plan or any Award granted thereunder. Any adjustment made pursuant to this Section is intended to be made in a manner that complies with Section 409A of the Code and all regulations and other guidance issued thereunder.

6. Award of Percentage Points. The Committee is authorized to grant Percentage Points to Eligible Individuals, subject to the following terms and conditions:
 - (a) Cash Distributions. Subject to the terms and conditions set forth in the Plan and the Award Agreement, the Percentage Points shall confer upon the Grantee the right to receive a cash payment equal to the excess of (A) the product of (x) the BlackRock Share Carry Pool and (y) a fraction, the numerator of which is the total number of the Grantee's Percentage Points and denominator of which is the total number of Percentage Points reserved for issuance under the Plan, over (B) the total amount of cash payments (if any) previously made to the Grantee with respect to such Percentage Points in accordance with this Section (a "Cash Distribution").
 - (b) Vesting; Termination of Employment. Subject to the terms and conditions relating to the timing of payment set forth in Section 6(c), Cash Distributions shall only be made following the Grantee's Good Leaver Termination, provided that the Grantee (i) executes (and does not revoke), and continues to comply with, a general release of claims in favor of the Company and its Subsidiaries and Affiliates in the form provided by the Company that becomes effective within sixty (60) days following the Grantee's Good Leaver Date, (ii) does not engage in Competitive Activity and (iii) continues to comply with the Restrictive Covenant Obligations. In the event that the Grantee's employment with the Company or an Affiliate is terminated other than pursuant to the Grantee's Good Leaver Termination, the Percentage Points shall be forfeited and the Grantee shall not be entitled to receive any Cash Distributions with respect thereto.
 - (c) Distribution Timing. An initial distribution (the "Initial Distribution") of 80% of the Cash Distributions due to the Grantee calculated as of the applicable Measurement Date will occur on the first payroll date following June 30 of the calendar year immediately following the calendar year in which the Grantee's Good Leaver Date occurs. Following the Initial Distribution, (i) a second distribution will occur on the first payroll date following the date that is forty-eight (48) months following the date of the Initial Distribution (the "Second Distribution") and (ii) a third distribution will occur on the first payroll date following the date that is one-hundred and eight (108) months following the date of the Initial Distribution (the "Third Distribution"). The Second Distribution shall consist of 80% of the Cash Distributions due to the Grantee calculated as of the applicable Measurement Date. The Third Distribution shall consist of 100% of the Cash Distributions due to the Grantee calculated as of the applicable Measurement Date. Subject to the 80% payout limitations described above with respect to the Initial Distribution and the Second Distribution, amounts distributed to the Grantee will be based on actual carried interest distributions of the Participating Carry Funds from the prior Measurement Date through the current Measurement Date (and in the case of the Initial Distribution, from the date of grant of the Percentage Points to the Grantee through the applicable Measurement Date).
 - (d) Restrictive Covenant Obligations. The Award Agreement evidencing the grant of Percentage Points granted under the Plan shall include restrictive covenant obligations as determined by the Committee in its sole discretion, including a requirement not to disclose proprietary information, disparage the Company or any

of its Affiliates or employees of the Company or any of its Affiliates, solicit clients or hire away employees of the Company or any of its Affiliates.

- (e) Forfeiture. If at any time during the Grantee's employment with the Company or an Affiliate or following the Grantee's Good Leaver Date, the Grantee either (i) engages in Competitive Activity or (ii) violates any of the restrictions set out in the Restrictive Covenant Obligations, in each case, as determined by the Committee in its sole discretion (and without regard to the actual post-employment duration of such Restrictive Covenant Obligations):
 - (i) the Grantee's Percentage Points shall be forfeited and the Grantee shall not be entitled to receive any Cash Distributions with respect thereto; provided, that (1) the Committee may provide, by adoption of any administrative rule, guideline or practice governing the Plan as it shall from time to time deem advisable in accordance with Section 3 or in any Award Agreement, or may determine in any individual case, that the restrictions or forfeiture conditions relating to the Percentage Points will be waived in whole or in part in the event of a termination of employment resulting from specified causes and (2) the Committee may, in other cases, waive in whole or in part the forfeiture of the Percentage Points; and
 - (ii) the Company shall have the right to require the Grantee to repay to the Company the gross, pre-tax amount of the most recent Cash Distribution received by the Grantee with respect to the Percentage Points.
- (f) Clawback Policy. Any grant of Percentage Points pursuant to the Plan shall be subject to the Company's Clawback Policy, as it may be amended from time to time (the "Clawback Policy"). Subject to the terms of the Clawback Policy, in the event that a determination is made under the Clawback Policy that the Grantee engaged in fraud or willful misconduct that caused the need for a significant restatement of BlackRock's financial statements, (i) the Grantee shall repay to the Company the Cash Distributions delivered to the Grantee as determined to be repaid under the Clawback Policy and (ii) the Percentage Points shall be forfeited and the Grantee shall not be entitled to receive any further Cash Distributions with respect thereto.
- (g) Other Provisions. Percentage Points may be subject to such other conditions as the Committee may prescribe in its discretion or as may be required by applicable law.

