

# **Q3 2013 Earnings**

**Earnings Release Supplement**

October 16, 2013

## Important Notes

This presentation, and other statements that BlackRock, Inc. (“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.

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

This presentation also includes non-GAAP financial measures. You can find our presentations on the most directly comparable GAAP financial measures calculated in accordance with GAAP and our reconciliations in the appendix to this earnings release supplement, our current earnings release dated October 16, 2013, and BlackRock’s other periodic reports, which are available on BlackRock’s web site at [www.blackrock.com](http://www.blackrock.com).

## Table of Contents

<b>Operating and Net Income/Diluted EPS, as adjusted</b>	<b>Page 3</b>
<b>Operating Margin, as adjusted</b>	<b>Page 4</b>
<b>Q3 2013 Mix by Product, Client Type, Style and Region</b>	<b>Page 5</b>
<b>Major Market Indices and Exchange Rates</b>	<b>Page 6</b>
<b>Year-over-Year: Q3 2013 vs. Q3 2012</b>	<b>Pages 7-12</b>
<b>Sequential Quarters: Q3 2013 vs. Q2 2013</b>	<b>Pages 13-18</b>
<b>Nonoperating and Capital Management</b>	<b>Pages 19-21</b>
<b>Appendix</b>	<b>Pages 22-26</b>

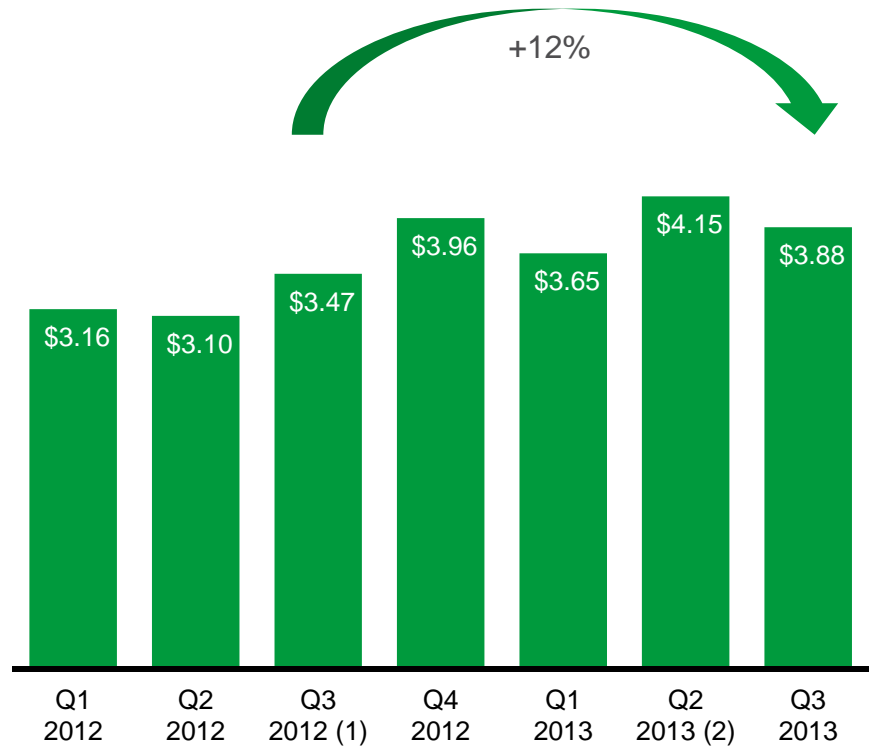
# EPS and operating income up 12% year-over-year

- Base fees and BRS revenue drove year-over-year results
- Sequential results reflect seasonally lower securities lending fees

Operating and Net Income, as adjusted (\$ in millions)



Diluted Earnings Per Share, as adjusted



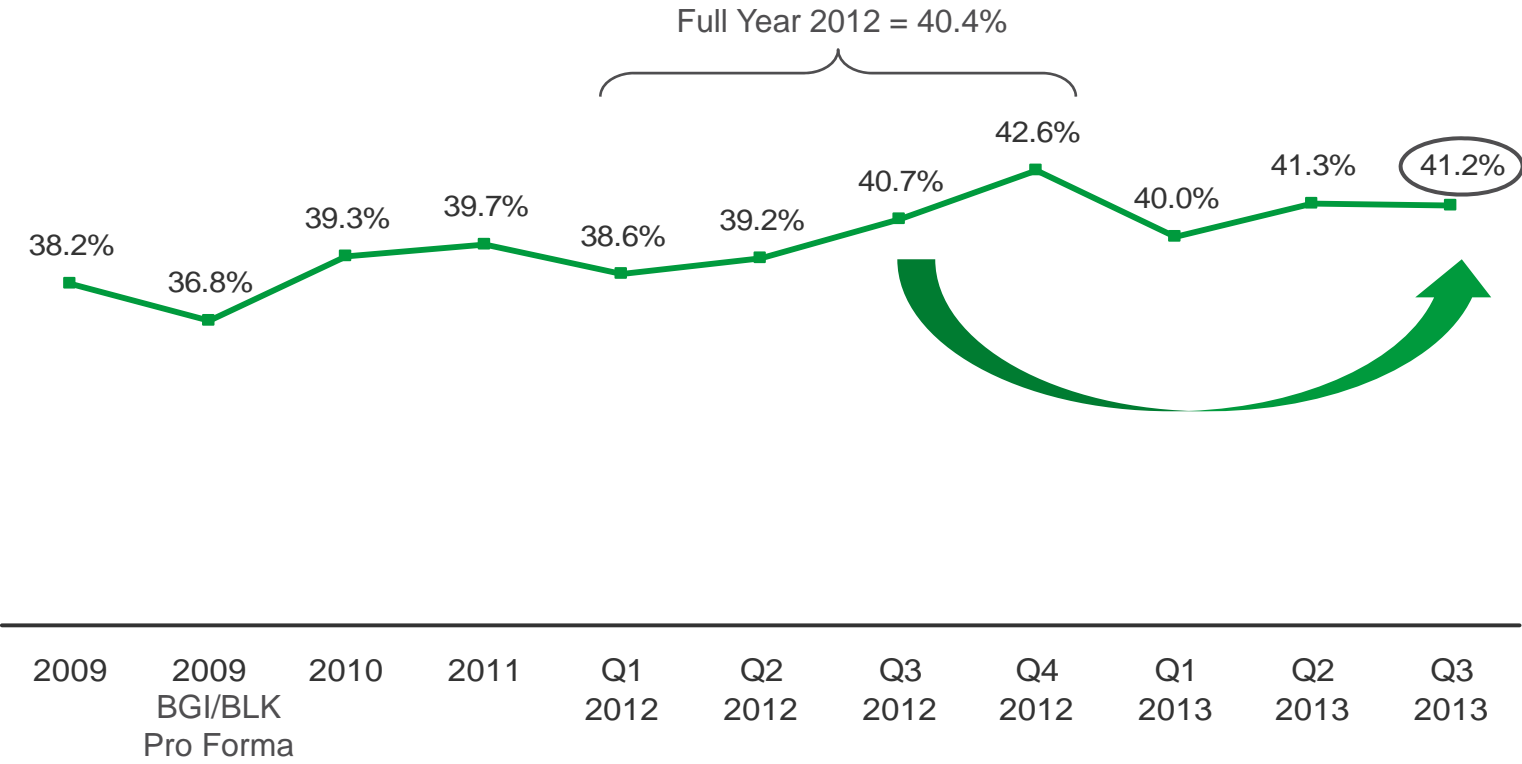
(1) Q3 2012 includes \$25 million of pre-tax closed-end fund launch costs.

(2) Q2 2013 EPS and net income reflect a \$39 million noncash, nonoperating pre-tax gain related to the PennyMac IPO.

For further information and reconciliation between GAAP and as adjusted, see the appendix, notes (a) through (f) in the current earnings release as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

# Continued year-over-year margin improvement

## Operating Margin, as adjusted



For further information and reconciliation between GAAP and as adjusted, see the appendix, notes (a) through (f) in the current earnings release as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

# A broadly diversified business across clients, products and geographies

Q3 2013 Long-term Base Fees of \$2.078 billion  
 Long-term Assets Under Management of \$3.798 trillion at September 30, 2013



## Major market indices and exchange rates

	Spot			Average Level			% Change Q3 2013 vs.	
	September 30, 2013	June 30, 2013	% Change	Q3 2013	Q3 2012	Q2 2013	Q3 2012	Q2 2013
<b>Equity Indices:</b>								
<i>Domestic</i>								
S&P 500	1,682	1,606	5%	1,673	1,401	1,610	19%	4%
<i>Global</i>								
MSCI Barra World Index	1,544	1,434	8%	1,511	1,274	1,463	19%	3%
MSCI Europe Index	106	98	8%	104	92	101	13%	3%
MSCI AC Asia Pacific Index	139	131	6%	135	119	136	13%	(1%)
MSCI Emerging Markets Index	987	940	5%	956	961	1,004	(1%)	(5%)
S&P Global Natural Resources	3,354	3,083	9%	3,262	3,291	3,295	(1%)	(1%)
<b>Fixed Income Index:</b>								
Barclays U.S. Aggregate Bond Index	1,810	1,799	1%	1,795	1,830	1,839	(2%)	(2%)
<b>Foreign Exchange Rates:</b>								
GBP to USD	1.62	1.52	7%	1.55	1.58	1.54	(2%)	1%
EUR to USD	1.35	1.30	4%	1.32	1.25	1.31	6%	1%

