

**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 September 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 ☒ X

No ☐

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

Yes ☒ X

No ☐

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

Large accelerated filer ☒

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 ☒ X

As of October 31, 2019, there were 154,370,706 shares of the registrant's common stock outstanding.

BlackRock, Inc.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition (unaudited)

	September 30, 2019	December 31, 2018
<i>(in millions, except shares and per share data)</i>		
Assets		
Cash and cash equivalents	\$ 4,476	\$ 6,302
Accounts receivable	3,026	2,657
Investments	2,117	1,796
Assets of consolidated variable interest entities:		
Cash and cash equivalents	131	186
Investments	2,898	2,680
Other assets	54	876
Separate account assets	95,501	90,285
Separate account collateral held under securities lending agreements	18,699	20,655
Property and equipment (net of accumulated depreciation of \$876 and \$750 at September 30, 2019 and December 31, 2018, respectively)	669	643
Intangible assets (net of accumulated amortization of \$313 and \$244 at September 30, 2019 and December 31, 2018, respectively)	18,407	17,839
Goodwill	14,552	13,526
Other assets	3,342	2,128
Total assets	<u>\$ 163,872</u>	<u>\$ 159,573</u>
Liabilities		
Accrued compensation and benefits	\$ 1,500	\$ 1,988
Accounts payable and accrued liabilities	1,252	1,292
Liabilities of consolidated variable interest entities:		
Borrowings	186	84
Other liabilities	530	1,290
Borrowings	5,932	4,979
Separate account liabilities	95,501	90,285
Separate account collateral liabilities under securities lending agreements	18,699	20,655
Deferred income tax liabilities	3,792	3,571
Other liabilities	2,876	1,889
Total liabilities	130,268	126,033
Commitments and contingencies (Note 14)		
Temporary equity		
Redeemable noncontrolling interests	1,137	1,107
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2
Shares authorized: 500,000,000 at September 30, 2019 and December 31, 2018;		
Shares issued: 171,252,185 at September 30, 2019 and December 31, 2018;		
Shares outstanding: 154,349,915 and 157,553,501 at September 30, 2019 and December 31, 2018, respectively		
Preferred stock (Note 19)	—	—
Additional paid-in capital	19,058	19,168
Retained earnings	20,873	19,282
Accumulated other comprehensive loss	(784)	(691)
Treasury stock, common, at cost (16,902,270 and 13,698,684 shares held at September 30, 2019 and December 31, 2018, respectively)	(6,742)	(5,387)
Total BlackRock, Inc. stockholders' equity	32,407	32,374
Nonredeemable noncontrolling interests	60	59
Total permanent equity	32,467	32,433
Total liabilities, temporary equity and permanent equity	<u>\$ 163,872</u>	<u>\$ 159,573</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<i>(in millions, except shares and per share data)</i>				
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	\$ 2,105	\$ 2,045	\$ 6,155	\$ 6,244
Other third parties	875	838	2,533	2,530
Total investment advisory, administration fees and securities lending revenue	2,980	2,883	8,688	8,774
Investment advisory performance fees	121	151	211	312
Technology services revenue	259	200	700	582
Distribution fees	270	279	799	884
Advisory and other revenue	62	63	164	212
Total revenue	3,692	3,576	10,562	10,764
Expense				
Employee compensation and benefits	1,111	1,097	3,258	3,300
Distribution and servicing costs	427	408	1,247	1,255
Direct fund expense	239	249	733	774
General and administration	385	413	1,243	1,189
Amortization of intangible assets	28	13	68	35
Total expense	2,190	2,180	6,549	6,553
Operating income	1,502	1,396	4,013	4,211
Nonoperating income (expense)				
Net gain (loss) on investments	(7)	50	224	68
Interest and dividend income	19	29	68	63
Interest expense	(54)	(46)	(152)	(138)
Total nonoperating income (expense)	(42)	33	140	(7)
Income before income taxes	1,460	1,429	4,153	4,204
Income tax expense	341	226	961	829
Net income	1,119	1,203	3,192	3,375
Less:				
Net income (loss) attributable to noncontrolling interests	—	(13)	17	(3)
Net income attributable to BlackRock, Inc.	<u>\$ 1,119</u>	<u>\$ 1,216</u>	<u>\$ 3,175</u>	<u>\$ 3,378</u>
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	\$ 7.21	\$ 7.59	\$ 20.31	\$ 21.01
Diluted	\$ 7.15	\$ 7.54	\$ 20.17	\$ 20.83
Weighted-average common shares outstanding:				
Basic	155,280,877	160,141,506	156,290,212	160,786,768
Diluted	156,447,387	161,378,217	157,385,956	162,140,879

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
<i>(in millions)</i>	2019	2018	2019	2018
Net income	\$ 1,119	\$ 1,203	\$ 3,192	\$ 3,375
Other comprehensive income (loss):				
Foreign currency translation adjustments ⁽¹⁾	(120)	(41)	(93)	(178)
Comprehensive income (loss)	999	1,162	3,099	3,197
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	(13)	17	(3)
Comprehensive income attributable to BlackRock, Inc.	<u>\$ 999</u>	<u>\$ 1,175</u>	<u>\$ 3,082</u>	<u>\$ 3,200</u>

⁽¹⁾ Amounts for the three months ended September 30, 2019 and 2018 include gains from a net investment hedge of \$25 million (net of tax expense of \$8 million) and \$4 million (net of tax expense of \$1 million), respectively. Amounts for the nine months ended September 30, 2019 and 2018 include gains from a net investment hedge of \$28 million (net of tax expense of \$9 million) and \$22 million (net of tax expense of \$7 million), respectively.

See accompanying notes to condensed consolidated financial statements.

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

For the Nine Months Ended September 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	—	3,175	—	—	3,175	—	3,175	17
Dividends declared (\$9.90 per share)	—	(1,584)	—	—	(1,584)	—	(1,584)	—
Stock-based compensation	427	—	—	—	427	—	427	—
PNC preferred stock capital contribution	60	—	—	—	60	—	60	—
Retirement of preferred stock	(60)	—	—	—	(60)	—	(60)	—
Issuance of common shares related to employee stock transactions	(537)	—	—	549	12	—	12	—
Employee tax withholdings related to employee stock transactions	—	—	—	(238)	(238)	—	(238)	—
Shares repurchased	—	—	—	(1,666)	(1,666)	—	(1,666)	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	1	1	906
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(893)
Other comprehensive income (loss)	—	—	(93)	—	(93)	—	(93)	—
September 30, 2019	\$ 19,060	\$ 20,873	\$ (784)	\$ (6,742)	\$ 32,407	\$ 60	\$ 32,467	\$ 1,137

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

For the Three Months Ended September 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
June 30, 2019	\$ 18,949	\$ 20,267	\$ (664)	\$ (6,659)	\$ 31,893	\$ 57	\$ 31,950	\$ 710
Net income	—	1,119	—	—	1,119	—	1,119	—
Dividends declared (\$3.30 per share)	—	(513)	—	—	(513)	—	(513)	—
Stock-based compensation	133	—	—	—	133	—	133	—
Issuance of common shares related to employee stock transactions	(22)	—	—	26	4	—	4	—
Employee tax withholdings related to employee stock transactions	—	—	—	(9)	(9)	—	(9)	—
Shares repurchased	—	—	—	(100)	(100)	—	(100)	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	—	—	463
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	3	3	(36)
Other comprehensive income (loss)	—	—	(120)	—	(120)	—	(120)	—
September 30, 2019	\$ 19,060	\$ 20,873	\$ (784)	\$ (6,742)	\$ 32,407	\$ 60	\$ 32,467	\$ 1,137

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

See accompanying notes to condensed consolidated financial statements.

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

For the Nine Months Ended September 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	—	3,378	—	—	3,378	1	3,379	(4)
Dividends declared (\$8.89 per share)	—	(1,471)	—	—	(1,471)	—	(1,471)	—
Stock-based compensation	431	—	—	—	431	—	431	—
PNC preferred stock capital contribution	58	—	—	—	58	—	58	—
Retirement of preferred stock	(58)	—	—	—	(58)	—	(58)	—
Issuance of common shares related to employee stock transactions	(639)	—	—	651	12	—	12	—
Employee tax withholdings related to employee stock transactions	—	—	—	(420)	(420)	—	(420)	—
Shares repurchased	—	—	—	(1,135)	(1,135)	—	(1,135)	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	4	4	742
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(551)
Other comprehensive income (loss)	—	—	(178)	—	(178)	—	(178)	—
Adoption of accounting guidance	—	6	(6)	—	—	—	—	—
September 30, 2018	\$ 19,050	\$ 18,852	\$ (616)	\$ (4,871)	\$ 32,415	\$ 55	\$ 32,470	\$ 603

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

For the Three Months Ended September 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
June 30, 2018	\$ 18,955	\$ 18,138	\$ (575)	\$ (4,388)	\$ 32,130	\$ 54	\$ 32,184	\$ 686
Net income	—	1,216	—	—	1,216	(8)	1,208	(5)
Dividends declared (\$3.13 per share)	—	(502)	—	—	(502)	—	(502)	—
Stock-based compensation	121	—	—	—	121	—	121	—
Issuance of common shares related to employee stock transactions	(26)	—	—	32	6	—	6	—
Employee tax withholdings related to employee stock transactions	—	—	—	(15)	(15)	—	(15)	—
Shares repurchased	—	—	—	(500)	(500)	—	(500)	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	9	9	207
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(285)
Other comprehensive income (loss)	—	—	(41)	—	(41)	—	(41)	—
September 30, 2018	\$ 19,050	\$ 18,852	\$ (616)	\$ (4,871)	\$ 32,415	\$ 55	\$ 32,470	\$ 603

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

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net income	\$ 3,192	\$ 3,375
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	294	164
Stock-based compensation	427	431
Deferred income tax expense (benefit)	45	(187)
Other gains	(30)	(50)
Net (gains) losses within consolidated VIEs	(128)	21
Net (purchases) proceeds within consolidated VIEs	(932)	(1,107)
(Earnings) losses from equity method investees	(89)	(92)
Distributions of earnings from equity method investees	29	23
Changes in operating assets and liabilities:		
Accounts receivable	(330)	(5)
Investments, trading	(189)	161
Other assets	(225)	(191)
Accrued compensation and benefits	(525)	(594)
Accounts payable and accrued liabilities	(61)	164
Other liabilities	150	439
Net cash provided by/(used in) operating activities	1,628	2,552
Investing activities		
Purchases of investments	(572)	(259)
Proceeds from sales and maturities of investments	151	400
Distributions of capital from equity method investees	80	18
Net consolidations (deconsolidations) of sponsored investment funds (VIEs/VREs)	(96)	(52)
Acquisitions, net of cash acquired	(1,510)	(699)
Purchases of property and equipment	(160)	(108)
Net cash provided by/(used in) investing activities	(2,107)	(700)
Financing activities		
Proceeds from long-term borrowings	992	—
Cash dividends paid	(1,584)	(1,471)
Repurchases of common stock	(1,904)	(1,555)
Net proceeds from (repayments of) borrowings by consolidated VIEs	102	—
Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders	907	746
Other financing activities	118	(13)
Net cash provided by/(used in) financing activities	(1,369)	(2,293)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(33)	(58)
Net increase/(decrease) in cash, cash equivalents and restricted cash	(1,881)	(499)
Cash, cash equivalents and restricted cash, beginning of period	6,505	7,096
Cash, cash equivalents and restricted cash, end of period	<u>\$ 4,624</u>	<u>\$ 6,597</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 123	\$ 123
Income taxes (net of refunds)	\$ 893	\$ 765
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	\$ 537	\$ 639
PNC preferred stock capital contribution	\$ 60	\$ 58
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	\$ (893)	\$ (551)

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 September 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 September 30, 2019 and for the three and nine months ended September 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 Nine Months Ended September 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. 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 a consolidated CLO. 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 nine months ended September 30, 2019 and 2018, the Company had not resold or repledged any of the collateral received under these arrangements. At September 30, 2019 and December 31, 2018, the fair value of loaned securities held by separate accounts was approximately \$17.5 billion and \$18.9 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$18.7 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 expands *Aladdin*’s illiquid alternative capabilities and enables 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.