7. Claims Appeal Procedure.

- (a) The Grantee may make a claim pursuant to the Plan or any Award granted thereunder in writing to the Committee (or its designee) (the "Administrator"). The Administrator shall make all determinations concerning such claim. Any decision by the Administrator denying such claim shall be in writing and shall be delivered to the Grantee, or if applicable, anyone who makes a claim in respect of the Grantee. Such decision shall set forth the specific reasons for denial in plain language. Pertinent provisions of the Plan and Award Agreement shall be cited and, where appropriate, an explanation as to how the claimant can perfect the claim will be provided, including a description of any additional material or information needed to perfect the claim. The notice of benefit denial shall also provide a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review. This notice of denial of benefits will be provided within ninety (90) days of the Administrator's receipt of the claimant's claim for

benefits, unless the Administrator determines that special circumstances require an extension of up to ninety (90) additional days to process the claim, in which case the Administrator will notify the claimant of the extension prior to the expiration of the initial ninety (90) day period and the special circumstances that warrant the extension. If the Administrator fails to notify the claimant of the Administrator's decision regarding the claim, the claim shall be considered denied, and the claimant shall then be permitted to proceed with an appeal as provided in Section 7(b).

If the claim involves a determination of Disability, the Administrator shall furnish the Grantee, or if applicable, anyone who makes a claim in respect of the Grantee, with notice of the denial within forty-five (45) days of the date the original claim was filed. In addition to satisfying the general notice of denial requirements described above, the Administrator must provide the Grantee with (a) an explanation of the basis for disagreeing or not following (i) the views of the health professionals treating the Grantee or vocational professionals who evaluated the Grantee, (ii) the views of the medical or vocational experts whose advice was obtained in connection with the Grantee's claim or (iii) a disability determination by the Social Security Administration, (b) an explanation of the scientific or clinical judgment for the determination if the determination is based upon a medical necessity or experimental treatment or a statement that such explanation will be provided free of charge, (c) the internal rules, guidelines, protocols, standards or similar criteria that were relied upon in making the determination or a statement that such rules, guidelines, protocols, standards or similar criteria do not exist, and (d) a statement that the Grantee is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for Disability benefits.

- (b) A claimant who has been completely or partially denied a benefit shall be entitled to appeal this denial of his/her claim by filing a written statement of his/her position with the Administrator no later than sixty (60) days after receipt of the written notification of such claim denial. The Administrator shall schedule an opportunity for a full and fair review of the issue within thirty (30) days of receipt of the appeal. During such review, the Administrator shall provide the claimant with the opportunity to submit written comments, documents, records or other information related to the claim for benefits. The Administrator will provide claimants, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent award provisions on which the decision is based. Following the review of any additional information submitted by the claimant, either through the hearing process or otherwise, the Administrator shall render a decision on the review of the denied claim. The Administrator shall make a decision regarding the merits of the denied claim within sixty (60) days following receipt of the request for review (or within one hundred twenty (120) days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). The Administrator shall deliver the decision to the claimant in writing. If an extension of time for reviewing the appealed claim is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent award provisions on which the decision is based.

If the claim involves a determination of Disability, the Grantee will have one-hundred eighty (180) days from the receipt of the denial notice in which to make written application for review with the Administrator. The Administrator shall issue a decision on such review within forty-five (45) days after receipt of an application for review.