Source: Bloomberg

## Year-over-year

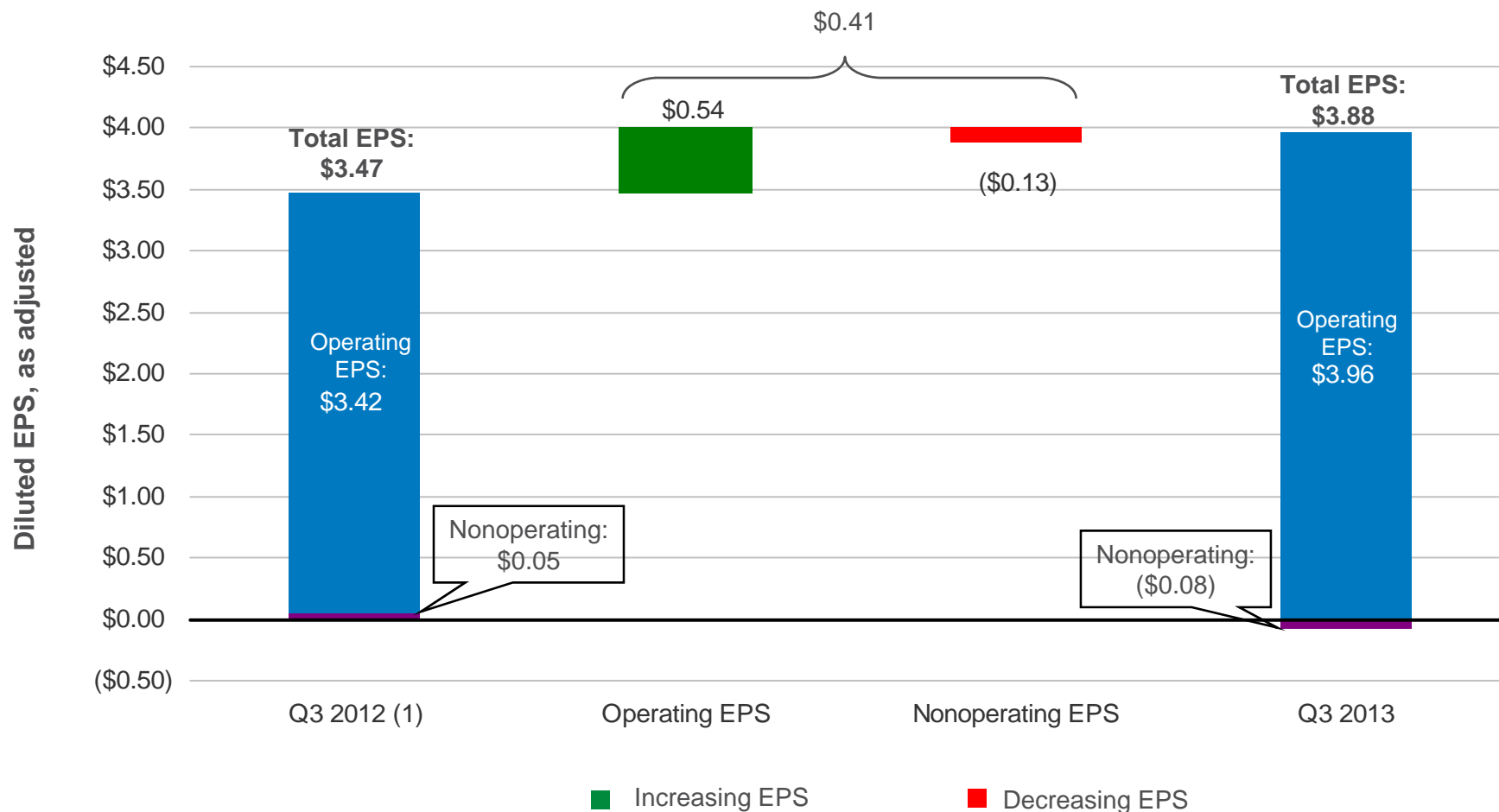
---

Q3 2013 vs. Q3 2012



# EPS up 12% year-over-year driven by operating income

## EPS, as adjusted - Q3 2013 Compared to Q3 2012

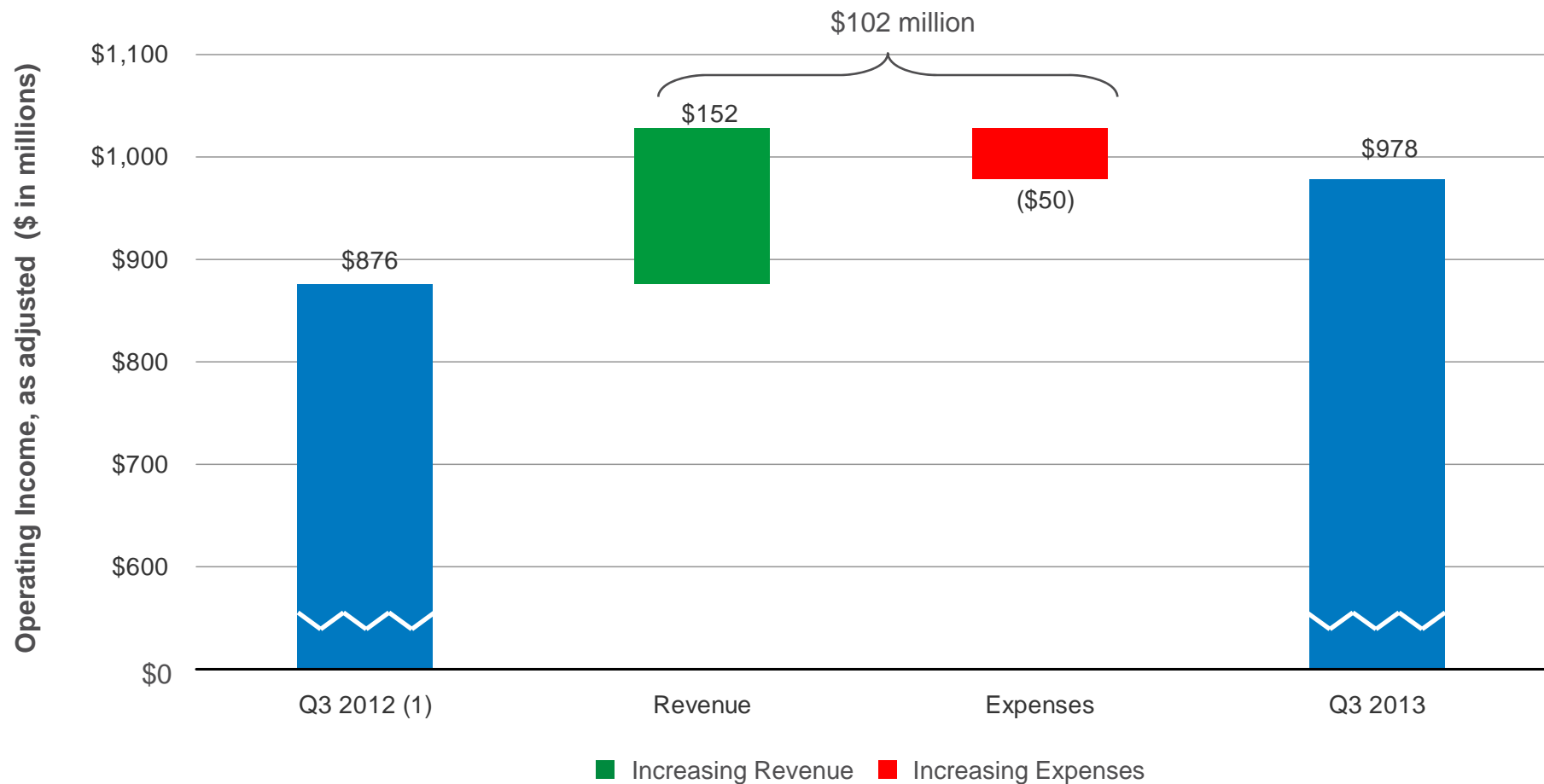


(1) Q3 2012 includes \$25 million of pre-tax closed-end fund launch costs.

For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

# Base fees drove operating results

## Operating Income, as adjusted - Q3 2013 Compared to Q3 2012



(1) Q3 2012 includes \$25 million of pre-tax closed-end fund launch costs.