During the three months ended September 30, 2019, the amounts of goodwill, finite-lived intangible assets and deferred income tax liabilities were retrospectively adjusted to reflect new information obtained about facts that existed as of May 10, 2019, the eFront acquisition date. There was no material change to the condensed consolidated statements of income for the three and nine months ended September 30, 2019 as a result of these adjustments. A summary of the initial and revised fair values of the assets acquired and liabilities assumed in this acquisition is as follows⁽¹⁾:

<i>(in millions)</i>	Initial Estimate of Fair Value	Revised Estimate of Fair Value
Accounts receivable	\$ 65	\$ 65
Finite-lived intangible assets:		
Customer relationships ⁽²⁾	452	410
Technology-related ⁽³⁾	205	203
Trade name ⁽⁴⁾	21	13
Goodwill	990	1,031
Other assets	31	31
Deferred income tax liabilities	(194)	(183)
Other liabilities assumed	(64)	(70)
Total consideration, net of cash acquired	<u>\$ 1,506</u>	<u>\$ 1,500</u>

Summary of consideration, net of cash acquired:

Cash paid including settlement of outstanding debt of approximately \$0.2 billion	\$ 1,555	\$ 1,555
Cash acquired	(49)	(55)
Total consideration, net of cash acquired	<u>\$ 1,506</u>	<u>\$ 1,500</u>

⁽¹⁾ At this time, the Company does not expect additional material changes to the value of the assets acquired or liabilities assumed in conjunction with the transaction with the exception of intangible assets, deferred income tax liabilities and other 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 10 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 four years and is amortized using the accelerated amortization method.

Finite-lived intangible assets are amortized over their estimated useful lives, which range from four to 10 years. Amortization expense related to the finite-lived intangible assets was \$14 million and \$24 million, respectively, for the three and nine months ended September 30, 2019. The finite-lived intangible assets had a weighted-average remaining useful life of approximately nine years with remaining amortization expense as follows:

<i>(in millions)</i>	Amount
Year	
2019 (excluding the nine months ended September 30, 2019)	\$ 14
2020	62
2021	65
2022	69
2023	71
Thereafter	321
Total	<u>\$ 602</u>

For the three and nine months ended September 30, 2019, eFront contributed \$37 million and \$59 million, respectively, 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>	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 4,476	\$ 6,302
Cash and cash equivalents of consolidated VIEs	131	186
Restricted cash included in other assets	17	17
Total cash, cash equivalents and restricted cash	<u>\$ 4,624</u>	<u>\$ 6,505</u>

5. Investments

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

<i>(in millions)</i>	September 30, 2019	December 31, 2018
Debt securities:		
Held-to-maturity investments	\$ 212	\$ 188
Trading securities (debt securities of consolidated sponsored investment funds of \$169 and \$233 at September 30, 2019 and December 31, 2018, respectively)	210	265
Total debt securities	422	453
Equity securities at FVTNI ⁽¹⁾ (equity securities of consolidated sponsored investment funds of \$334 and \$291 at September 30, 2019 and December 31, 2018, respectively)	543	452
Equity method investments ⁽²⁾	930	781
Federal Reserve Bank stock ⁽³⁾	93	92
Carried interest ⁽⁴⁾	16	18
Other investments ⁽⁵⁾	113	—
Total investments	<u>\$ 2,117</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 September 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 \$212 million and \$188 million at September 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 September 30, 2019, \$68 million of these investments mature between five to ten years and \$144 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)	September 30, 2019		December 31, 2018	
	Cost	Carrying Value	Cost	Carrying Value
Trading debt securities:				
Corporate debt	\$ 125	\$ 126	\$ 144	\$ 140
Government debt	36	35	69	67
Asset/mortgage-backed debt	47	49	67	58
Total trading debt securities	<u>\$ 208</u>	<u>\$ 210</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	476	521	420	418
Total equity securities at FVTNI	<u>\$ 482</u>	<u>\$ 543</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 September 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 \$434 million and \$473 million, respectively, at September 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 September 30, 2019 and December 31, 2018, respectively (a Level 1 input).

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)	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 11	\$ 59
Investments:		
Trading debt securities	169	233
Equity securities at FVTNI	334	291
Total investments	503	524
Other assets	7	8
Other liabilities	(11)	(53)
NCI	(52)	(90)
BlackRock's net interests in consolidated VREs	<u>\$ 458</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>	September 30, 2019	December 31, 2018
Assets of consolidated VIEs:		
Cash and cash equivalents	\$ 131	\$ 186
Investments:		
Trading debt securities	1,120	1,395
Equity securities at FVTNI	971	569
Bank loans	183	84
Other investments	182	263
Carried interest	442	369
Total investments	2,898	2,680
Other assets	54	876
Total assets of consolidated VIEs	3,083	3,742
Liabilities of consolidated VIEs:		
Borrowings	(186)	(84)
Other liabilities	(530)	(1,290)
NCI	(1,145)	(1,076)
BlackRock's net interests in consolidated VIEs	<u>\$ 1,222</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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Nonoperating net gain (loss) on consolidated VIEs	\$ (5)	\$ (9)	\$ 128	\$ (21)
Net income (loss) attributable to NCI on consolidated VIEs	\$ —	\$ (14)	\$ 17	\$ (3)

Nonconsolidated VIEs. At September 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 September 30, 2019				
Sponsored investment products	\$ 498	\$ 88	\$ (10)	\$ 603
At December 31, 2018				
Sponsored investment products	\$ 348	\$ 43	\$ (6)	\$ 408

⁽¹⁾ At both September 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 \$12 billion and \$9 billion at September 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

September 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⁾	September 30, 2019
Assets:						
<u>Investments:</u>						
Debt securities:						
Held-to-maturity securities	\$ —	\$ —	\$ —	\$ —	\$ 212	\$ 212
Trading securities	—	205	5	—	—	210
Total debt securities	—	205	5	—	212	422
Equity securities at FVTNI:						
Deferred compensation plan mutual funds	22	—	—	—	—	22
Equity securities/Multi-asset mutual funds	521	—	—	—	—	521
Total equity securities at FVTNI	543	—	—	—	—	543
Equity method:						
Equity and fixed income mutual funds	113	—	—	—	—	113
Hedge funds/funds of hedge funds	—	—	—	206	—	206
Private equity funds	—	—	—	260	—	260
Real assets funds	—	—	—	320	—	320
Other	26	—	—	5	—	31
Total equity method	139	—	—	791	—	930
Federal Reserve Bank Stock	—	—	—	—	93	93
Carried interest	—	—	—	—	16	16
Other investments	—	—	—	—	113	113
Total investments	682	205	5	791	434	2,117
<u>Investments of consolidated VIEs:</u>						
Trading debt securities	—	1,120	—	—	—	1,120
Equity securities at FVTNI	971	—	—	—	—	971
Bank loans	—	26	157	—	—	183
Private equity ⁽³⁾	1	—	9	27	76	113
Hedge fund	—	—	—	3	—	3
Real assets funds	—	—	—	66	—	66
Carried interest	—	—	—	—	442	442
Total investments of consolidated VIEs	972	1,146	166	96	518	2,898
Other assets ⁽⁴⁾	141	—	—	—	—	141
Separate account assets	66,395	28,446	—	—	660	95,501
<u>Separate account collateral held under securities lending agreements:</u>						
Equity securities	8,577	—	—	—	—	8,577
Debt securities	—	10,122	—	—	—	10,122
Total separate account collateral held under securities lending agreements	8,577	10,122	—	—	—	18,699
Total	\$ 76,767	\$ 39,919	\$ 171	\$ 887	\$ 1,612	\$ 119,356
Liabilities:						
Borrowings of consolidated VIEs ⁽⁵⁾	\$ —	\$ —	\$ 186	\$ —	\$ —	\$ 186
Separate account collateral liabilities under securities lending agreements	8,577	10,122	—	—	—	18,699
Other liabilities ⁽⁶⁾	—	10	167	—	—	177
Total	\$ 8,577	\$ 10,132	\$ 353	\$ —	\$ —	\$ 19,062

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

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

(5) Borrowings of consolidated VIEs are classified based on the 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).

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	—	—	—	—	122
Hedge funds/funds of hedge funds	—	—	—	173	—	173
Private equity funds	—	—	—	116	—	116
Real assets funds	—	—	—	353	—	353
Other	—	—	—	14	3	17
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
Hedge fund	—	—	—	3	—	3
Real assets funds	—	—	—	55	—	55
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 the 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 \$166 million and \$152 million at September 30, 2019 and December 31, 2018, respectively, related to direct investments in private equity companies held by consolidated private equity funds. At both September 30, 2019 and December 31, 2018, Level 3 investments of consolidated VIEs also included bank loans of a consolidated CLO which were 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 September 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 September 30, 2019.

Level 3 Liabilities. Level 3 liabilities primarily include contingent liabilities associated with 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 September 30, 2019

<i>(in millions)</i>	June 30, 2019	Realized and Unrealized Gains (Losses)	Purchases	Sales and Maturities	Issuances and other Settlements ⁽¹⁾	Transfers into Level 3	Transfers out of Level 3	September 30, 2019	Total Net Unrealized Gains (Losses) Included in Earnings ⁽²⁾
Assets:									
<u>Investments:</u>									
Debt securities:									
Trading	\$ 2	\$ —	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ —
Total investments	2	—	3	—	—	—	—	5	—
<u>Assets of consolidated VIEs:</u>									
Bank loans ⁽³⁾	125	—	32	—	—	—	—	157	—
Private equity	9	1	—	—	—	—	(1)	9	1
Total Assets of consolidated VIEs	134	1	32	—	—	—	(1)	166	1
Total Level 3 assets	\$ 136	\$ 1	\$ 35	\$ —	\$ —	\$ —	\$ (1)	\$ 171	\$ 1
Liabilities:									
Borrowings of consolidated VIEs ⁽³⁾	\$ 142	\$ —	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 186	\$ —
Other liabilities ⁽⁴⁾	168	1	—	—	—	—	—	167	1
Total Level 3 liabilities	\$ 310	\$ 1	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 353	\$ 1

⁽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 a 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 Nine Months Ended September 30, 2019

<i>(in millions)</i>	<u>December 31, 2018</u>	<u>Realized and Unrealized Gains (Losses)</u>	<u>Purchases</u>	<u>Sales and Maturities</u>	<u>Issuances and other Settlements⁽¹⁾</u>	<u>Transfers into Level 3</u>	<u>Transfers out of Level 3⁽²⁾</u>	<u>September 30, 2019</u>	<u>Total Net Unrealized Gains (Losses) Included in Earnings⁽³⁾</u>
Assets:									
<u>Investments:</u>									
Debt securities:									
Trading	\$ 4	\$ —	\$ 5	\$ —	\$ —	\$ —	\$ (4)	\$ 5	\$ —
Total investments	4	—	5	—	—	—	(4)	5	—
<u>Assets of consolidated VIEs:</u>									
Bank loans ⁽⁴⁾	70	—	87	—	—	—	—	157	—
Private equity	82	—	—	—	—	—	(73)	9	—
Total Assets of consolidated VIEs	152	—	87	—	—	—	(73)	166	—
Total Level 3 assets	\$ 156	\$ —	\$ 92	\$ —	\$ —	\$ —	\$ (77)	\$ 171	\$ —
Liabilities:									
Borrowings of consolidated VIEs ⁽⁴⁾	\$ 84	\$ —	\$ —	\$ —	\$ 102	\$ —	\$ —	\$ 186	\$ —
Other liabilities ⁽⁵⁾	287	(18)	—	—	(138)	—	—	167	(18)
Total Level 3 liabilities	\$ 371	\$ (18)	\$ —	\$ —	\$ (36)	\$ —	\$ —	\$ 353	\$ (18)

⁽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 a 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 September 30, 2018

<i>(in millions)</i>	June 30, 2018	Realized and Unrealized Gains (Losses)	Purchases	Sales and Maturities	Issuances and other Settlements	Transfers into Level 3	Transfers out of Level 3	September 30, 2018	Total Net Unrealized Gains (Losses) Included in Earnings ⁽¹⁾
Assets:									
<u>Assets of consolidated VIEs:</u>									
Private equity	\$ 104	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 105	\$ 1
Bank loans ⁽²⁾	—	—	—	—	44	—	—	44	—
Total Assets of consolidated VIEs	\$ 104	\$ 1	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 149	\$ 1
Total Level 3 assets									
Liabilities:									
Borrowings of consolidated VIEs ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 44	\$ —
Other liabilities ⁽³⁾	223	(30)	—	—	6	—	—	259	—
Total Level 3 liabilities	\$ 223	\$ (30)	\$ —	\$ —	\$ 50	\$ —	\$ —	\$ 303	\$ (30)

⁽¹⁾ Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.