8. General Provisions.

- (a) Nontransferability. Unless otherwise provided in an Award Agreement, Awards shall not be transferable by a Grantee except by will or the laws of descent and distribution and shall be exercisable during the lifetime of a Grantee only by such Grantee or his guardian or legal representative.
- (b) Compliance with Section 409A. Awards granted under the Plan are intended to comply with Section 409A of the Code, to the extent subject thereto, and accordingly, to the maximum extent permitted, the Plan and each Award Agreement shall be interpreted and administered to be in compliance therewith or exempt therefrom, as applicable. Each amount to be paid under any Award Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code. Notwithstanding anything to the contrary in the Plan or any other plan or agreement of the Company or any of its Affiliates, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable during the six (6) month period immediately following the Grantee's separation from service shall instead be paid on the first business day after the date that is six (6) months following the Grantee's separation from service (or, if earlier, the Grantee's date of death). The Company makes no representation that any or all of the payments or benefits described in this Plan will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment. The Grantee shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A.
- (c) Forfeiture Events; Clawback. In addition to any forfeiture provisions otherwise applicable to an Award, a Grantee's right to any payment or benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, clawback or recoupment (i) in accordance with any clawback, recoupment or similar policy of the Company as in effect from time to time or (ii) as required by applicable law.
- (d) No Right to Continued Employment. Nothing in the Plan or in any Award granted under the Plan or in any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of the Company or any Affiliate or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company or any such Affiliate to terminate such Grantee's employment.
- (e) Withholding and Other Taxes. The Company or any applicable Affiliate is authorized to withhold from any payment relating to an Award granted under the Plan or any other payment to a Grantee, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Grantees to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award.

- (f) Amendment and Termination. The Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Grantee, without such Grantee's consent, under any Award theretofore granted under the Plan.
- (g) No Rights to Awards; No Rights as a Partner. No Grantee or Eligible Individual shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Grantees. The Percentage Points do not give any rights to a Grantee as a limited or general partner of the Participating Carry Funds.
- (h) Unfunded Status of Awards. The Percentage Points represent an unfunded, unsecured promise to a Grantee to receive a payment from the Company. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Grantee any rights that are greater than those of a general creditor of the Company. The Percentage Points do not give a Grantee any rights or entitlement to any of Company's assets, and Company will satisfy the payments to a Grantee out of its general unallocated assets.
- (i) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York without giving effect to the conflict of laws principles thereof.

[DATE],
[NAME]
[ADDRESS]

Re: **Award of Percentage Points Pursuant to the BlackRock, Inc. Leadership Retention Carry Plan**

Dear [_____]:

I am pleased to inform you that you have been selected to receive an Award of Percentage Points (the "Award") pursuant to the terms of the BlackRock, Inc. Leadership Retention Carry Plan (the "Plan"). The Award is intended to recognize your meaningful and ongoing contributions to BlackRock, Inc. and its Affiliates (together, the "Company"), to further align your interests with those of the Company's clients and to incentivize you to continue as an employee of the Company. Capitalized terms used in this award agreement (this "Award Agreement") and not otherwise defined herein shall have the meaning set forth in the Plan.

1. Award. Subject to the terms of this Award Agreement and the Plan, you are hereby awarded [____] Percentage Points. The applicable Participating Carry Funds relating to the Award are listed on Appendix A attached hereto, which may be updated from time to time as determined by the Committee in its sole discretion.

2. Vesting. Subject to the terms and conditions relating to the timing of payment set forth in Section 3 below, Cash Distributions shall be made to you with respect to the Award following your Good Leaver Termination, provided that the you (i) execute (and do not revoke), and continue to comply with, a general release of claims in favor of the Company and its Subsidiaries and Affiliates in the form provided to you by the Company that becomes effective within sixty (60) days following your Good Leaver Date, (ii) do not engage in Competitive Activity and (iii) continue to comply with the Restrictive Covenant Obligations. In the event that your employment with the Company is terminated other than pursuant to a Good Leaver Termination, the Award shall be forfeited and you shall not be entitled to receive any Cash Distributions with respect thereto.