For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

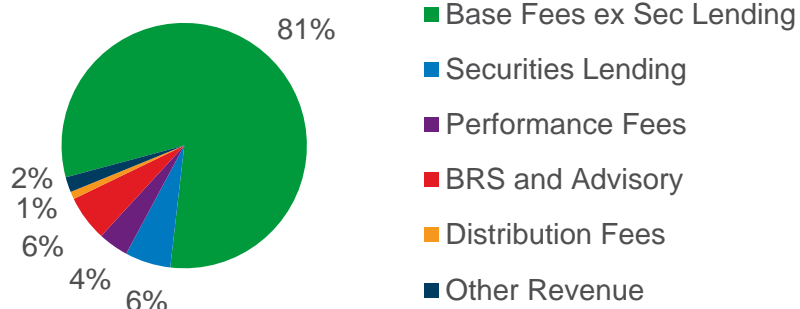
# Revenue reflects positive markets and flows

- BlackRock Solutions reflects strength in Aladdin business revenue
- Securities lending fees reflect lower spreads consistent with industry trends

## Total Revenue

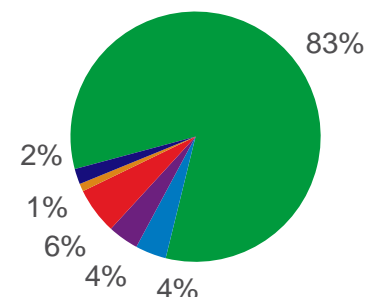
Q3 2012

\$2.32 billion

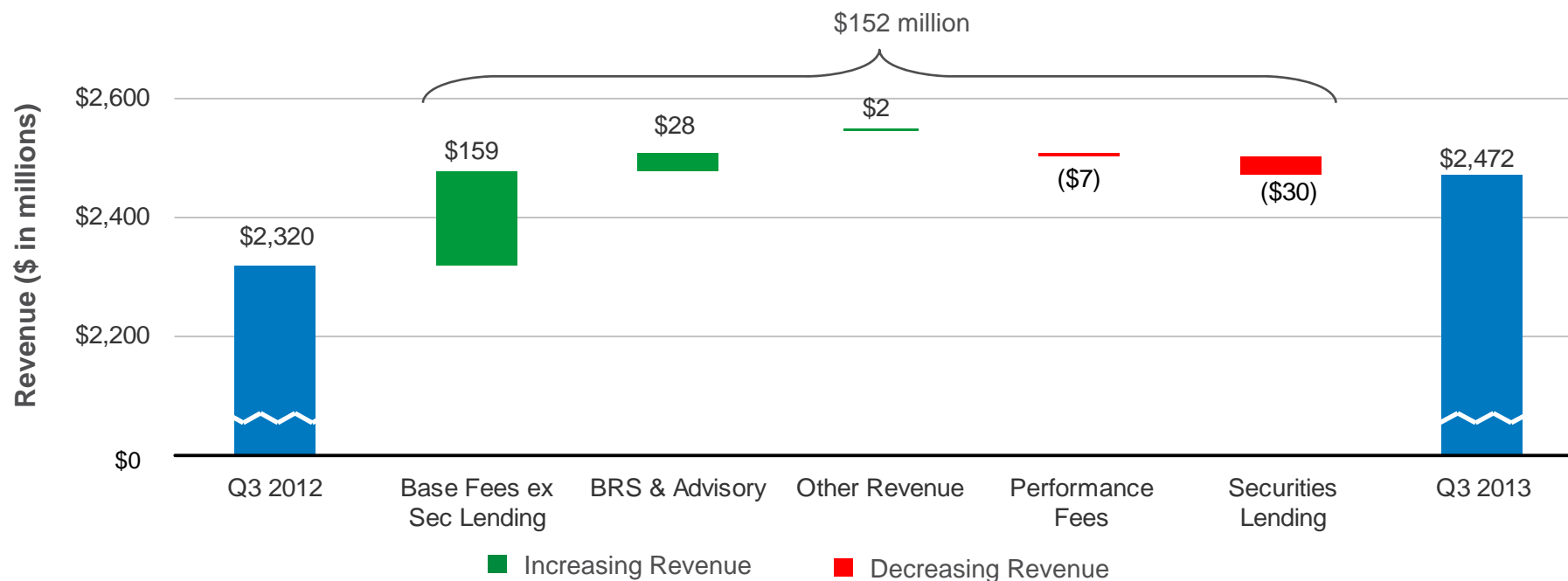


Q3 2013

\$2.47 billion



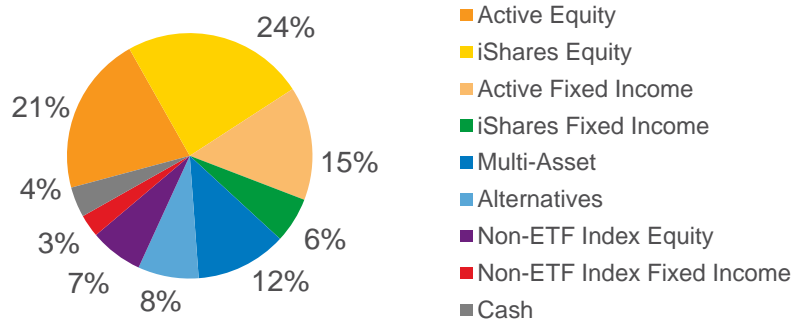
## Q3 2013 Compared to Q3 2012



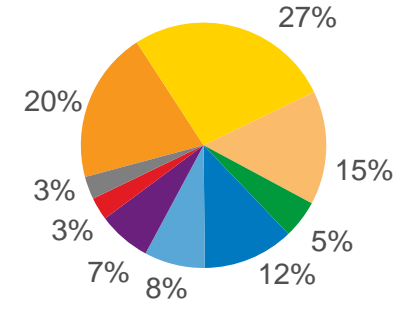
# Growth in base fees reflects higher average AUM driven by markets and organic growth

## Base fees (including securities lending)

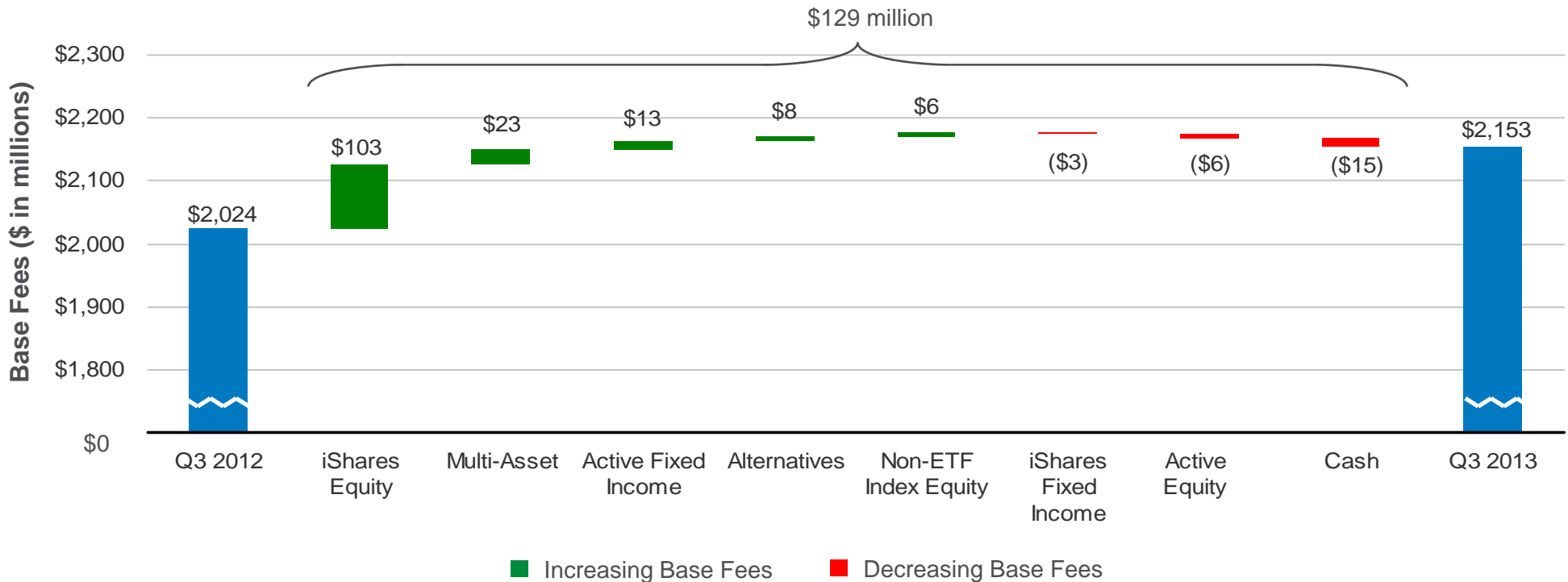
Q3 2012  
\$2.02 billion



Q3 2013  
\$2.15 billion



## Q3 2013 Compared to Q3 2012



■ Increasing Base Fees

■ Decreasing Base Fees

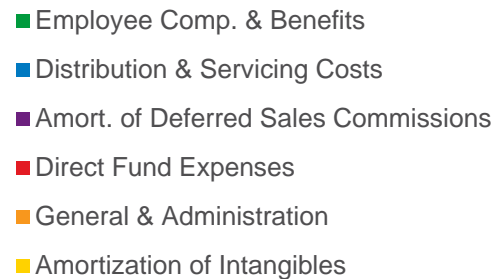
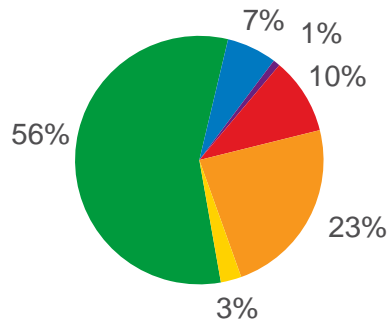
## Expenses driven by higher revenue-related costs