⁽²⁾ Bank loans and borrowings of consolidated VIEs amounts are related to the consolidation of one additional CLO.

⁽³⁾ 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 Nine Months Ended September 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	September 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)	—	—
<u>Assets of consolidated VIEs:</u>									
Private equity	116	1	—	(12)	—	—	—	105	1
Bank loans ⁽⁴⁾	—	—	—	—	44	—	—	44	—
Total Assets of consolidated VIEs	116	1	—	(12)	44	—	—	149	1
Total Level 3 assets	\$ 116	\$ 1	\$ 31	\$ (12)	\$ 44	\$ —	\$ (31)	\$ 149	\$ 1
Liabilities:									
Borrowings of consolidated VIEs ⁽⁴⁾	\$ —	\$ —	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 44	\$ —
Other liabilities ⁽⁵⁾	236	(33)	—	—	(10)	—	—	259	(33)
Total Level 3 liabilities	\$ 236	\$ (33)	\$ —	\$ —	\$ 34	\$ —	\$ —	\$ 303	\$ (33)

⁽¹⁾ Issuances and other settlements amount includes a contingent liability in connection with an acquisition, partially offset by a contingent liability payment in connection with a prior 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⁾ Bank loans and borrowings of consolidated VIEs amounts are related to the consolidation of one additional CLO.

⁽⁵⁾ 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 September 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:

	September 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	\$ 4,476	\$ 4,476	\$ 6,302	\$ 6,302	Level 1 ^{(2) (3)}
Cash and cash equivalents of consolidated VIEs	\$ 131	\$ 131	\$ 186	\$ 186	Level 1 ^{(2) (3)}
Other assets	\$ 61	\$ 61	\$ 18	\$ 18	Level 1 ^{(2) (4)}
Financial Liabilities:					
Long-term borrowings	\$ 5,932	\$ 6,257	\$ 4,979	\$ 5,034	Level 2 ⁽⁵⁾
Other liabilities	\$ 250	\$ 250	\$ —	\$ —	Level 3 ⁽⁶⁾

⁽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 September 30, 2019 and December 31, 2018, approximately \$120 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 September 30, 2019 and December 31, 2018, approximately \$21 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 these assets approximate 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 September 2019 and December 2018, respectively. See Note 13, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

⁽⁶⁾ Amount includes a liability recorded at amortized cost, which approximates fair value at September 30, 2019.

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).

September 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)	\$ 206	\$ 111	Daily/Monthly (28%) Quarterly (17%) N/R (55%)	1 – 90 days
Private equity funds	(b)	260	204	N/R	N/R
Real assets funds	(c)	320	109	Quarterly (61%) N/R (39%)	60 days
Other		5	10	N/R	N/R
Consolidated VIEs:					
Private equity funds of funds	(d)	27	11	N/R	N/R
Hedge fund	(a)	3	—	Quarterly	90 days
Real assets funds	(c)	66	101	N/R	N/R
Total		\$ 887	\$ 546		

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		\$ 762	\$ 343		

N/R – not redeemable

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

^(a) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both September 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 September 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 September 30, 2019 and December 31, 2018. The total remaining unfunded commitments to real assets funds were \$210 million and \$130 million at September 30, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the real assets funds of \$173 million at September 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 September 30, 2019 and December 31, 2018. The total remaining unfunded commitments to other third-party funds were \$11 million and \$18 million at September 30, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the consolidated funds of \$22 million at both September 30, 2019 and December 31, 2018.

Fair Value Option.

At September 30, 2019 and December 31, 2018, the Company elected the fair value option for certain investments in CLOs of approximately \$33 million and \$32 million, respectively, reported within investments.

In addition, the Company elected the fair value option for bank loans and borrowings of a consolidated CLO, recorded within investments and borrowings of consolidated VIEs, respectively. The following table summarizes the information related to these bank loans and borrowings at September 30, 2019 and December 31, 2018:

<i>(in millions)</i>	September 30, 2019		December 31, 2018	
CLO Bank loans:				
Aggregate principal amounts outstanding	\$	183	\$	84
Fair value		183		84
Aggregate unpaid principal balance in excess of (less than) fair value	\$	—	\$	—
CLO Borrowings:				
Aggregate principal amounts outstanding	\$	186	\$	84
Fair value	\$	186	\$	84

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

During the three and nine months ended September 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 September 30, 2019 and December 31, 2018, the Company had outstanding total return swaps with aggregate notional values of approximately \$533 million and \$483 million, respectively.

At both September 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 September 30, 2019 and December 31, 2018, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately \$2.4 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 September 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)	Statement of Income Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivative Instruments		Gains (Losses)		Gains (Losses)	
Total return swaps	Nonoperating income (expense)	\$ 2	\$ (12)	\$ (62)	\$ (5)
Forward foreign currency exchange contracts	General and administration expense	(43)	(27)	(56)	(90)
Total gain (loss) from derivative instruments		<u>\$ (41)</u>	<u>\$ (39)</u>	<u>\$ (118)</u>	<u>\$ (95)</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 nine months ended September 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 September 30, 2019	Nine Months Ended September 30, 2019
Lease cost:		
Operating lease cost ⁽¹⁾	\$ 36	\$ 104
Variable lease cost ⁽²⁾	10	28
Total lease cost	<u>\$ 46</u>	<u>\$ 132</u>

⁽¹⁾ Amount includes short-term leases, which are immaterial for the three and nine months ended September 30, 2019.

⁽²⁾ Amount includes operating lease payments, which may be adjusted based on usage, changes in an index or market rate.

(in millions)	Statement of Financial Condition Classification	September 30, 2019
Statement of Financial Condition information:		
Operating lease ROU assets	Other assets	\$ 617
Operating lease liabilities	Other liabilities	\$ 724

Supplemental information related to operating lease is summarized below:

	Nine Months Ended September 30, 2019
<i>(in millions)</i>	
Supplemental cash flow information:	
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 105
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	\$ 54

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

<i>(in millions)</i>	
Maturity of operating lease liabilities at September 30, 2019	
	Amount ⁽¹⁾
Remainder of 2019	\$ 37
2020	144
2021	136
2022	124
2023	73
Thereafter	311
Total lease payments	\$ 825
Less: imputed interest	101
Present value of lease liabilities	<u>\$ 724</u>

⁽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 nine months ended September 30, 2019 was as follows:

<i>(in millions)</i>	
December 31, 2018	\$ 13,526
Acquisition ⁽¹⁾	1,031
Goodwill adjustments related to Quellos and other ⁽²⁾	(5)
September 30, 2019	<u>\$ 14,552</u>

⁽¹⁾ The increase in goodwill during the nine months ended September 30, 2019 resulted from the \$1,031 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 nine months ended September 30, 2019 primarily 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 \$114 million and \$137 million at September 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	—	(68)	(68)
Acquisitions ⁽¹⁾	—	636	636
September 30, 2019	<u>\$ 17,578</u>	<u>\$ 829</u>	<u>\$ 18,407</u>

⁽¹⁾ Amount primarily contains intangible assets acquired in connection with the eFront Transaction. The Company acquired \$410 million of finite-lived customer relationships, \$203 million of finite-lived technology-related intangible assets and \$13 million of a finite-lived trade name, with weighted-average estimated lives of approximately 10 years, eight years and four 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 September 30, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At September 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 September 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 September 30, 2019 included the following:

<i>(in millions)</i>	Maturity Amount	Unamortized Discount and Debt Issuance Costs	Carrying Value	Fair Value
5.00% Notes due 2019	\$ 1,000	\$ —	\$ 1,000	\$ 1,005
4.25% Notes due 2021	750	(1)	749	778
3.375% Notes due 2022	750	(2)	748	781
3.50% Notes due 2024	1,000	(4)	996	1,066
1.25% Notes due 2025	763	(5)	758	818
3.20% Notes due 2027	700	(5)	695	741
3.25% Notes due 2029	1,000	(14)	986	1,068
Total Long-term Borrowings	<u>\$ 5,963</u>	<u>\$ (31)</u>	<u>\$ 5,932</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 September 30, 2019, the Company had \$533 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 September 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 September 30, 2019 totaled \$167 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 and 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 matters. 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 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. The defendants believe the claims in this lawsuit are without merit.

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 remains 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 unaffiliated 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. On September 3, 2019, the court granted BlackRock's motion to dismiss part of the plaintiffs' claim seeking to recover alleged losses in the securities lending vehicles, but denied the motion to dismiss in all other respects. Plaintiffs' motion to certify the Plan and CTF classes remains 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 September 30, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$211 billion. The Company held, as agent, cash and securities totaling \$225 billion as collateral for indemnified securities on loan at September 30, 2019. The fair value of these indemnifications was not material at September 30, 2019.

15. Revenue

The table below presents detail of revenue for the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	\$ 391	\$ 405	\$ 1,151	\$ 1,269
<i>iShares</i> ETFs	872	885	2,589	2,722
Non-ETF Index	168	169	495	532
Equity subtotal	1,431	1,459	4,235	4,523
Fixed income:				
Active	496	460	1,427	1,374
<i>iShares</i> ETFs	251	205	705	620
Non-ETF Index	98	98	293	292
Fixed income subtotal	845	763	2,425	2,286
Multi-asset	288	298	852	889
Alternatives:				
Illiquid alternatives	122	89	350	249
Liquid alternatives	105	96	301	290
Currency and commodities ⁽¹⁾	30	24	78	75
Alternatives subtotal	257	209	729	614
Long-term	2,821	2,729	8,241	8,312
Cash management	159	154	447	462
Total base fees	2,980	2,883	8,688	8,774
Investment advisory performance fees:				
Equity	1	7	5	68
Fixed income	—	—	2	2
Multi-asset	1	1	7	15
Alternatives:				
Illiquid alternatives	5	20	40	22
Liquid alternatives	114	123	157	205
Alternatives subtotal	119	143	197	227
Total performance fees	121	151	211	312
Technology services revenue	259	200	700	582
Distribution fees:				
Retrocessions	166	168	491	541
12b-1 fees (US mutual fund distribution fees)	90	102	267	313
Other	14	9	41	30
Total distribution fees	270	279	799	884
Advisory and other revenue:				
Advisory	21	26	62	80
Other	41	37	102	132
Total advisory and other revenue	62	63	164	212
Total revenue	\$ 3,692	\$ 3,576	\$ 10,562	\$ 10,764

⁽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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(in millions)</i>				
By client type:				
Retail	\$ 862	\$ 860	\$ 2,534	\$ 2,573
iShares ETFs	1,151	1,113	3,370	3,414
Institutional:				
Active	558	504	1,595	1,542
Index	250	252	742	783
Total institutional	808	756	2,337	2,325
Long-term	2,821	2,729	8,241	8,312
Cash management	159	154	447	462
Total	\$ 2,980	\$ 2,883	\$ 8,688	\$ 8,774
By investment style:				
Active	\$ 1,401	\$ 1,346	\$ 4,073	\$ 4,063
Index and iShares ETFs	1,420	1,383	4,168	4,249
Long-term	2,821	2,729	8,241	8,312
Cash management	159	154	447	462
Total	\$ 2,980	\$ 2,883	\$ 8,688	\$ 8,774

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 September 30, 2019 and 2018:

September 30, 2019

<i>(in millions)</i>	Remainder of 2019	2020	2021	2022	Thereafter	Total
Investment advisory and administration fees:						
Alternatives ⁽¹⁾⁽²⁾	\$ 22	\$ 85	\$ 71	\$ 62	\$ 59	\$ 299

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

September 30, 2018

<i>(in millions)</i>	Remainder of 2018	2019	2020	2021	Thereafter	Total
Investment advisory and administration fees:						
Alternatives ⁽¹⁾⁽²⁾	\$ 21	\$ 74	\$ 63	\$ 49	\$ 46	\$ 253

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at September 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 nine months ended September 30, 2019 and 2018:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning balance	\$ 365	\$ 242	\$ 293	\$ 219
Net increase (decrease) in unrealized allocations	17	17	116	44
Performance fee revenue recognized	—	(2)	(27)	(6)
Other	6	—	6	—
Ending balance	<u>\$ 388</u>	<u>\$ 257</u>	<u>\$ 388</u>	<u>\$ 257</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 September 30, 2019 and 2018:

September 30, 2019

(in millions)	Remainder of 2019	2020	2021	2022	Thereafter	Total
Technology services revenue ⁽¹⁾⁽²⁾	\$ 36	\$ 54	\$ 37	\$ 21	\$ 12	\$ 160

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.