3. Timing of Cash Distributions. Provided that you experience a Good Leaver Termination, an initial distribution (the "Initial Distribution") of 80% of the Cash Distributions due to you calculated as of the applicable Measurement Date will occur on the first payroll date following June 30 of the calendar year immediately following the calendar year in which your Good Leaver Date occurs. Following the Initial Distribution, (i) a second distribution will occur on the first payroll date following the date that is forty-eight (48) months following the date of the Initial Distribution (the "Second Distribution") and (ii) a third distribution will occur on the first payroll date following the date that is one-hundred and eight (108) months following the date of the Initial Distribution (the "Third Distribution"). The Second Distribution shall consist of 80% of the Cash Distributions calculated as of the applicable Measurement Date. The Third Distribution shall consist of 100% of the Cash Distributions calculated as of the applicable Measurement Date.

4. Restrictive Covenant Obligations. In order to induce the Company to enter into this Award Agreement, you hereby agree to the covenants set forth on Appendix B attached hereto.

5. Forfeiture. You hereby acknowledge and agree that if at any time during your employment with the Company or following your Good Leaver Date, you either (i) engage in Competitive Activity or (ii) violate any of the restrictions set out in the Restrictive Covenant Obligations, in each case, as determined by the Committee in its sole discretion (and without regard

to the actual post-employment duration of such Restrictive Covenant Obligations): (i) the Award shall be forfeited and the you shall not be entitled to receive any Cash Distributions with respect thereto and (ii) the Company shall have the right to require you to repay to the Company the gross, pre-tax amount of the most recent Cash Distribution received by you with respect to the Award.

6. Clawback Policy. You hereby acknowledge and agree that the Award shall be subject to the Clawback Policy. In the event that a determination is made under the Clawback Policy that you engaged in fraud or willful misconduct that caused the need for a significant restatement of the Company's financial statements, (i) you shall repay to the Company the Cash Distributions received by you as determined to be repaid under the Clawback Policy and (ii) the Award shall be forfeited and you shall not be entitled to receive any further Cash Distributions with respect thereto.

7. Award Agreement Subject to the Plan. This Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by reference, and is intended, and shall be interpreted in a manner, to comply therewith. The Grantee hereby acknowledges receipt of a copy of the Plan. In the event of any conflict between the provisions of this Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

8. Tax Withholding. You hereby acknowledge and agree that the Company or any applicable Affiliate is authorized and will be entitled to withhold from the Cash Distributions payable to you hereunder any federal, state or local withholding or other taxes that the Company is required to withhold.

9. Entire Agreement. The Plan and this Award Agreement contain the entire agreement of the parties with respect to the subject matter hereof and supersede all prior agreements, understandings and arrangements, oral or written, between or among you and the Company with respect hereof.

10. Governing Law. This Award Agreement and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York without giving effect to the conflict of laws principles thereof.

If you accept the terms and conditions of this Award Agreement, please sign and return this Award Agreement to the undersigned.

Yours sincerely,

[Name]

[Title]

ACKNOWLEDGED AND AGREED:

Signature: _____ Date: _____

APPENDIX A

List of Participating Carry Funds

1. [TO COME]
- 2.
- 3.

APPENDIX B**Covenants and Acknowledgements**

1. *Non-Disclosure / Intellectual Property.* You (the “Grantee”) may not, during or subsequent to the Grantee’s employment with the Company or any of its Affiliates, without the prior written consent of the Company, use, divulge, disclose, or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its Affiliates except (i) while employed by the Company or any of its Affiliates, in the business of and for the benefit of the Company or any of its Affiliates, or (ii) when required to do so by a court of competent jurisdiction or regulatory body. In the event that the Grantee becomes compelled by an order of a court to disclose any Confidential Information, the Grantee is required to provide the Company with prompt, prior written notice and to disclose only that portion of the Confidential Information which is legally required.