- Q3 2012 includes \$25 million of pre-tax closed-end fund launch costs

### Expenses, as adjusted, by Category

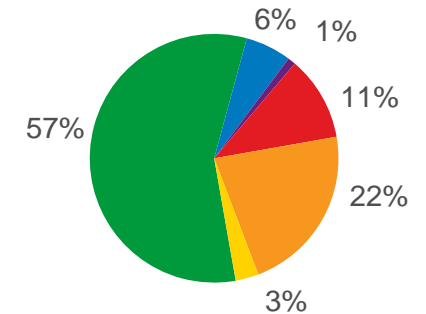
Q3 2012

\$1.44 billion

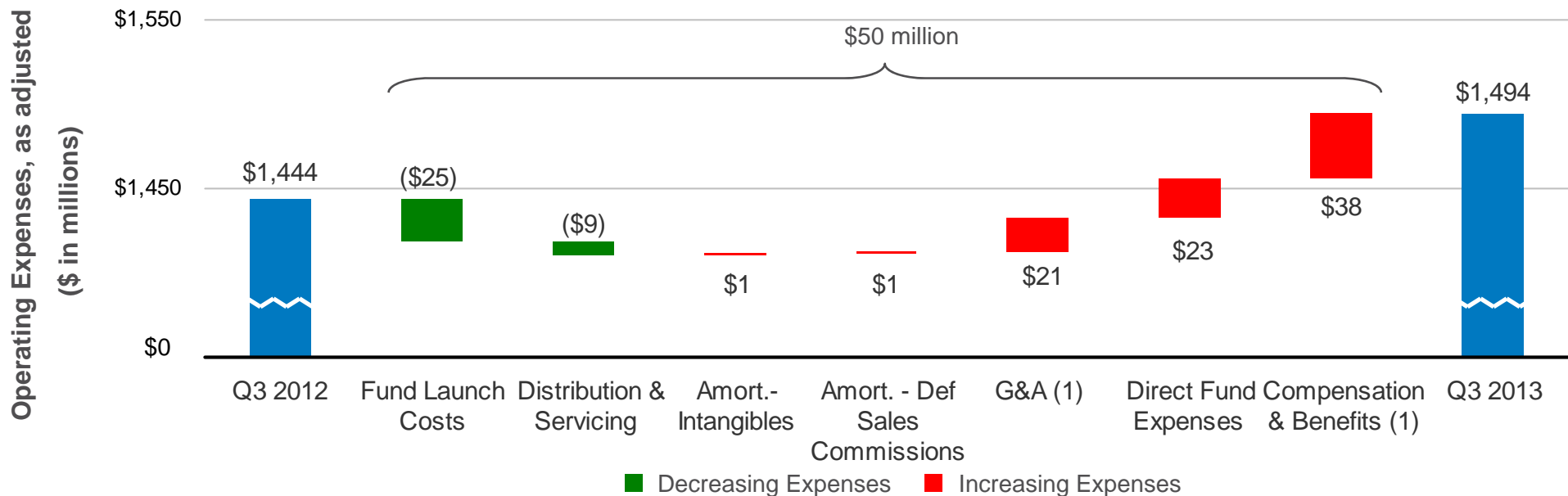


Q3 2013

\$1.49 billion



### Q3 2013 Compared to Q3 2012, as adjusted



(1) Amounts exclude pre-tax closed-end fund launch costs, which are presented separately above.