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

September 30, 2018

(in millions)	Remainder of 2018	2019	2020	2021	Thereafter	Total
Technology services revenue ⁽¹⁾⁽²⁾	\$ 8	\$ 27	\$ 23	\$ 18	\$ 15	\$ 91

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.

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

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 September 30, 2019 and 2018, the estimated fixed minimum fees for currently outstanding contracts approximated \$156 million and \$133 million for the remainder of each respective year. 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 nine months ended September 30, 2019 and 2018:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning balance	\$ 100	\$ 64	\$ 70	\$ 62
Acquisition, net of revenue recognized ⁽¹⁾	—	—	24	—
Additions	8	11	31	31
Revenue recognized that was included in the beginning balance	(21)	(10)	(38)	(28)
Ending balance	<u>\$ 87</u>	<u>\$ 65</u>	<u>\$ 87</u>	<u>\$ 65</u>

(1) The increase during the nine months ended September 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 nine months ended September 30, 2019 is summarized below.

<u>Outstanding at</u>	<u>Restricted Stock and RSUs</u>	<u>Weighted- Average Grant Date Fair Value</u>
December 31, 2018	2,139,890	\$ 429.19
Granted	1,205,230	\$ 414.40
Converted	(1,001,009)	\$ 377.41
Forfeited	(60,961)	\$ 426.45
September 30, 2019⁽¹⁾	<u>2,283,150</u>	<u>\$ 444.15</u>

⁽¹⁾ At September 30, 2019, approximately 2.1 million awards are expected to vest and 0.2 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 nine months ended September 30, 2019 was \$499 million.

At September 30, 2019, the intrinsic value of outstanding RSUs was \$1.0 billion, reflecting a closing stock price of \$445.64.

At September 30, 2019, total unrecognized stock-based compensation expense related to unvested RSUs was \$432 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.3 years.

Performance-Based RSUs.

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

<u>Outstanding at</u>	<u>Performance- Based RSUs</u>	<u>Weighted- Average Grant Date Fair Value</u>
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
September 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 nine months ended September 30, 2019 was \$117 million.

At September 30, 2019, the intrinsic value of outstanding performance-based RSUs was \$338 million, reflecting a closing stock price of \$445.64.

At September 30, 2019, total unrecognized stock-based compensation expense related to unvested performance-based awards was \$131 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period 1.4 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 option activity for the nine months ended September 30, 2019 is summarized below.

	Shares Under Option	Weighted Average Exercise Price
<u>Outstanding at</u>		
December 31, 2018	2,106,482	\$ 513.50
Forfeited	(125,538)	\$ 513.50
September 30, 2019	<u>1,980,944</u>	\$ 513.50

At September 30, 2019, total unrecognized stock-based compensation expense related to unvested performance-based stock options was \$140 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 4.2 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 September 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 nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(in millions)				
Beginning balance	\$ (664)	\$ (575)	\$ (691)	\$ (432)
Foreign currency translation adjustments ⁽¹⁾	(120)	(41)	(93)	(178)
Reclassification as a result of adoption of accounting guidance	—	—	—	(6)
Ending balance	\$ (784)	\$ (616)	\$ (784)	\$ (616)

⁽¹⁾ Amounts for the three months ended September 30, 2019 and 2018 include gains from a net investment hedge of \$25 million (net of tax expense of \$8 million) and \$4 million (net of tax expense of \$1 million), respectively. Amounts for the nine months ended September 30, 2019 and 2018 include gains from a net investment hedge of \$28 million (net of tax expense of \$9 million) and \$22 million (net of tax expense of \$7 million), respectively.

19. Capital Stock

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

	September 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 nine months ended September 30, 2019, the Company repurchased 4.0 million common shares under the share repurchase program for approximately \$1.7 billion, including a \$1.3 billion private transaction that closed on March 25, 2019. At September 30, 2019, there were 5.9 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 nine months ended September 30, 2019:

	Nine Months Ended September 30, 2019
<i>(in millions)</i>	
Liability as of December 31, 2018	\$ 53
Cash payments	(51)
Liability as of September 30, 2019	<u>\$ 2</u>

21. Income Taxes

The nine months ended September 30, 2019 income tax expense included \$22 million of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of 2019.

The three months ended September 30, 2018 income tax expense included \$90 million of discrete tax benefits, primarily related to changes in the Company's organizational entity structure. The nine months ended September 30, 2018 income tax expense also included \$58 million of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of 2018.

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 nine months ended September 30, 2019 and 2018 under the treasury stock method:

	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(in millions, except shares and per share data)</i>	2019	2018	2019	2018
Net income attributable to BlackRock	\$ 1,119	\$ 1,216	\$ 3,175	\$ 3,378
Basic weighted-average shares outstanding	155,280,877	160,141,506	156,290,212	160,786,768
Dilutive effect of nonparticipating RSUs and stock options	1,166,510	1,236,711	1,095,744	1,354,111
Total diluted weighted-average shares outstanding	<u>156,447,387</u>	<u>161,378,217</u>	<u>157,385,956</u>	<u>162,140,879</u>
Basic earnings per share	\$ 7.21	\$ 7.59	\$ 20.31	\$ 21.01
Diluted earnings per share	\$ 7.15	\$ 7.54	\$ 20.17	\$ 20.83

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 nine months ended September 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)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue				
Americas	\$ 2,445	\$ 2,328	\$ 7,051	\$ 6,989
Europe	1,080	1,083	3,018	3,258
Asia-Pacific	167	165	493	517
Total revenue	<u>\$ 3,692</u>	<u>\$ 3,576</u>	<u>\$ 10,562</u>	<u>\$ 10,764</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 September 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)	September 30, 2019	December 31, 2018
Long-lived Assets		
Americas	\$ 13,797	\$ 13,780
Europe	1,337	303
Asia-Pacific	87	86
Total long-lived assets	<u>\$ 15,221</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 conducted a review for 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 \$6.96 trillion of AUM at September 30, 2019. With approximately 16,100 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 September 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. The deadline was further extended to January 31, 2020 at the European Council on October 29, 2019.

Substantial uncertainty remains surrounding the terms upon which the UK will ultimately exit the EU. The impact of Brexit will depend in part on any arrangements that are put in place between the UK and the EU and, to the extent they are, whether the UK continues to apply laws that are based on EU legislation. As a result, the UK’s relationship with the EU remains unclear and 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 future relationship between the UK and 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* expands *Aladdin*’s illiquid alternative capabilities and enables 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total revenue	\$ 3,692	\$ 3,576	\$ 10,562	\$ 10,764
Total expense	2,190	2,180	6,549	6,553
Operating income	\$ 1,502	\$ 1,396	\$ 4,013	\$ 4,211
Operating margin	40.7%	39.0%	38.0%	39.1%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	(42)	46	123	(4)
Income tax expense	(341)	(226)	(961)	(829)
Net income attributable to BlackRock	\$ 1,119	\$ 1,216	\$ 3,175	\$ 3,378
Diluted earnings per common share	\$ 7.15	\$ 7.54	\$ 20.17	\$ 20.83
Effective tax rate	23.3%	15.7%	23.2%	19.7%

As adjusted⁽¹⁾:

Operating income	\$ 1,502	\$ 1,400	\$ 4,013	\$ 4,221
Operating margin	46.0%	44.2%	43.7%	44.5%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	\$ (42)	\$ 46	\$ 123	\$ (4)
Net income attributable to BlackRock	\$ 1,119	\$ 1,214	\$ 3,175	\$ 3,386
Diluted earnings per common share	\$ 7.15	\$ 7.52	\$ 20.17	\$ 20.88
Effective tax rate	23.3%	16.0%	23.2%	19.7%

Other:

Assets under management (end of period)	\$ 6,963,932	\$ 6,444,100	\$ 6,963,932	\$ 6,444,100
Diluted weighted-average common shares outstanding ⁽²⁾	156,447,387	161,378,217	157,385,956	162,140,879
Common and preferred shares outstanding (end of period)	155,173,103	159,804,364	155,173,103	159,804,364
Book value per share ⁽³⁾	\$ 208.84	\$ 202.84	\$ 208.84	\$ 202.84
Cash dividends declared and paid per share	\$ 3.30	\$ 3.13	\$ 9.90	\$ 8.89

⁽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 September 30 of the respective period-end.

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

GAAP. Operating income of \$1,502 million increased \$106 million and operating margin of 40.7% increased 170 bps from the third quarter of 2018. Operating income and operating margin reflected higher base fees and technology services revenue, partially offset by lower performance fees and lower transaction-related expense in the current quarter. Nonoperating income (expense) less net income (loss) attributable to noncontrolling interests ("NCI") decreased \$88 million from the third quarter of 2018, primarily driven by the revaluation of certain minority investments. Nonoperating results for the three months ended September 30, 2018 included a \$40 million pre-tax gain related to the sale of the Company's minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to The DSP Group ("DSP Transaction"). Third quarter 2018 income tax expense included \$90 million of discrete tax benefits, primarily related to changes in the Company's organizational entity structure. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share decreased \$0.39, or 5%, from the third quarter of 2018, reflecting lower nonoperating income and a higher effective tax rate in the current quarter, partially offset by higher operating income and a lower diluted share count.

As Adjusted. Operating income of \$1,502 million increased \$102 million and operating margin of 46.0% increased 180 bps from the third quarter of 2018. Earnings per diluted common share decreased \$0.37, or 5%, from the third quarter of 2018.

NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2018

GAAP. Operating income of \$4,013 million decreased \$198 million and operating margin of 38.0% decreased 110 bps from the nine months ended September 30, 2018. The decline in operating income and operating margin reflected lower base and performance fees, partially offset by higher technology services revenue and lower employee compensation and benefits and volume-related expense. Operating income for the nine months ended September 30, 2019 also included \$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 NCI increased \$127 million from the nine months ended September 30, 2018, driven by higher marks on unhedged seed capital investments and the revaluation of certain minority investments. Nonoperating results for the nine months ended September 30, 2018 included a \$40 million pre-tax gain related to the DSP Transaction.

Income tax expense for the nine months ended September 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. Income tax expense for the nine months ended September 30, 2018 also included the previously mentioned \$90 million of discrete tax benefits. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share decreased \$0.66, or 3%, from the nine months ended September 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 \$4,013 million decreased \$208 million and operating margin of 43.7% decreased 80 bps from the nine months ended September 30, 2018. Earnings per diluted common share decreased \$0.71, or 3%, from the nine months ended September 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:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating income, GAAP basis	\$ 1,502	\$ 1,396	\$ 4,013	\$ 4,211
Non-GAAP expense adjustment:				
PNC LTIP funding obligation	—	4	—	10
Operating income, as adjusted	1,502	1,400	4,013	4,221
Product launch costs and commissions	—	1	61	13
Operating income used for operating margin measurement	\$ 1,502	\$ 1,401	\$ 4,074	\$ 4,234
Revenue, GAAP basis	\$ 3,692	\$ 3,576	\$ 10,562	\$ 10,764
Non-GAAP adjustments:				
Distribution fees	(270)	(279)	(799)	(884)
Investment advisory fees	(157)	(129)	(448)	(371)
Revenue used for operating margin measurement	\$ 3,265	\$ 3,168	\$ 9,315	\$ 9,509
Operating margin, GAAP basis	40.7%	39.0%	38.0%	39.1%
Operating margin, as adjusted	46.0%	44.2%	43.7%	44.5%

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 of revenues and expenses related to distributing different product structures in multiple distribution channels utilized by asset managers.