For purposes of this Award Agreement, “Confidential Information” shall mean any non-public information (whether oral, written or electronically stored) relating to the business or the affairs of the Company and its Affiliates or of any client of the Company or of any of its Affiliates, whether obtained from the Company or any of its Affiliates, any client of the Company or any of its Affiliates or known by the Grantee as a consequence of or through the Grantee’s relationship with the Company or any of its Affiliates, whether obtained before or after the Grantee executes this Award Agreement and whether obtained from an entity which was not a Company Affiliate at the time such information became available but which is now or later becomes an Affiliate of the Company. Such information includes but is not limited to non-public information concerning the financial data, strategic or financial plans, models, business plans, proprietary project information, marketing plans, future transactions (regardless of whether or not such transactions are executed), customer lists, employee lists, employees’ salary and other compensation, partners’ compensation, and other proprietary and confidential information of the Company, the Company’s Affiliates or any of their clients, that, in any case, is not otherwise available to the public. Confidential Information includes information encompassed in drawings, designs, plans, proposals, reports, research, marketing and sales plans, financial information, costs, quotations, specification sheets and recording media. Confidential Information also includes information which relates directly or indirectly to the computer systems and computer technology of the Company and its Affiliates, including but not limited to source codes, object codes, reports, flow charts, screens, algorithms, use manuals, installation and/or operation manuals, computer software, spreadsheets, data computations, formulas, techniques, databases, and any other form or compilation of computer-related information.

Notwithstanding anything herein to the contrary, nothing in this Award Agreement shall prohibit or restrict the Grantee from responding to any inquiry from, providing testimony before, or making reports of possible violations of federal law or regulation to, any governmental agency or entity, any other self-regulatory organization, or any other federal or state regulatory authority, specifically including, without limitation, the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA) or otherwise limit the Grantee’s rights under the BlackRock Global Policy for Reporting Illegal or Unethical Conduct.

It is the policy of the Company and its Affiliates not to use or accept any confidential or proprietary information of third parties, including former employers of the Grantee. The Grantee shall not disclose such confidential or proprietary information of third parties to the Company or any of its Affiliates, their employees, agents, or independent contractors, or to any other third party, and shall not use such confidential or proprietary Information of third parties while employed by the Company or any of its Affiliates, unless the Grantee has obtained and presented to the Company the appropriate authorizations for such use or disclosure from such third parties and has also obtained the Company’s approval of such use or disclosure.

The Company and its Affiliates may, from time to time, enter into agreements and/or business relationships with third party vendors and/or suppliers of information as a result of which the Grantee may have access to confidential information proprietary to such third parties ("Third Party Confidential Information"). The use and disclosure by the Grantee of Third Party Confidential Information shall be governed by the terms and conditions of this Award Agreement and shall be in strict compliance with any existing agreement between the Company or any of its Affiliates and the third parties to hold such information confidential. Prior to using any Third Party Confidential Information, the Grantee is required to inquire whether and to what extent the use of such Third Party Confidential Information is governed by an existing agreement and must comply with the terms of any such agreement. In addition, prior to sharing such Third Party Confidential Information internally, the Grantee is required to determine that sharing the information is appropriate and must inform the employee receiving the information of the terms of the agreement.

The Company and its Affiliates may at times develop appropriate information barriers to assure that restricted information related to a client of the Company or an Affiliate of the Company is not improperly communicated or disclosed to other employees within the Company and its Affiliates. If the Grantee has reason to believe that he or she is subject to any information barrier, the Grantee is required to inquire of the Legal & Compliance Department as to the applicability and terms of any such information barrier. Any information barriers shall be established pursuant to the Company's Information Barrier Policy and procedures.

Upon the Grantee's termination of employment with the Company or any of its Affiliates for any reason, the Grantee is required to return to the Company all Confidential Information (including all reproductions thereof whether on computer, electronic media or otherwise) furnished to or otherwise in the Grantee's possession immediately upon request by the Company at any time, and shall not contact any employee of the Company or its Affiliates for the purpose of soliciting Confidential Information.

The Grantee understands and agrees that pursuant to the United States Defend Trade Secrets Act of 2016:

An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

The Grantee agrees that the Company is the exclusive owner of any business-related ideas, products, materials, discoveries, inventions, computer programs, research, writing or other work products developed by the Grantee that are in the scope of, or otherwise related to the business of the Company or its Affiliates, or developed using equipment, resources, or trade secrets of the Company or its Affiliates ("Inventions"). The Grantee hereby transfers and assigns such Inventions to the Company and the Grantee shall whenever requested to do so by the Company, execute any and all applications, assignments, or other instruments that the Company deems necessary to apply for and obtain patents or copyrights or other intellectual property protection in the United States or any other country or otherwise protect the Company's and its Affiliates' interests therein. Such obligations shall continue beyond the Grantee's termination of employment with the Company or any of its Affiliates with respect to Inventions developed, conceived or made by the Grantee during the term of the

Grantee's employment with the Company or any of its Affiliates. Further, the Grantee agrees that such obligation will be binding on the Grantee's assigns, executors, administrators and other legal representatives.