For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

# Sequential Quarters

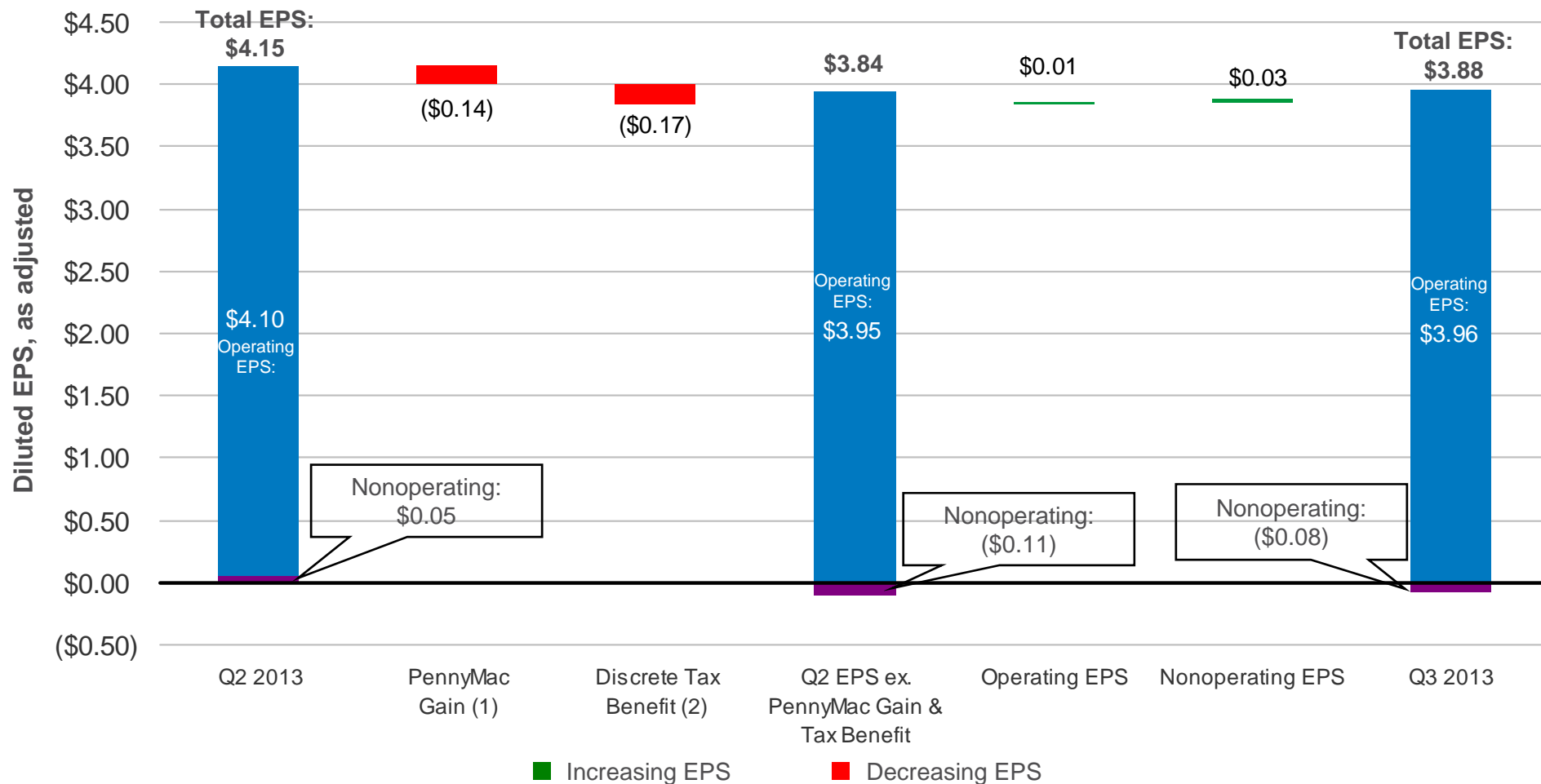
---

Q3 2013 vs. Q2 2013

# Sequential EPS decline driven by PennyMac gain and discrete tax benefit

- Q2 2013 EPS included seasonally higher securities lending fees

## EPS, as adjusted - Q3 2013 Compared to Q2 2013



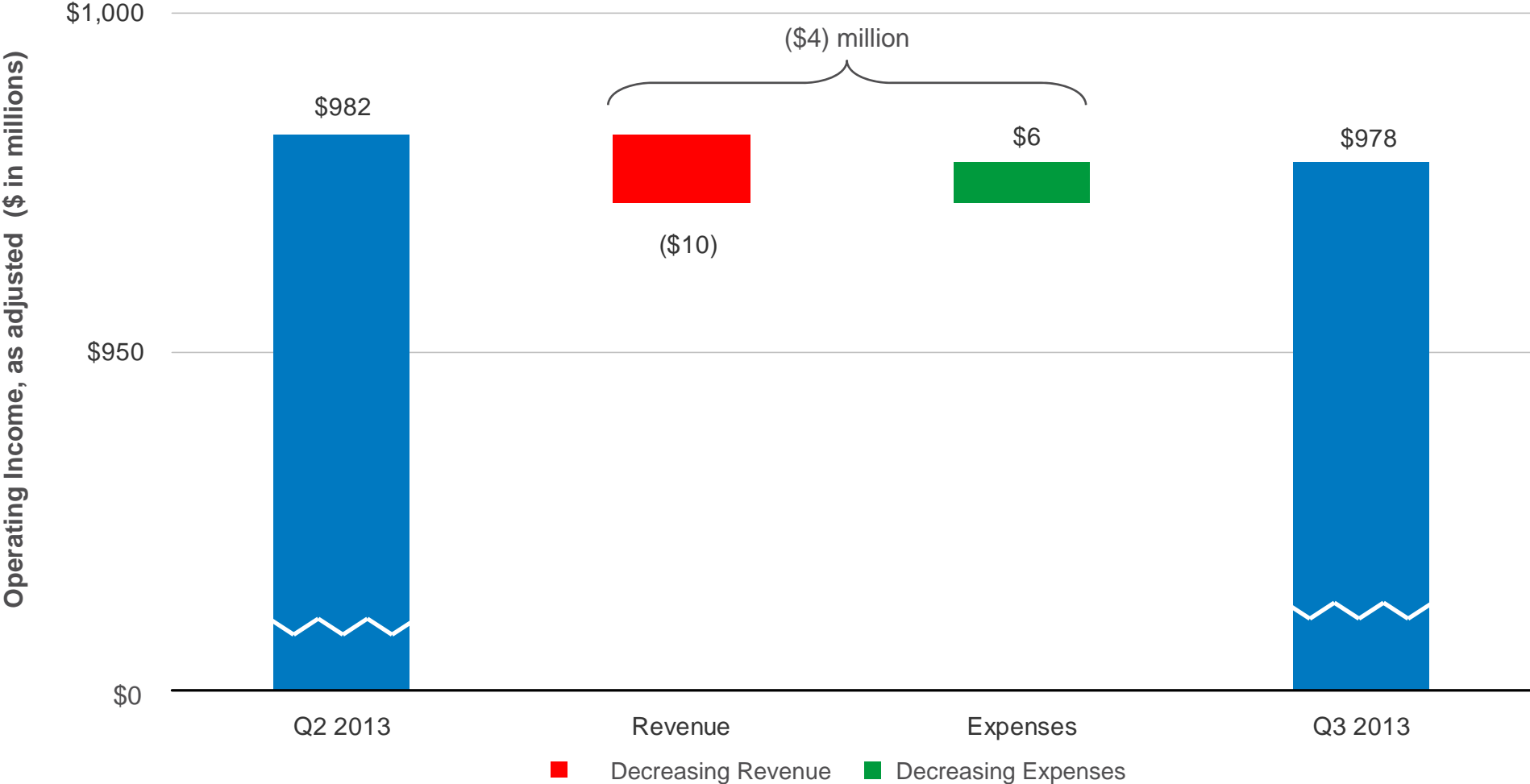
(1) Q2 2013 EPS included a \$39 million noncash, nonoperating pre-tax gain related to the PennyMac IPO.

(2) Q2 2013 EPS included a discrete tax benefit of approximately \$29 million, primarily due to the realization of loss carryforwards.

For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

# Operating income impacted by seasonal trends

## Operating Income, as adjusted - Q3 2013 Compared to Q2 2013



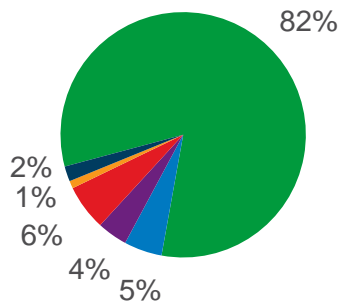
For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.



# Higher BRS revenue and base fees (ex securities lending) offset by seasonally lower securities lending

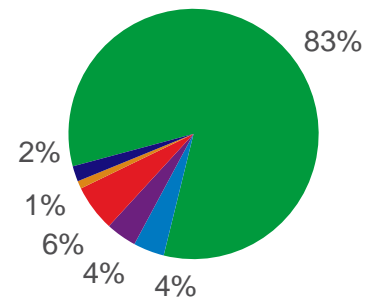
## Total Revenue

Q2 2013  
\$2.48 billion

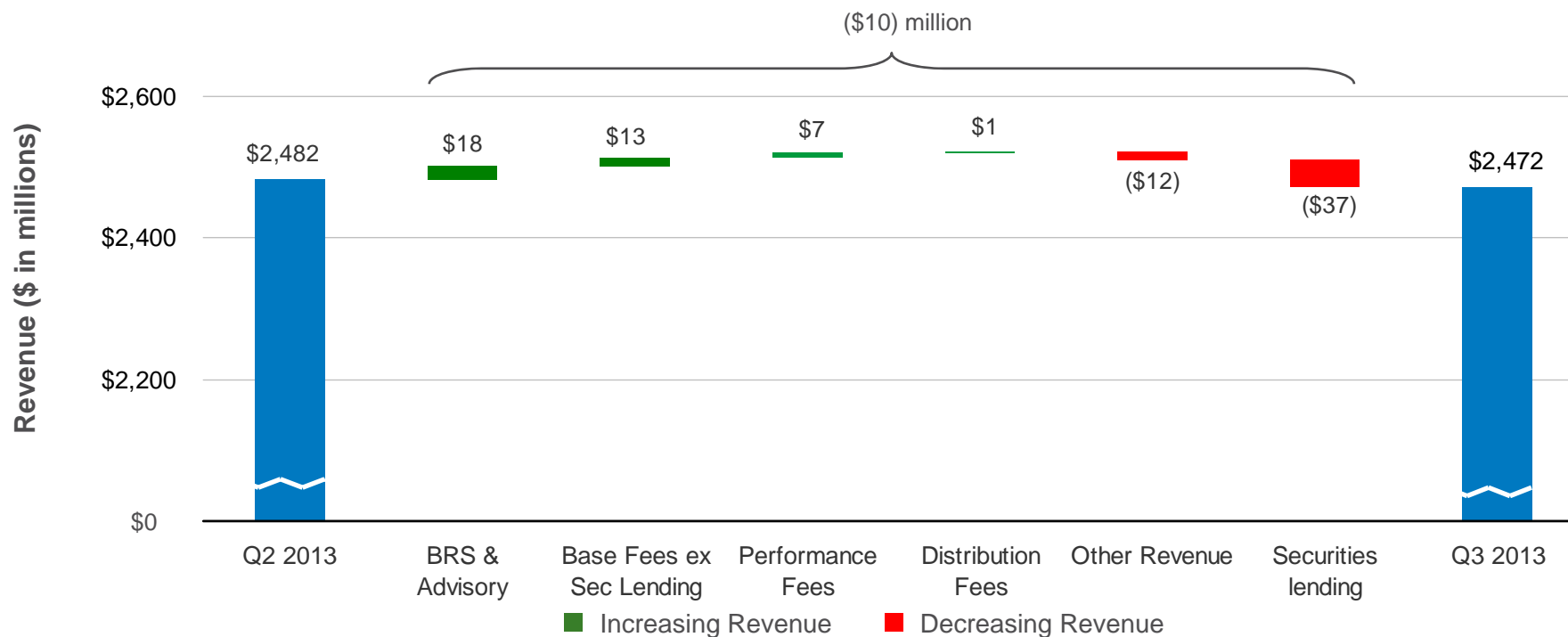


- Base Fees ex Sec Lending
- Securities Lending
- Performance Fees
- BRS and Advisory
- Distribution Fees
- Other Revenue

Q3 2013  
\$2.47 billion



## Q3 2013 Compared to Q2 2013

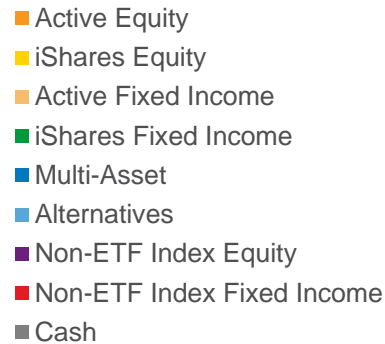
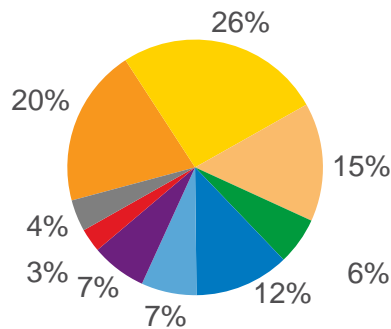