- Operating income, as adjusted, includes a non-GAAP expense adjustment. In the three and nine months ended September 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 to exclude all of the Company's distribution fees, which are recorded as a separate line item on the condensed consolidated statements of income, as well as a portion of investment advisory fees received that is used to pay distribution and servicing costs. For certain products, based on distinct arrangements, distribution fees are collected by the Company and then passed-through to third-party client intermediaries. For other products, investment advisory fees are collected by the Company and a portion is passed-through to third-party client intermediaries. However, in both structures, the third-party client intermediary similarly owns the relationship with the retail client and is responsible for distributing the product and servicing the client. The amount of distribution and investment advisory fees fluctuates each period primarily based on a predetermined percentage of the value of AUM during the period. These fees also vary based on the type of investment product sold and the geographic location where it is sold. In addition, the Company may waive fees on certain products that could result in the reduction of payments to the third-party intermediaries.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(in millions, except per share data)</i>				
Net income attributable to BlackRock, Inc., GAAP basis	\$ 1,119	\$ 1,216	\$ 3,175	\$ 3,378
Non-GAAP adjustments:				
PNC LTIP funding obligation, net of tax	—	3	—	9
Income tax matters	—	(5)	—	(1)
Net income attributable to BlackRock, Inc., as adjusted	\$ 1,119	\$ 1,214	\$ 3,175	\$ 3,386
Diluted weighted-average common shares outstanding (3)	156.4	161.4	157.4	162.1
Diluted earnings per common share, GAAP basis (3)	\$ 7.15	\$ 7.54	\$ 20.17	\$ 20.83
Diluted earnings per common share, as adjusted (3)	\$ 7.15	\$ 7.52	\$ 20.17	\$ 20.88

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)		
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Twelve Months Ended September 30, 2019
(in millions)							
Retail	\$ 668,118	\$ 664,906	\$ 610,850	\$ 664,867	\$ 6,698	\$ 7,799	\$ 3,014
iShares ETFs	2,046,818	2,008,867	1,731,425	1,853,188	41,504	108,289	189,692
Institutional:							
Active	1,283,064	1,272,532	1,079,979	1,129,315	(4,379)	84,161	78,200
Index	2,453,181	2,413,191	2,103,230	2,351,785	8,437	36,375	9,310
Institutional subtotal	3,736,245	3,685,723	3,183,209	3,481,100	4,058	120,536	87,510
Long-term	6,451,181	6,359,496	5,525,484	5,999,155	52,260	236,624	280,216
Cash management	510,984	481,208	448,565	443,185	31,988	63,275	69,422
Advisory ⁽¹⁾	1,767	1,778	1,769	1,760	(2)	(2)	33
Total	\$ 6,963,932	\$ 6,842,482	\$ 5,975,818	\$ 6,444,100	\$ 84,246	\$ 299,897	\$ 349,671

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

	AUM				Net inflows (outflows)		
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Twelve Months Ended September 30, 2019
(in millions)							
Active	\$ 1,865,437	\$ 1,853,393	\$ 1,617,780	\$ 1,713,576	\$ 741	\$ 89,327	\$ 77,042
Index and iShares ETFs	4,585,744	4,506,103	3,907,704	4,285,579	51,519	147,297	203,174
Long-term	6,451,181	6,359,496	5,525,484	5,999,155	52,260	236,624	280,216
Cash management	510,984	481,208	448,565	443,185	31,988	63,275	69,422
Advisory ⁽¹⁾	1,767	1,778	1,769	1,760	(2)	(2)	33
Total	\$ 6,963,932	\$ 6,842,482	\$ 5,975,818	\$ 6,444,100	\$ 84,246	\$ 299,897	\$ 349,671

AUM and Net Inflows (Outflows) by Product Type

	AUM				Net inflows (outflows)		
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Twelve Months Ended September 30, 2019
(in millions)							
Equity	\$ 3,488,503	\$ 3,485,869	\$ 3,035,825	\$ 3,482,687	\$ 9,916	\$ (10,246)	\$ 18,047
Fixed income	2,267,431	2,191,130	1,884,417	1,883,806	34,990	225,304	228,403
Multi-asset	527,721	523,728	461,884	492,810	(605)	3,932	11,229
Alternatives:							
Illiquid alternatives	70,516	67,910	59,827	57,418	3,117	10,038	12,415
Liquid alternatives	55,544	55,514	51,718	52,047	383	1,661	3,344
Currency and commodities ⁽²⁾	41,466	35,345	31,813	30,387	4,459	5,935	6,778
Alternatives subtotal	167,526	158,769	143,358	139,852	7,959	17,634	22,537
Long-term	6,451,181	6,359,496	5,525,484	5,999,155	52,260	236,624	280,216
Cash management	510,984	481,208	448,565	443,185	31,988	63,275	69,422
Advisory ⁽¹⁾	1,767	1,778	1,769	1,760	(2)	(2)	33
Total	\$ 6,963,932	\$ 6,842,482	\$ 5,975,818	\$ 6,444,100	\$ 84,246	\$ 299,897	\$ 349,671

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

⁽²⁾ Amounts include commodity iShares ETFs.

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

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

<i>(in millions)</i>	June 30, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Retail:						
Equity	\$ 232,429	\$ 2,838	\$ (1,575)	\$ (2,047)	\$ 231,645	\$ 231,417
Fixed income	291,772	4,951	2,408	(1,945)	297,186	294,416
Multi-asset	118,135	(1,972)	248	(371)	116,040	117,101
Alternatives	22,570	881	(59)	(145)	23,247	22,894
Retail subtotal	664,906	6,698	1,022	(4,508)	668,118	665,828
iShares ETFs:						
Equity	1,462,623	13,079	(1,810)	(5,181)	1,468,711	1,459,509
Fixed income	513,843	23,676	5,296	(3,555)	539,260	526,863
Multi-asset	4,442	210	10	(3)	4,659	4,529
Alternatives	27,959	4,539	1,725	(35)	34,188	31,634
iShares ETFs subtotal	2,008,867	41,504	5,221	(8,774)	2,046,818	2,022,535
Institutional:						
Active:						
Equity	125,884	3,945	172	(1,278)	128,723	125,960
Fixed income	649,924	(12,144)	16,149	(4,046)	649,883	652,333
Multi-asset	393,101	1,236	9,912	(5,312)	398,937	394,801
Alternatives	103,623	2,584	366	(1,052)	105,521	104,198
Active subtotal	1,272,532	(4,379)	26,599	(11,688)	1,283,064	1,277,292
Index:						
Equity	1,664,933	(9,946)	16,714	(12,277)	1,659,424	1,652,937
Fixed income	735,591	18,507	40,259	(13,255)	781,102	756,790
Multi-asset	8,050	(79)	138	(24)	8,085	8,044
Alternatives	4,617	(45)	38	(40)	4,570	4,533
Index subtotal	2,413,191	8,437	57,149	(25,596)	2,453,181	2,422,304
Institutional subtotal	3,685,723	4,058	83,748	(37,284)	3,736,245	3,699,596
Long-term	6,359,496	52,260	89,991	(50,566)	6,451,181	6,387,959
Cash management	481,208	31,988	623	(2,835)	510,984	505,145
Advisory ⁽³⁾	1,778	(2)	8	(17)	1,767	1,769
Total	\$ 6,842,482	\$ 84,246	\$ 90,622	\$ (53,418)	\$ 6,963,932	\$ 6,894,873

⁽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 September 30, 2019.

(in millions)	June 30, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Active:						
Equity	\$ 289,870	\$ 5,331	\$ (2,287)	\$ (2,395)	\$ 290,519	\$ 288,592
Fixed income	926,097	(7,314)	18,003	(5,607)	931,179	931,013
Multi-asset	511,236	(740)	10,160	(5,683)	514,973	511,901
Alternatives	126,190	3,464	309	(1,197)	128,766	127,092
Active subtotal	1,853,393	741	26,185	(14,882)	1,865,437	1,858,598
Index and <i>iShares</i> ETFs:						
<i>iShares</i> ETFs:						
Equity	1,462,623	13,079	(1,810)	(5,181)	1,468,711	1,459,509
Fixed income	513,843	23,676	5,296	(3,555)	539,260	526,863
Multi-asset	4,442	210	10	(3)	4,659	4,529
Alternatives	27,959	4,539	1,725	(35)	34,188	31,634
<i>iShares</i> ETFs subtotal	2,008,867	41,504	5,221	(8,774)	2,046,818	2,022,535
Non-ETF Index:						
Equity	1,733,376	(8,494)	17,598	(13,207)	1,729,273	1,721,722
Fixed income	751,190	18,628	40,813	(13,639)	796,992	772,526
Multi-asset	8,050	(75)	138	(24)	8,089	8,045
Alternatives	4,620	(44)	36	(40)	4,572	4,533
Non-ETF Index subtotal	2,497,236	10,015	58,585	(26,910)	2,538,926	2,506,826
Index & <i>iShares</i> ETFs subtotal	4,506,103	51,519	63,806	(35,684)	4,585,744	4,529,361
Long-term	6,359,496	52,260	89,991	(50,566)	6,451,181	6,387,959
Cash management	481,208	31,988	623	(2,835)	510,984	505,145
Advisory ⁽³⁾	1,778	(2)	8	(17)	1,767	1,769
Total	\$ 6,842,482	\$ 84,246	\$ 90,622	\$ (53,418)	\$ 6,963,932	\$ 6,894,873

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

(in millions)	June 30, 2019	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Equity	\$ 3,485,869	\$ 9,916	\$ 13,501	\$ (20,783)	\$ 3,488,503	\$ 3,469,823
Fixed income	2,191,130	34,990	64,112	(22,801)	2,267,431	2,230,402
Multi-asset	523,728	(605)	10,308	(5,710)	527,721	524,475
Alternatives:						
Illiquid alternatives	67,910	3,117	134	(645)	70,516	68,764
Liquid alternatives	55,514	383	192	(545)	55,544	55,582
Currency and commodities ⁽⁴⁾	35,345	4,459	1,744	(82)	41,466	38,913
Alternatives subtotal	158,769	7,959	2,070	(1,272)	167,526	163,259
Long-term	6,359,496	52,260	89,991	(50,566)	6,451,181	6,387,959
Cash management	481,208	31,988	623	(2,835)	510,984	505,145
Advisory ⁽³⁾	1,778	(2)	8	(17)	1,767	1,769
Total	\$ 6,842,482	\$ 84,246	\$ 90,622	\$ (53,418)	\$ 6,963,932	\$ 6,894,873

⁽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 \$121.5 billion to \$6.96 trillion at September 30, 2019, driven by net market appreciation and positive net inflows, partially offset by the impact of foreign exchange movements.

Net market appreciation of \$90.6 billion was primarily driven by fixed income appreciation and higher US equity markets.

Long-term net inflows of \$52.3 billion included \$41.5 billion, \$6.7 billion and \$4.1 billion from *iShares* ETFs, retail and institutional clients, respectively. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$41.5 billion were led by growth in Fixed Income, Factor, Core and European ETFs. Core and non-Core *iShares* ETFs saw net inflows of \$18.3 billion and \$23.2 billion, respectively. By region, *iShares* ETFs inflows were diversified with \$24.9 billion of net inflows in US-listed *iShares* ETFs and \$15.1 billion of net inflows in European-listed *iShares* ETFs.
- Retail net inflows of \$6.7 billion reflected net inflows of \$5.5 billion in the United States and net inflows of \$1.2 billion internationally. Retail inflows reflected strength in active fixed income, led by municipals, short duration and total return strategies, active equity and liquid alternatives funds, partially offset by outflows from multi-asset world allocation products.
- Institutional index net inflows of \$8.4 billion were led by fixed income net inflows of \$18.5 billion, reflecting continued demand for liability-driven investment solutions, partially offset by equity index outflows of \$9.9 billion, linked to client asset allocation, rebalancing and liquidity needs.
- Institutional active net outflows of \$4.4 billion were driven by active fixed income outflows of \$12.1 billion, primarily due to several client-specific redemptions, partially offset by net inflows into active equity, alternatives and multi-asset strategies.