2. *Non-Solicitation of Clients, etc.* The Grantee shall not, for a period of one (1) year immediately following his or her termination of employment with the Company or any of its Affiliates, whether on his or her own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly, (i) call on, interfere with, solicit or assist in soliciting the business of any "Client" or "Prospective Client" or (ii) accept business from, or enter into a relationship with, any such "Client" or "Prospective Client", in each case, with whom the Grantee has had, directly or indirectly, personal contact or dealings on behalf of the Company or its Affiliates during the one (1) year period immediately preceding his or her termination of employment with the Company or any of its Affiliates. Notwithstanding the foregoing, the Grantee may engage in business activities with "Intermediary Clients", provided, that, the Grantee shall not (x) interact with any Intermediary Client with respect to business placed with or through such Intermediary Client by the Company or any of its Affiliates or (y) engage in any conduct interfering with or damaging the Company's (or any of its Affiliates') relationship with any Intermediary Client.

For purposes of this Award Agreement, the terms:

- (a) "Client" shall mean any person, firm, company, or other organization (including an Intermediary Client) to whom the Company or any of its Affiliates has supplied services, products or professional advice;
- (b) "Prospective Client" shall mean any person, firm, company or other organization (including an Intermediary Client) with whom the Company or any of its Affiliates has had negotiations or discussions regarding the possible supply of products or advice, or with respect to whom the Company or any of its Affiliates has expended significant time, effort or money in developing a bid or proposal for the supply of services, products or advice; and
- (c) "Intermediary Client" shall mean any person or entity (such as a broker dealer, distributor, financial adviser, administrator or other marketing or service organization) through which the Company or any of its Affiliates offers, markets, distributes or provides its services, products or advice.

3. *Non-Enticement of Employees; No Hire.* The Grantee shall not, during his or her employment with the Company or any of its Affiliates and for a period of one (1) year immediately following termination of employment with the Company or any of its Affiliates, either on his or her own account or in conjunction with or on behalf of any other person, company, business entity or other organization whatsoever, directly or indirectly: (i) induce, solicit, entice, participate in or procure any person who is an employee of the Company or any of its Affiliates to leave such employment or (ii) accept into employment, hire or otherwise engage or use the services of, or actively interfere with the Company's or any Affiliates' relationship with, any person who is an employee of the Company or any of its Affiliates or who was an employee of the Company or any of its Affiliates during the period commencing one year prior to the Grantee's termination of employment with the Company or any of its Affiliates.

4. *Non-Disparagement; No Conflicts.* The Grantee shall not at any time during or subsequent to the Grantee's employment with the Company or any of its Affiliates, criticize, speak ill of, disparage or make false statements in respect of the Company, its Affiliates or any of their employees; provided, however, that the Grantee shall not be prohibited from making truthful statements about the Company or any of its Affiliates. The Grantee also shall not, during the course of employment with the Company or any of its Affiliates take any action which conflicts with (or appears to conflict with)

the Company's or any of its Affiliates' business interests except if ordered to do so by a court or government agency.

* * * * *

CEO CERTIFICATION

I, Laurence D. Fink, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended June 30, 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: August 8, 2019

By: /s/ Laurence D. Fink

Laurence D. Fink
Chairman & Chief Executive Officer

CFO CERTIFICATION

I, Gary S. Shedlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended June 30, 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: August 8, 2019

By: /s/ Gary S. Shedlin

Gary S. Shedlin

Senior Managing Director & Chief Financial Officer

**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 June 30, 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: August 8, 2019

/s/ Gary S. Shedlin

Name: Gary S. Shedlin

Title: Senior Managing Director & Chief Financial Officer

Date: August 8, 2019