# Base fees impacted by beta, product mix shift and seasonality of securities lending

## Base Fees (including securities lending)

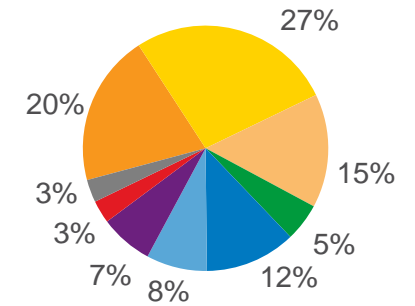
Q2 2013

\$2.18 billion

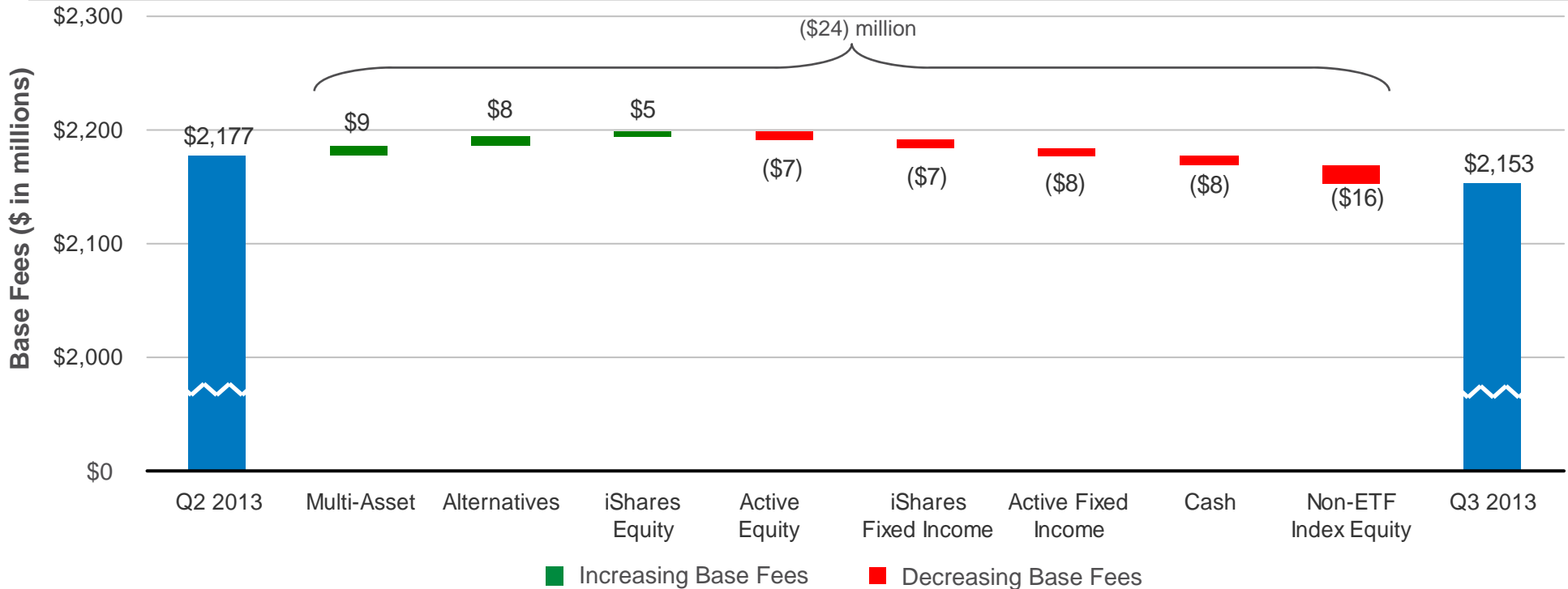


Q3 2013

\$2.15 billion



## Q3 2013 Compared to Q2 2013

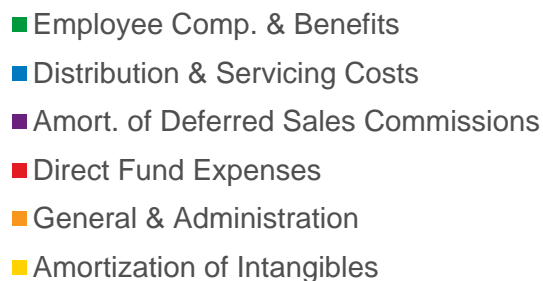
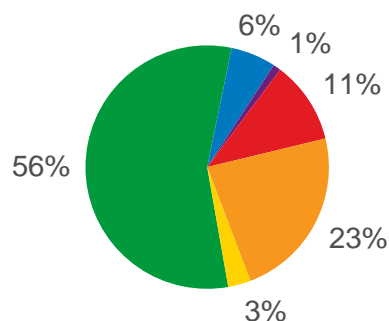


## Sequential total expenses remain stable

### Expenses, as adjusted, by Category

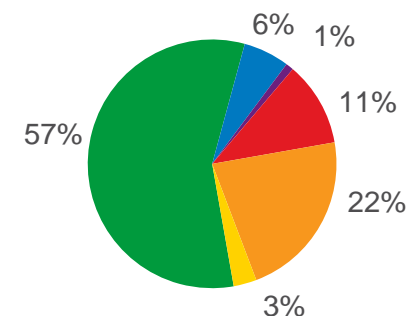
Q2 2013

\$1.50 billion

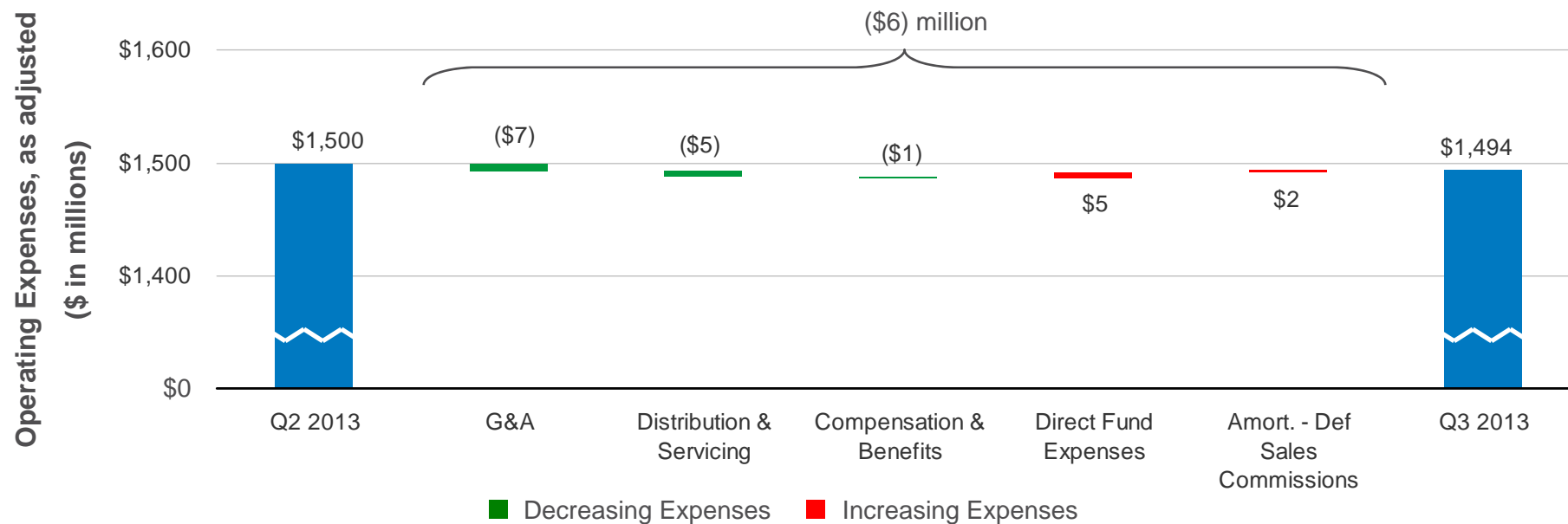


Q3 2013

\$1.49 billion



### Q3 2013 Compared to Q2 2013, as adjusted



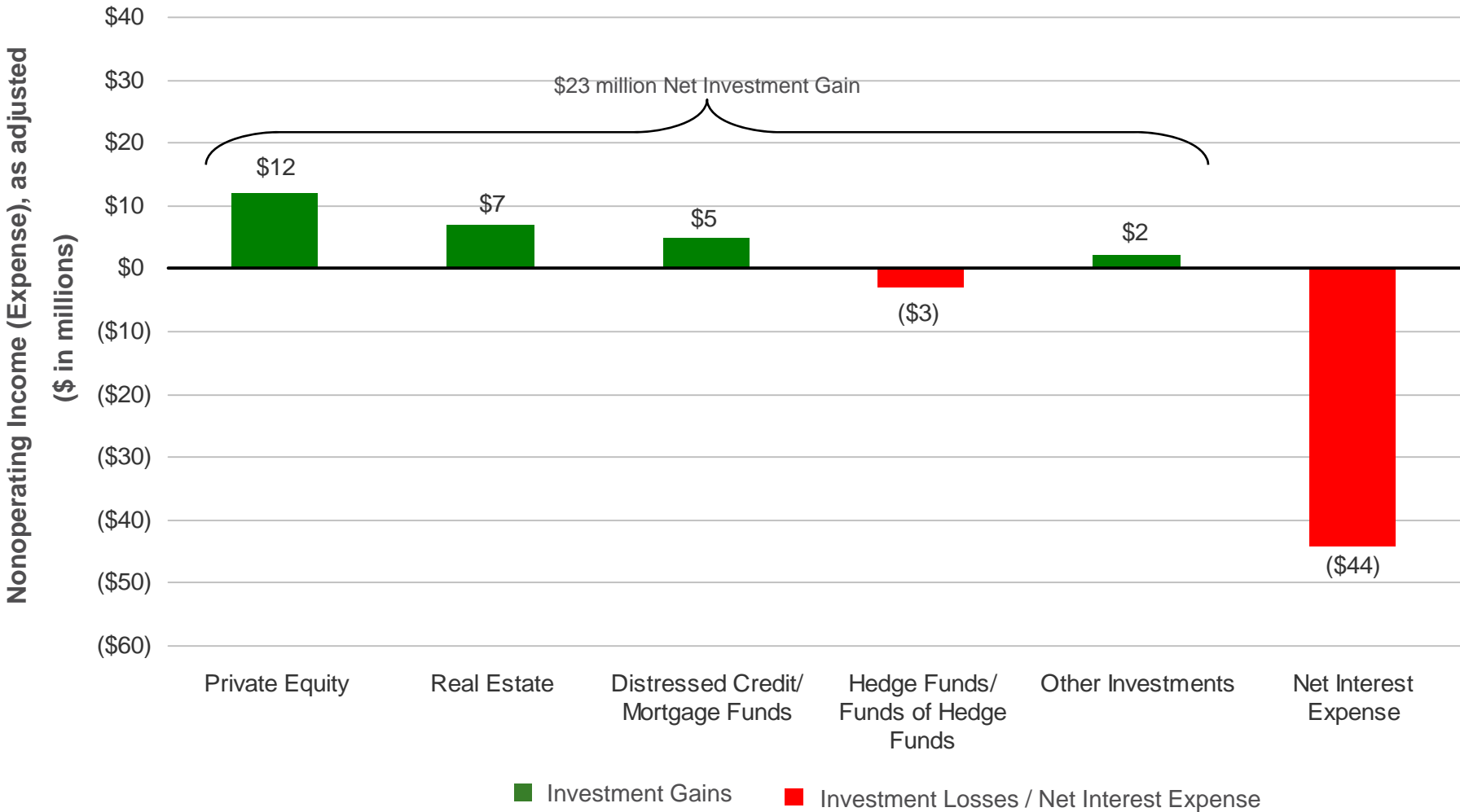
For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