Cash management AUM increased to \$511 billion, driven by net inflows of \$32 billion.

AUM decreased \$53.4 billion due to the impact of foreign exchange movements, primarily due to the strengthening of the US dollar against the Euro and British pound.

Component Changes in AUM for the Nine Months Ended September 30, 2019

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

<i>(in millions)</i>	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Retail:						
Equity	\$ 205,714	\$ (2,588)	\$ 30,760	\$ (2,241)	\$ 231,645	\$ 225,107
Fixed income	271,588	16,230	11,131	(1,763)	297,186	285,933
Multi-asset	113,417	(8,703)	11,679	(353)	116,040	116,916
Alternatives	20,131	2,860	420	(164)	23,247	21,741
Retail subtotal	610,850	7,799	53,990	(4,521)	668,118	649,697
iShares ETFs:						
Equity	1,274,262	15,633	182,800	(3,984)	1,468,711	1,417,194
Fixed income	427,596	87,381	27,527	(3,244)	539,260	487,266
Multi-asset	4,485	(267)	438	3	4,659	4,335
Alternatives	25,082	5,542	3,581	(17)	34,188	28,103
iShares ETFs subtotal	1,731,425	108,289	214,346	(7,242)	2,046,818	1,936,898
Institutional:						
Active:						
Equity	110,976	1,329	17,582	(1,164)	128,723	121,261
Fixed income	538,961	60,155	53,921	(3,154)	649,883	599,105
Multi-asset	336,237	13,566	53,925	(4,791)	398,937	375,173
Alternatives	93,805	9,111	3,546	(941)	105,521	101,328
Active subtotal	1,079,979	84,161	128,974	(10,050)	1,283,064	1,196,867
Index:						
Equity	1,444,873	(24,620)	250,459	(11,288)	1,659,424	1,608,044
Fixed income	646,272	61,538	84,536	(11,244)	781,102	715,922
Multi-asset	7,745	(664)	998	6	8,085	8,090
Alternatives	4,340	121	120	(11)	4,570	4,528
Index subtotal	2,103,230	36,375	336,113	(22,537)	2,453,181	2,336,584
Institutional subtotal	3,183,209	120,536	465,087	(32,587)	3,736,245	3,533,451
Long-term	5,525,484	236,624	733,423	(44,350)	6,451,181	6,120,046
Cash management	448,565	63,275	2,046	(2,902)	510,984	473,267
Advisory ⁽³⁾	1,769	(2)	(4)	4	1,767	1,772
Total	\$ 5,975,818	\$ 299,897	\$ 735,465	\$ (47,248)	\$ 6,963,932	\$ 6,595,085

⁽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 ten 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 nine months ended September 30, 2019.

(in millions)	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Active:						
Equity	\$ 258,205	\$ (3,602)	\$ 38,255	\$ (2,339)	\$ 290,519	\$ 280,485
Fixed income	795,985	76,099	63,604	(4,509)	931,179	869,509
Multi-asset	449,654	4,859	65,604	(5,144)	514,973	492,089
Alternatives	113,936	11,971	3,964	(1,105)	128,766	123,068
Active subtotal	1,617,780	89,327	171,427	(13,097)	1,865,437	1,765,151
Index and <i>iShares</i> ETFs:						
<i>iShares</i> ETFs:						
Equity	1,274,262	15,633	182,800	(3,984)	1,468,711	1,417,194
Fixed income	427,596	87,381	27,527	(3,244)	539,260	487,266
Multi-asset	4,485	(267)	438	3	4,659	4,335
Alternatives	25,082	5,542	3,581	(17)	34,188	28,103
<i>iShares</i> ETFs subtotal	1,731,425	108,289	214,346	(7,242)	2,046,818	1,936,898
Non-ETF Index						
Equity	1,503,358	(22,277)	260,546	(12,354)	1,729,273	1,673,927
Fixed income	660,836	61,824	85,984	(11,652)	796,992	731,451
Multi-asset	7,745	(660)	998	6	8,089	8,090
Alternatives	4,340	121	122	(11)	4,572	4,529
Non-ETF Index subtotal	2,176,279	39,008	347,650	(24,011)	2,538,926	2,417,997
Index & <i>iShares</i> ETFs subtotal	3,907,704	147,297	561,996	(31,253)	4,585,744	4,354,895
Long-term	5,525,484	236,624	733,423	(44,350)	6,451,181	6,120,046
Cash management	448,565	63,275	2,046	(2,902)	510,984	473,267
Advisory ⁽³⁾	1,769	(2)	(4)	4	1,767	1,772
Total	\$ 5,975,818	\$ 299,897	\$ 735,465	\$ (47,248)	\$ 6,963,932	\$ 6,595,085

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

(in millions)	December 31, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Equity	\$ 3,035,825	\$ (10,246)	\$ 481,601	\$ (18,677)	\$ 3,488,503	\$ 3,371,606
Fixed income	1,884,417	225,304	177,115	(19,405)	2,267,431	2,088,226
Multi-asset	461,884	3,932	67,040	(5,135)	527,721	504,514
Alternatives:						
Illiquid alternatives	59,827	10,038	1,252	(601)	70,516	66,395
Liquid alternatives	51,718	1,661	2,706	(541)	55,544	54,062
Currency and commodities ⁽⁴⁾	31,813	5,935	3,709	9	41,466	35,243
Alternatives subtotal	143,358	17,634	7,667	(1,133)	167,526	155,700
Long-term	5,525,484	236,624	733,423	(44,350)	6,451,181	6,120,046
Cash management	448,565	63,275	2,046	(2,902)	510,984	473,267
Advisory ⁽³⁾	1,769	(2)	(4)	4	1,767	1,772
Total	\$ 5,975,818	\$ 299,897	\$ 735,465	\$ (47,248)	\$ 6,963,932	\$ 6,595,085

⁽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 ten months.

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

⁽⁴⁾ Amounts include commodity *iShares* ETFs.

AUM increased \$988.1 billion to \$6.96 trillion at September 30, 2019, driven by net market appreciation and positive net inflows, partially offset by the impact of foreign exchange movements.

Net market appreciation of \$735.5 billion was driven by higher US markets and fixed income appreciation.

Long-term net inflows of \$236.6 billion included \$120.5 billion, \$108.3 billion and \$7.8 billion from institutional clients, *iShares* ETFs and retail clients, respectively. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$108.3 billion were led by fixed income ETFs, which generated \$87.4 billion of net inflows, across treasuries, investment grade corporate bond, high yield and emerging markets debt ETFs. *iShares* ETFs reflected \$57.5 billion and \$50.8 billion of net inflows into Core and non-Core ETFs, respectively. By region, *iShares* ETFs inflows were diversified with \$68.9 billion of net inflows in US-listed *iShares* ETFs and \$38.3 billion of net inflows in European-listed *iShares* ETFs.
- Institutional active net inflows of \$84.1 billion were primarily driven by active fixed income, multi-asset and alternative net inflows of \$60.2 billion, \$13.6 billion and \$9.1 billion, respectively. Active fixed income net inflows included strong flows from two significant strategic client mandates and active multi-asset net inflows reflected continued growth in *LifePath*® target-date funds. 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.
- Institutional index net inflows of \$36.4 billion were primarily driven by fixed income net inflows of \$61.5 billion, led by continued demand for liability-driven investment solutions, partially offset by equity net outflows of \$24.6 billion, linked to client asset allocation, rebalancing and liquidity needs.
- Retail net inflows of \$7.8 billion reflected net inflows of \$15.3 billion in the United States, partially offset by net outflows of \$7.5 billion internationally. Retail net inflows reflected strength in municipal fixed income funds.

Cash management AUM increased to \$511 billion, primarily due to net inflows of \$63.3 billion.

AUM decreased \$47.2 billion due to the impact of foreign exchange movements, primarily due to the strengthening of the US dollar against the Euro and British pound.

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

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

<i>(in millions)</i>	September 30, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Retail:						
Equity	\$ 237,544	\$ (292)	\$ (2,007)	\$ (3,600)	\$ 231,645	\$ 225,307
Fixed income	282,879	8,351	9,186	(3,230)	297,186	284,212
Multi-asset	124,304	(8,532)	977	(709)	116,040	117,860
Alternatives	20,140	3,487	(154)	(226)	23,247	21,409
Retail subtotal	664,867	3,014	8,002	(7,765)	668,118	648,788
iShares ETFs:						
Equity	1,413,925	76,142	(13,808)	(7,548)	1,468,711	1,404,161
Fixed income	412,343	106,240	25,589	(4,912)	539,260	469,183
Multi-asset	3,814	721	126	(2)	4,659	4,205
Alternatives	23,106	6,589	4,541	(48)	34,188	26,986
iShares ETFs subtotal	1,853,188	189,692	16,448	(12,510)	2,046,818	1,904,535
Institutional:						
Active:						
Equity	128,975	(312)	1,928	(1,868)	128,723	121,483
Fixed income	551,591	46,840	56,110	(4,658)	649,883	586,479
Multi-asset	356,887	19,241	30,481	(7,672)	398,937	369,684
Alternatives	91,862	12,431	2,592	(1,364)	105,521	99,153
Active subtotal	1,129,315	78,200	91,111	(15,562)	1,283,064	1,176,799
Index:						
Equity	1,702,243	(57,491)	29,922	(15,250)	1,659,424	1,609,791
Fixed income	636,993	66,972	94,678	(17,541)	781,102	696,383
Multi-asset	7,805	(201)	380	101	8,085	8,023
Alternatives	4,744	30	(176)	(28)	4,570	4,549
Index subtotal	2,351,785	9,310	124,804	(32,718)	2,453,181	2,318,746
Institutional subtotal	3,481,100	87,510	215,915	(48,280)	3,736,245	3,495,545
Long-term	5,999,155	280,216	240,365	(68,555)	6,451,181	6,048,868
Cash management	443,185	69,422	2,595	(4,218)	510,984	466,738
Advisory ⁽³⁾	1,760	33	3	(29)	1,767	1,769
Total	\$ 6,444,100	\$ 349,671	\$ 242,963	\$ (72,802)	\$ 6,963,932	\$ 6,517,375

⁽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 thirteen 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 twelve months ended September 30, 2019.

(in millions)	September 30, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Active:						
Equity	\$ 301,049	\$ (4,915)	\$ (1,833)	\$ (3,782)	\$ 290,519	\$ 281,517
Fixed income	819,332	55,334	63,722	(7,209)	931,179	855,299
Multi-asset	481,192	10,705	31,457	(8,381)	514,973	487,544
Alternatives	112,003	15,918	2,435	(1,590)	128,766	120,561
Active subtotal	1,713,576	77,042	95,781	(20,962)	1,865,437	1,744,921
Index and <i>iShares</i> ETFs:						
<i>iShares</i> ETFs:						
Equity	1,413,925	76,142	(13,808)	(7,548)	1,468,711	1,404,161
Fixed income	412,343	106,240	25,589	(4,912)	539,260	469,183
Multi-asset	3,814	721	126	(2)	4,659	4,205
Alternatives	23,106	6,589	4,541	(48)	34,188	26,986
<i>iShares</i> ETFs subtotal	1,853,188	189,692	16,448	(12,510)	2,046,818	1,904,535
Non-ETF Index:						
Equity	1,767,713	(53,180)	31,676	(16,936)	1,729,273	1,675,064
Fixed income	652,131	66,829	96,252	(18,220)	796,992	711,775
Multi-asset	7,804	(197)	381	101	8,089	8,023
Alternatives	4,743	30	(173)	(28)	4,572	4,550
Non-ETF Index subtotal	2,432,391	13,482	128,136	(35,083)	2,538,926	2,399,412
Index & <i>iShares</i> ETFs subtotal	4,285,579	203,174	144,584	(47,593)	4,585,744	4,303,947
Long-term	5,999,155	280,216	240,365	(68,555)	6,451,181	6,048,868
Cash management	443,185	69,422	2,595	(4,218)	510,984	466,738
Advisory ⁽³⁾	1,760	33	3	(29)	1,767	1,769
Total	\$ 6,444,100	\$ 349,671	\$ 242,963	\$ (72,802)	\$ 6,963,932	\$ 6,517,375

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

(in millions)	September 30, 2018	Net inflows (outflows)	Market change	FX impact ⁽¹⁾	September 30, 2019	Average AUM ⁽²⁾
Equity	\$ 3,482,687	\$ 18,047	\$ 16,035	\$ (28,266)	\$ 3,488,503	\$ 3,360,742
Fixed income	1,883,806	228,403	185,563	(30,341)	2,267,431	2,036,257
Multi-asset	492,810	11,229	31,964	(8,282)	527,721	499,772
Alternatives:						
Illiquid alternatives	57,418	12,415	1,582	(899)	70,516	64,411
Liquid alternatives	52,047	3,344	942	(789)	55,544	53,566
Currency and commodities ⁽⁴⁾	30,387	6,778	4,279	22	41,466	34,120
Alternatives subtotal	139,852	22,537	6,803	(1,666)	167,526	152,097
Long-term	5,999,155	280,216	240,365	(68,555)	6,451,181	6,048,868
Cash management	443,185	69,422	2,595	(4,218)	510,984	466,738
Advisory ⁽³⁾	1,760	33	3	(29)	1,767	1,769
Total	\$ 6,444,100	\$ 349,671	\$ 242,963	\$ (72,802)	\$ 6,963,932	\$ 6,517,375

⁽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 thirteen months.

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

⁽⁴⁾ Amounts include commodity *iShares* ETFs.

AUM increased \$519.8 billion to \$6.96 trillion at September 30, 2019, driven by net inflows and net market appreciation, partially offset by the impact of foreign exchange movements.

Net market appreciation of \$243.0 billion was driven by fixed income appreciation and higher US equity markets.

Long-term net inflows of \$280.2 billion were comprised of net inflows of \$189.7 billion, \$87.5 billion and \$3.0 billion from *iShares* ETFs, institutional and retail clients, respectively. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$189.7 billion reflected \$90.7 billion and \$99.0 billion of net inflows into Core and non-Core ETFs, respectively. By region, *iShares* ETFs inflows were diversified with \$133.2 billion of net inflows in US-listed *iShares* ETFs and \$49.4 billion of net inflows in European-listed *iShares* ETFs. Fixed income net inflows of \$106.2 billion were led by flows into treasuries, investment grade corporate bond, high yield and core bond ETFs. Equity net inflows of \$76.1 billion were driven by both US and international equity market exposures.
- Institutional active net inflows of \$78.2 billion primarily reflected active fixed income, multi-asset and alternative net inflows of \$46.8 billion, \$19.2 billion and \$12.4 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 funds and asset allocation strategies. Alternatives net inflows were led by flows into illiquid alternatives, including infrastructure, real estate and LTPC.
- Institutional index net inflows of \$9.3 billion were primarily driven by fixed income net inflows of \$67.0 billion, led by continued demand for liability-driven investment solutions, partially offset by equity net outflows of \$57.5 billion, linked to client asset allocation, rebalancing and liquidity needs.
- Retail net inflows of \$3.0 billion reflected net inflows of \$20.2 billion in the United States, partially offset by net outflows of \$17.2 billion internationally. Retail net inflows reflected strength in municipal fixed income funds and continued growth in *LifePath* target-date, partially offset by net outflows from multi-asset asset allocation strategies.

Cash management AUM increased to \$511 billion, primarily due to net inflows of \$69.4 billion.

AUM decreased \$72.8 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the US dollar 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 nine months ended September 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 nine months ended September 30, 2019 and 2018 and includes the asset type mix of investment advisory, administration fees and securities lending revenue (collectively "base fees").

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	\$ 391	\$ 405	\$ 1,151	\$ 1,269
iShares ETFs	872	885	2,589	2,722
Non-ETF Index	168	169	495	532
Equity subtotal	1,431	1,459	4,235	4,523
Fixed income:				
Active	496	460	1,427	1,374
iShares ETFs	251	205	705	620
Non-ETF Index	98	98	293	292
Fixed income subtotal	845	763	2,425	2,286
Multi-asset	288	298	852	889
Alternatives:				
Illiquid alternatives	122	89	350	249
Liquid alternatives	105	96	301	290
Currency and commodities ⁽¹⁾	30	24	78	75
Alternatives subtotal	257	209	729	614
Long-term	2,821	2,729	8,241	8,312
Cash management	159	154	447	462
Total base fees	2,980	2,883	8,688	8,774
Investment advisory performance fees:				
Equity	1	7	5	68
Fixed income	—	—	2	2
Multi-asset	1	1	7	15
Alternatives:				
Illiquid alternatives	5	20	40	22
Liquid alternatives	114	123	157	205
Alternatives subtotal	119	143	197	227
Total performance fees	121	151	211	312
Technology services revenue	259	200	700	582
Distribution fees:				
Retrocessions	166	168	491	541
12b-1 fees (US mutual fund distribution fees)	90	102	267	313
Other	14	9	41	30
Total distribution fees	270	279	799	884
Advisory and other revenue:				
Advisory	21	26	62	80
Other	41	37	102	132
Total advisory and other revenue	62	63	164	212
Total revenue	\$ 3,692	\$ 3,576	\$ 10,562	\$ 10,764

⁽¹⁾ Amount include commodity iShares ETFs.

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

	Three Months Ended September 30,				Nine Months Ended September 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%	14%	4%	5%
iShares ETFs	29%	31%	21%	22%	30%	31%	21%	22%
Non-ETF Index	6%	6%	25%	27%	6%	6%	26%	27%
Equity subtotal	48%	52%	50%	54%	49%	51%	51%	54%
Fixed income:								
Active	17%	16%	14%	13%	17%	17%	13%	12%
iShares ETFs	8%	7%	8%	6%	8%	7%	7%	6%
Non-ETF Index	3%	3%	11%	10%	3%	3%	11%	10%
Fixed income subtotal	28%	26%	33%	29%	28%	27%	31%	28%
Multi-asset	10%	10%	8%	8%	10%	10%	8%	8%
Alternatives:								
Illiquid alternatives	4%	3%	1%	1%	4%	3%	1%	1%
Liquid alternatives	4%	3%	1%	1%	3%	3%	1%	1%
Currency and commodities	1%	1%	0%	0%	1%	1%	1%	1%
Alternatives subtotal	9%	7%	2%	2%	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 ten months.

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

Revenue increased \$116 million, or 3%, from the three months ended September 30, 2018, primarily driven by higher base fees and technology services revenue, partially offset by lower performance fees.

Investment advisory, administration fees and securities lending revenue of \$2,980 million increased \$97 million from \$2,883 million for the three months ended September 30, 2018, primarily driven by organic growth, the positive impact of market beta and acquisitions, partially offset by the negative impact of foreign exchange movements on average AUM and strategic price changes to certain products. Securities lending revenue of \$150 million in the current quarter compared with \$160 million in third quarter of 2018.

Investment advisory performance fees of \$121 million decreased \$30 million from \$151 million for the three months ended September 30, 2018, primarily reflecting lower revenue from alternative and long-only equity products.

Technology services revenue of \$259 million increased \$59 million from \$200 million for the three months ended September 30, 2018, primarily reflecting the impact of the eFront acquisition and higher revenue from Aladdin.

Nine Months Ended September 30, 2019 Compared with Nine Months Ended September 30, 2018

Revenue decreased \$202 million, or 2%, from the nine months ended September 30, 2018, primarily driven by lower performance fees, base fees and advisory and other revenue, partially offset by higher technology services revenue.

Investment advisory, administration fees and securities lending revenue of \$8,688 million decreased \$86 million from \$8,774 million for the nine months ended September 30, 2018, primarily driven by lower securities lending revenue, the impact of markets and foreign exchange movements on average AUM and strategic price changes to certain products, partially offset by the positive impact of acquisitions and organic growth. Securities lending revenue of \$448 million for the nine months ended September 30, 2019 decreased \$50 million from \$498 million for the nine months ended September 30, 2018, primarily reflecting reduced European seasonal demand and lower cash spreads.

Investment advisory performance fees of \$211 million decreased \$101 million from \$312 million for the nine months ended September 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 \$700 million increased \$118 million from \$582 million for the nine months ended September 30, 2018, primarily reflecting the impact of the eFront acquisition and higher revenue from *Aladdin*.

Advisory and other revenue of \$164 million decreased \$48 million from \$212 million for the nine months ended September 30, 2018, primarily reflecting lower fees from advisory and transition management assignments, and lower earnings from equity method investments.

Expense

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Expense, GAAP:				
Employee compensation and benefits	\$ 1,111	\$ 1,097	\$ 3,258	\$ 3,300
Distribution and servicing costs:				
Retrocessions	166	168	491	541
12b-1 costs	89	100	265	307
Other	172	140	491	407
Total distribution and servicing costs	427	408	1,247	1,255
Direct fund expense	239	249	733	774
General and administration:				
Marketing and promotional	79	77	241	253
Occupancy and office related	75	73	224	220
Portfolio services	64	60	191	203
Technology	70	61	206	172
Professional services	38	42	115	111
Communications	10	9	29	28
Foreign exchange remeasurement	(2)	7	18	12
Contingent consideration fair value adjustments	(1)	29	18	34
Product launch costs	—	1	59	12
Other general and administration	52	54	142	144
Total general and administration expense	385	413	1,243	1,189
Amortization of intangible assets	28	13	68	35
Total expense, GAAP	\$ 2,190	\$ 2,180	\$ 6,549	\$ 6,553

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

GAAP. Expense increased \$10 million from the three months ended September 30, 2018, primarily driven by higher employee compensation and benefits expense and expense linked to the eFront Transaction, partially offset by lower general and administration expense.

Employee compensation and benefits expense increased \$14 million from the three months ended September 30, 2018, primarily reflecting higher headcount, partially offset by lower incentive compensation.

General and administration expense decreased \$28 million from the three months ended September 30, 2018, primarily due to lower transaction-related and foreign exchange remeasurement expense, partially offset by higher technology expense.

Amortization of intangible assets expense increased \$15 million from the three months ended September 30, 2018, primarily reflecting amortization of intangible assets associated with the eFront Transaction.

Nine Months Ended September 30, 2019 Compared with Nine Months Ended September 30, 2018

GAAP. Expense decreased \$4 million from the nine months ended September 30, 2018, driven primarily by lower employee compensation and benefits and volume-related expense, partially offset by higher general and administration expense, which reflected the previously mentioned product launch costs, and higher amortization of intangible assets.

Employee compensation and benefits expense decreased \$42 million from the nine months ended September 30, 2018, primarily reflecting lower incentive compensation, driven in part by lower operating income, partially offset by higher salaries and headcount.

Direct fund expense decreased \$41 million from the nine months ended September 30, 2018, reflecting the negative impact of markets and foreign exchange movements on average AUM.

General and administration expense increased \$54 million from the nine months ended September 30, 2018, primarily due to higher product launch costs, technology expense and the impact of foreign exchange remeasurement expense, partially offset by lower contingent consideration fair value adjustments related to prior acquisitions and lower portfolio services, and marketing and promotional expense.

Amortization of intangible assets expense increased \$33 million from the nine months ended September 30, 2018, primarily reflecting amortization of intangible assets associated with the eFront Transaction.