## Nonoperating and Capital Management

---

# Q3 2013 nonoperating expense

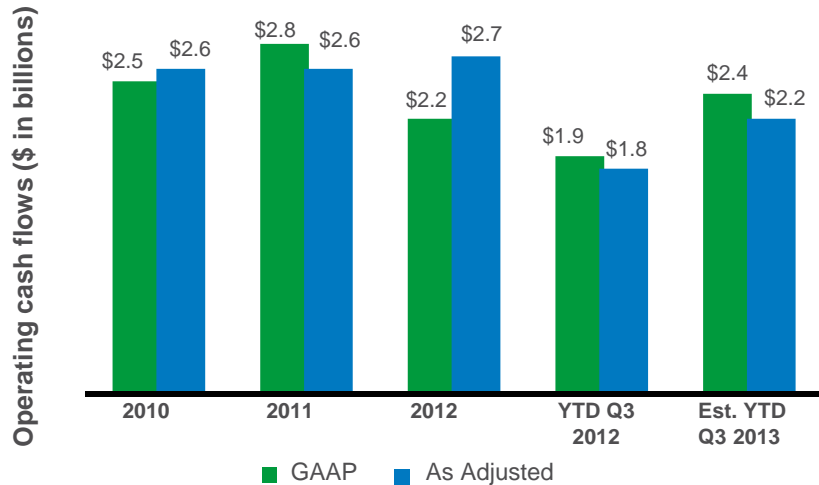
Q3 2013 \$21 million Nonoperating Expense by Category, as adjusted



For further information and reconciliation between GAAP and as adjusted, see the appendix and notes (a) through (f) in the current earnings release.

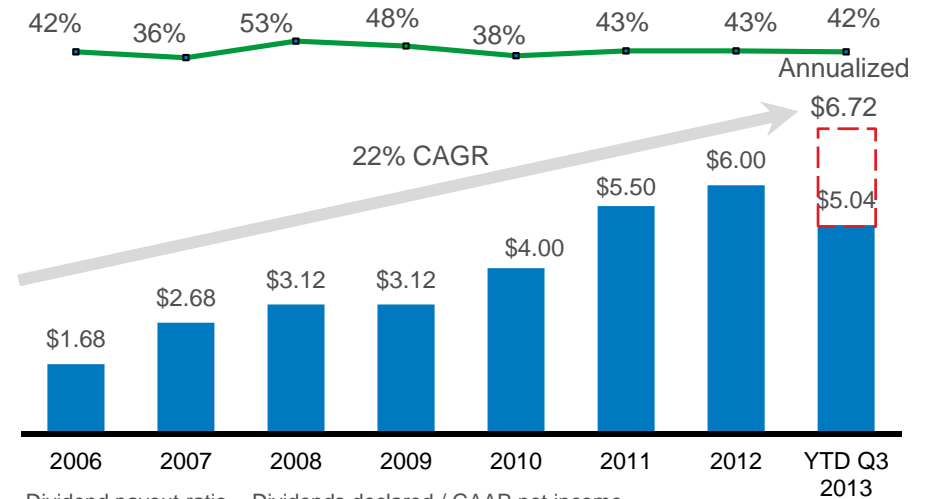
# Continued commitment to sound capital management

## Operating cash flow



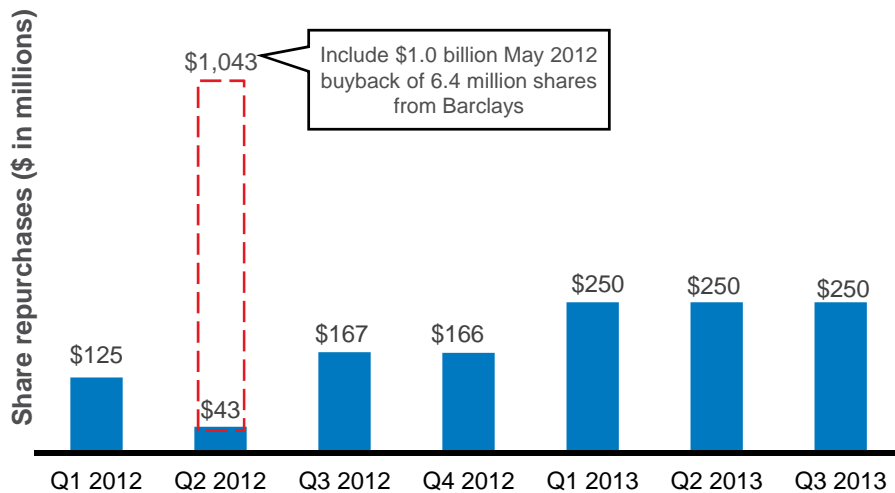
For further information and reconciliation between GAAP and as adjusted, see previously filed Form 10-Ks, Form 10-Qs and 8-Ks and the appendix to this earnings release supplement.

## Dividends and Dividend Payout Ratio



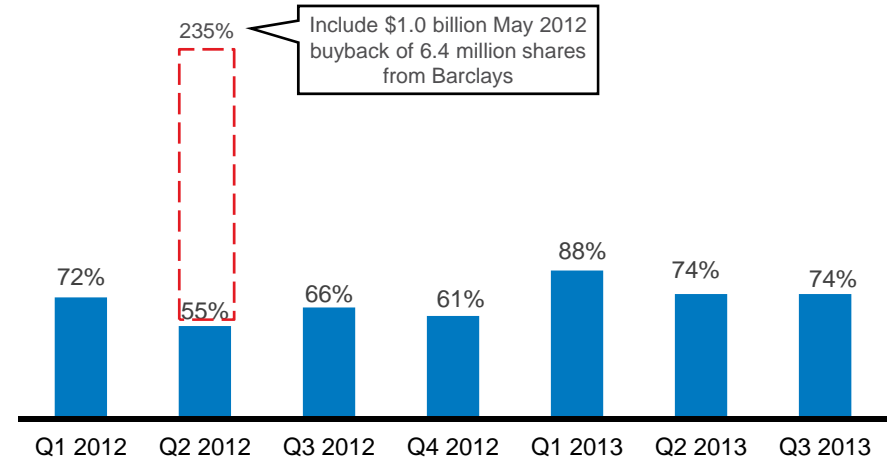
Dividend payout ratio = Dividends declared / GAAP net income.

## Share repurchases



Amounts above exclude repurchases of employee tax withholdings related to employee stock transactions.

## Total payout ratio



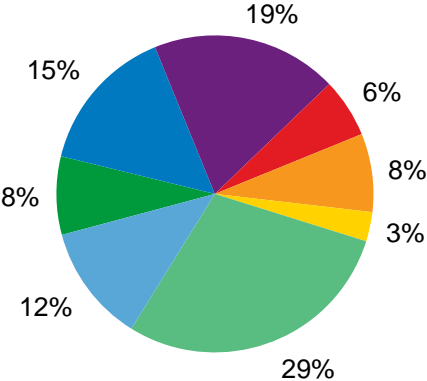
Payout ratio = (Dividends declared + shares repurchases) / GAAP Net income.

# Appendix

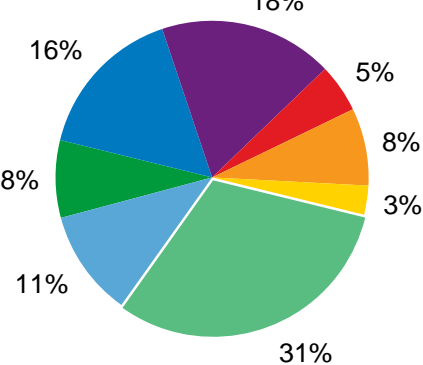
---

# Long-term AUM mix by product type

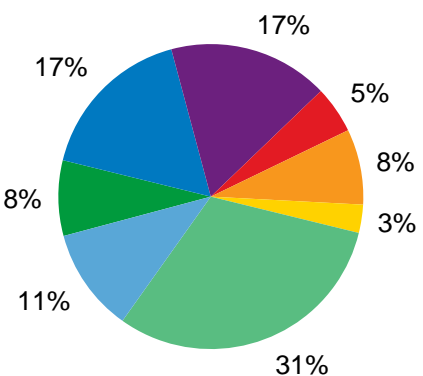
Q3 2012  
\$3.378 trillion



Q2 2013  
\$3.564 trillion



Q3 2013  
\$3.798 trillion



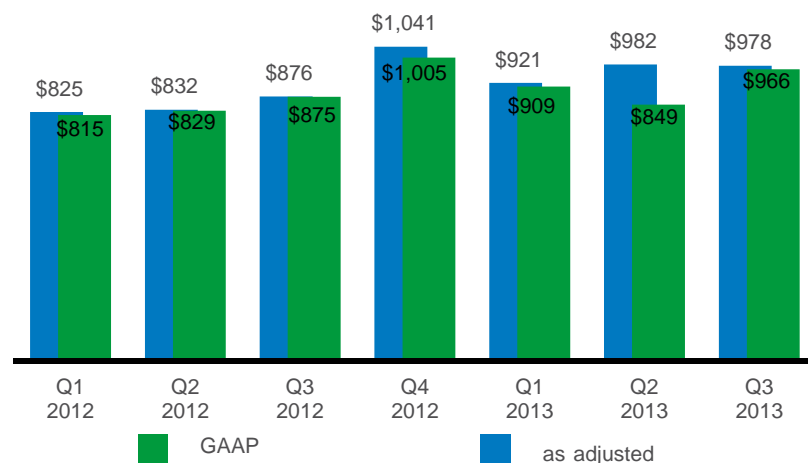
■ Active Equity 
 ■ iShares Equity 
 ■ Active Fixed Income 
 ■ iShares Fixed Income 
 ■ Multi-Asset 
 ■ Alternatives 
 ■ Non-ETF Index Equity 
 ■ Non-ETF Index Fixed Income