Nonoperating Results

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2019	2018	2019	2018
Nonoperating income (expense), GAAP basis ⁽¹⁾	\$ (42)	\$ 33	\$ 140	\$ (7)
Less: Net income (loss) attributable to NCI	—	(13)	17	(3)
Nonoperating income (expense), as adjusted, net of NCI ⁽²⁾⁽³⁾	<u>\$ (42)</u>	<u>\$ 46</u>	<u>\$ 123</u>	<u>\$ (4)</u>

⁽¹⁾ Amounts include losses of \$5 million and \$9 million for the three months ended September 30, 2019 and 2018, respectively, attributable to consolidated variable interest entities ("VIEs"). Amounts include gains of \$128 million and losses of \$21 million for the nine months ended September 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 results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three and nine months ended September 30, 2019 and 2018.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2019	2018	2019	2018
Net gain (loss) on investments ⁽¹⁾⁽²⁾				
Private equity	\$ 6	\$ 4	\$ 38	\$ 10
Real assets	12	10	22	24
Other alternatives ⁽³⁾	3	1	18	5
Other investments ⁽⁴⁾	—	(3)	104	(20)
Subtotal	21	12	182	19
Other gains (losses) ⁽⁵⁾	(28)	51	25	52
Total net gain (loss) on investments ⁽¹⁾⁽²⁾	(7)	63	207	71
Interest and dividend income	19	29	68	63
Interest expense	(54)	(46)	(152)	(138)
Net interest expense	(35)	(17)	(84)	(75)
Nonoperating income (expense), as adjusted ⁽¹⁾⁽²⁾	<u>\$ (42)</u>	<u>\$ 46</u>	<u>\$ 123</u>	<u>\$ (4)</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 results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three and nine months ended September 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 for the three and nine months ended September 30, 2019 and 2018 primarily include noncash pre-tax gains (losses) related to the revaluation of certain minority investments. Amounts for the three and nine months ended September 30, 2018 also include a \$40 million pre-tax gain related to the DSP Transaction.

Income Tax Expense

(in millions)	GAAP				As Adjusted			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating income ⁽¹⁾	\$ 1,502	\$ 1,396	\$ 4,013	\$ 4,211	\$ 1,502	\$ 1,400	\$ 4,013	\$ 4,221
Total nonoperating income (expense) ⁽¹⁾⁽²⁾	\$ (42)	\$ 46	\$ 123	\$ (4)	\$ (42)	\$ 46	\$ 123	\$ (4)
Income before income taxes ⁽²⁾	\$ 1,460	\$ 1,442	\$ 4,136	\$ 4,207	\$ 1,460	\$ 1,446	\$ 4,136	\$ 4,217
Income tax expense	\$ 341	\$ 226	\$ 961	\$ 829	\$ 341	\$ 232	\$ 961	\$ 831
Effective tax rate	23.3%	15.7%	23.2%	19.7%	23.3%	16.0%	23.2%	19.7%

⁽¹⁾ Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating results. See *Non-GAAP Financial Measures* for further information.

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

2019. The nine months ended September 30, 2019 income tax expense included a discrete tax benefit of \$22 million related to stock-based compensation awards that vested in 2019.

2018. The three and nine months ended September 30, 2018 income tax expense reflected \$90 million of discrete tax benefits, primarily related to changes in the Company's organizational entity structure. The nine months ended September 30, 2018 income tax expense also included a discrete tax benefit of \$58 million related to stock-based compensation awards that vested in 2018.

BALANCE SHEET OVERVIEW

As Adjusted Balance Sheet

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

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

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

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

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

Consolidated Sponsored Investment Products

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

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

(in millions)	September 30, 2019			
	GAAP Basis	Separate Account Assets/ Collateral ⁽¹⁾	Consolidated Sponsored Investment Products ⁽²⁾	As Adjusted
Assets				
Cash and cash equivalents	\$ 4,476	\$ —	\$ 11	\$ 4,465
Accounts receivable	3,026	—	—	3,026
Investments	2,117	—	45	2,072
Assets of consolidated VIEs:				
Cash and cash equivalents	131	—	131	—
Investments	2,898	—	1,234	1,664
Other assets	54	—	54	—
Separate account assets and collateral held under securities lending agreements	114,200	114,200	—	—
Other assets ⁽³⁾	4,011	—	(7)	4,018
Subtotal	130,913	114,200	1,468	15,245
Goodwill and intangible assets, net	32,959	—	—	32,959
Total assets	<u>\$ 163,872</u>	<u>\$ 114,200</u>	<u>\$ 1,468</u>	<u>\$ 48,204</u>
Liabilities				
Accrued compensation and benefits	\$ 1,500	\$ —	\$ —	\$ 1,500
Accounts payable and accrued liabilities	1,252	—	—	1,252
Liabilities of consolidated VIEs	716	—	716	—
Borrowings	5,932	—	—	5,932
Separate account liabilities and collateral liabilities under securities lending agreements	114,200	114,200	—	—
Deferred income tax liabilities ⁽⁴⁾	3,792	—	—	3,792
Other liabilities	2,876	—	(445)	3,321
Total liabilities	<u>130,268</u>	<u>114,200</u>	<u>271</u>	<u>15,797</u>
Equity				
Total stockholders' equity	32,407	—	—	32,407
Noncontrolling interests	1,197	—	1,197	—
Total equity	33,604	—	1,197	32,407
Total liabilities and equity	<u>\$ 163,872</u>	<u>\$ 114,200</u>	<u>\$ 1,468</u>	<u>\$ 48,204</u>

⁽¹⁾ Amounts represent segregated client assets and related liabilities. 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.

⁽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 September 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 September 30, 2019 and December 31, 2018 included \$11 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 nine months ended September 30, 2019).

Accounts receivable at September 30, 2019 increased \$369 million from December 31, 2018, primarily due to higher base fees, technology services and performance fee receivables. Investments were \$2,117 million at September 30, 2019 (for more information see *Investments* herein). Goodwill and intangible assets increased \$1,594 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 \$1,240 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 certain strategic investments, unit trust receivables (substantially offset by an increase in unit trust payables recorded within other liabilities) and other assets.

Liabilities. Accrued compensation and benefits at September 30, 2019 decreased \$488 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 \$987 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 September 30, 2019 increased \$221 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 \$2,117 million and \$2,898 million, respectively, at September 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.

	September 30, 2019	December 31, 2018
(in millions)		
Investments, GAAP	\$ 2,117	\$ 1,796
Investments held by consolidated VIEs, GAAP	2,898	2,680
Total Investments	5,015	4,476
Investments held by consolidated VIEs	(2,898)	(2,680)
Net interest in consolidated VIEs ⁽¹⁾	1,664	1,661
Investments held by consolidated VREs	(503)	(524)
Net interest in consolidated VREs	458	448
Total Investments, as adjusted	3,736	3,381
Federal Reserve Bank stock	(93)	(92)
Deferred compensation investments	(22)	(34)
Hedged investments	(533)	(483)
Carried interest (VIEs/VREs)	(458)	(387)
Total "economic" investment exposure	\$ 2,630	\$ 2,385

⁽¹⁾ Amount includes \$442 million of carried interest (VIEs) as of September 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 September 30, 2019 and December 31, 2018:

<i>(in millions)</i>	September 30, 2019	December 31, 2018
Private equity	\$ 361	\$ 305
Real assets	345	377
Other alternatives ⁽¹⁾	248	199
Other investments ⁽²⁾	1,676	1,504
Total "economic" investment exposure	\$ 2,630	\$ 2,385

⁽¹⁾ Other alternatives include direct hedge fund strategies and hedge fund solutions.

⁽²⁾ Other investments primarily include unhedged 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 nine months ended September 30, 2019 was as follows:

<i>(in millions)</i>	Nine Months Ended September 30, 2019
Total Investments, as adjusted, beginning balance	\$ 3,381
Purchases/capital contributions/acquisitions	709
Sales/maturities	(522)
Distributions ⁽¹⁾	(123)
Market appreciation(depreciation)/earnings from equity method investments	249
Carried interest capital allocations/(distributions)	71
Other	(29)
Total Investments, as adjusted, ending balance	\$ 3,736

⁽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	1,628	(1,016)	2,644
Net cash provided by/(used in) investing activities	(2,107)	(96)	(2,011)
Net cash provided by/(used in) financing activities	(1,369)	1,009	(2,378)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(33)	—	(33)
Net increase/(decrease) in cash, cash equivalents and restricted cash	(1,881)	(103)	(1,778)
Cash, cash equivalents and restricted cash, September 30, 2019	\$ 4,624	\$ 142	\$ 4,482

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 nine months ended September 30, 2019 were \$2,011 million and primarily reflected \$1.5 billion of cash outflow related to the eFront Transaction, \$572 million of investment purchases and \$160 million of purchases of property and equipment, partially offset by \$151 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 nine months ended September 30, 2019 were \$2,378 million, primarily resulting from \$1.9 billion of share repurchases, including \$400 million in open market transactions, a \$1.3 billion private transaction and \$238 million of employee tax withholdings related to employee stock transactions, and \$1.6 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 September 30, 2019 and December 31, 2018 were as follows:

<i>(in millions)</i>	September 30, 2019	December 31, 2018
Cash and cash equivalents ⁽¹⁾	\$ 4,476	\$ 6,302
Cash and cash equivalents held by consolidated VREs ⁽²⁾	(11)	(59)
Subtotal	4,465	6,243
Credit facility – undrawn	4,000	4,000
Total liquidity resources ⁽³⁾	<u>\$ 8,465</u>	<u>\$ 10,243</u>

(1) The percentage of cash and cash equivalents held by the Company's US subsidiaries was approximately 50% at both September 30, 2019 and December 31, 2018. 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 \$1,778 million during the nine months ended September 30, 2019, primarily reflecting cash payments of 2018 year-end incentive awards, share repurchases of \$1.9 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 \$1.6 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 \$3,736 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 nine months ended September 30, 2019, the Company repurchased 4.0 million common shares under the share repurchase program for approximately \$1.7 billion, including a \$1.3 billion private transaction that closed on March 25, 2019. The Company has completed its targeted level of share repurchases for the year, but will remain opportunistic should relative valuation opportunities arise. At September 30, 2019, there were 5.9 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 September 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 September 30, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At September 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 September 30, 2019, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

At September 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 nine months ended September 30, 2019, the Company paid approximately \$121 million of interest on long-term borrowings. Future principal repayments and interest requirements at September 30, 2019 were as follows:

(in millions)

Year	Principal	Interest	Total Payments
Remainder of 2019	\$ 1,000	\$ 70	\$ 1,070
2020	—	157	157
2021	750	141	891
2022	750	112	862
2023	—	99	99
2024	1,000	82	1,082
Thereafter ⁽¹⁾	2,463	212	2,675
Total	<u>\$ 5,963</u>	<u>\$ 873</u>	<u>\$ 6,836</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 September 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 September 30, 2019, the Company had \$533 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 September 30, 2019 totaled \$167 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 September 30, 2019, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$211 billion. The Company held, as agent, cash and securities totaling \$225 billion as collateral for indemnified securities on loan at September 30, 2019. The fair value of these indemnifications was not material at September 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 the 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 September 30, 2019 and December 31, 2018, the Company had \$388 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 nine months ended September 30, 2019 and 2018.

Accounting Developments

For accounting pronouncements that the Company adopted during the nine months ended September 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 September 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 September 30, 2019, the Company had outstanding total return swaps with an aggregate notional value of approximately \$533 million. At September 30, 2019, there were no outstanding interest rate swaps.

At September 30, 2019, approximately \$3.4 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 \$2,630 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 September 30, 2019, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$986 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 \$99 million in the carrying value of such investments.

Interest Rate/Credit Spread Risk. At September 30, 2019, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$1,644 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 \$47 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 \$689 million at September 30, 2019. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$69 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 September 30, 2019, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$2.4 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 September 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 and 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 matters. 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 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. The defendants believe the claims in this lawsuit are without merit.

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 remains 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 unaffiliated 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. On September 3, 2019, the court granted BlackRock's motion to dismiss part of the plaintiffs' claim seeking to

recover alleged losses in the securities lending vehicles, but denied the motion to dismiss in all other respects. Plaintiffs' motion to certify the Plan and CTF classes remains 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 September 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
July 1, 2019 through July 31, 2019	4,822	\$ 467.70	—	6,077,434
August 1, 2019 through August 31, 2019	247,466	\$ 416.93	240,769	5,836,665
September 1, 2019 through September 30, 2019	7,982	\$ 423.05	—	5,836,665
Total	260,270	\$ 418.06	240,769	

⁽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 and purchases made by the Company as part of the publicly announced share repurchase program.

Item 6. Exhibits

Exhibit No.	Description
31.1	<u>Section 302 Certification of Chief Executive Officer</u>
31.2	<u>Section 302 Certification of Chief Financial Officer</u>
32.1	<u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer</u>
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: November 8, 2019

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

CEO CERTIFICATION

I, Laurence D. Fink, certify that:

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

/s/ Gary S. Shedlin

Name: Gary S. Shedlin

Title: Senior Managing Director & Chief Financial Officer

Date: November 8, 2019