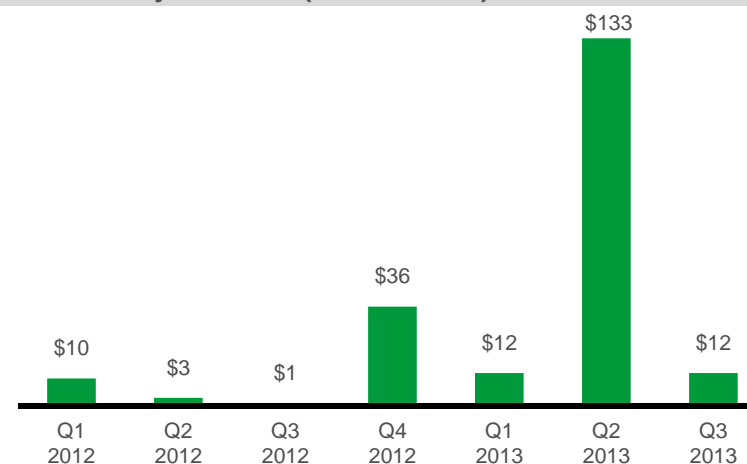
## Quarterly operating income and net income – GAAP and as adjusted

Non-GAAP adjustments include amounts related to the PennyMac Charitable Contribution, U.K. lease exit costs, a contribution to short-term investment funds (“STIFs”), PNC LTIP funding obligation, compensation related to appreciation (depreciation) on certain deferred compensation plans and noncash income tax changes, as applicable.

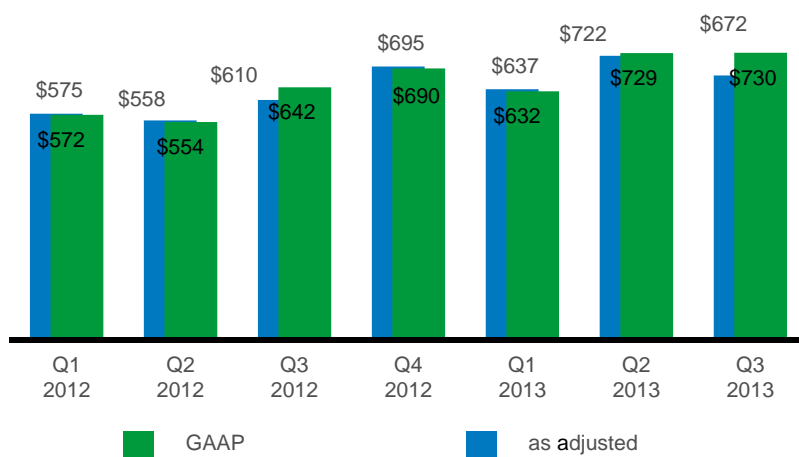
Operating Income (\$ in millions)



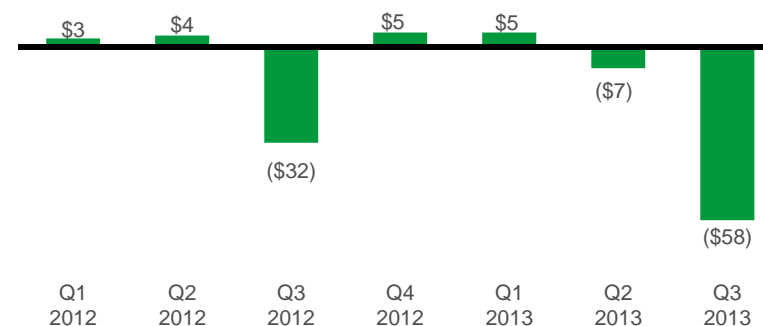
Non-GAAP Adjustments (\$ in millions)



Net Income (\$ in millions)



Non-GAAP Adjustments (\$ in millions)

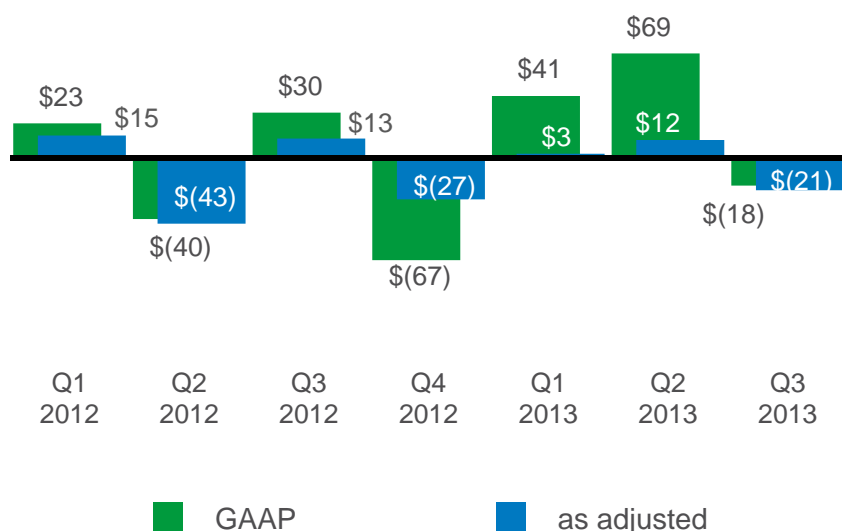


For further information and reconciliation between GAAP and as adjusted, see notes (a) through (f) in the current earnings release as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

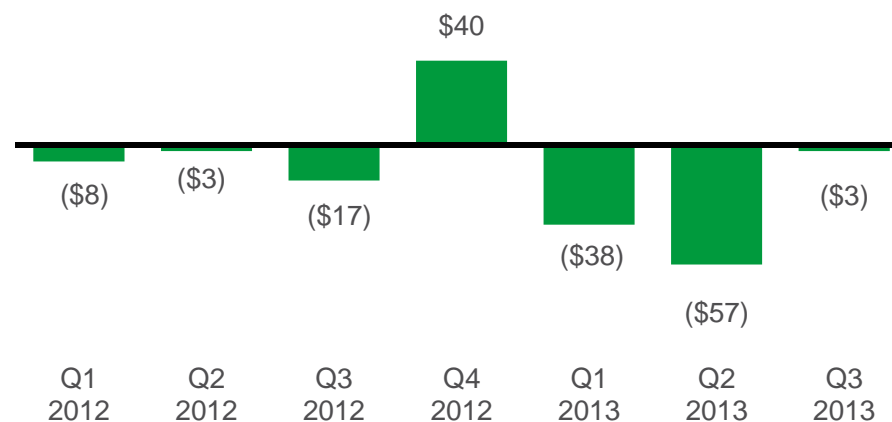
## Quarterly nonoperating income (expense) – GAAP and as adjusted

Non-GAAP adjustments include net income (loss) attributable to noncontrolling interests, a gain associated with the PennyMac Charitable Contribution and compensation expense related to (appreciation) depreciation on certain deferred compensation plans.

Nonoperating Income (Expense) (\$ in millions)



Non-GAAP Adjustments (\$ in millions)



For further information and reconciliation between GAAP and as adjusted, see notes (a) through (f) in the current earnings release as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

## Cash Flow GAAP and As Adjusted

(in millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>YTD Q3 2012</u>	<u>EST YTD Q3 2013</u>
<b>Operating Cash Flows</b>					
Operating Cash flows, GAAP basis	\$2,488	\$2,826	\$2,240	\$1,886	\$2,400
Less: Non-GAAP adjustments <sup>(1)</sup>	<u>(77)</u>	<u>178</u>	<u>(483)</u>	<u>40</u>	<u>200</u>
Operating Cash flows, as Adjusted	<u><u>\$2,565</u></u>	<u><u>\$2,648</u></u>	<u><u>\$2,723</u></u>	<u><u>\$1,846</u></u>	<u><u>\$2,200</u></u>
<b>Investing Cash Flows</b>					
Investing Cash flows, GAAP basis	(\$627)	(\$204)	(\$266)	(\$551)	(\$300)
Less: Non-GAAP adjustments <sup>(1)</sup>	<u>(52)</u>	<u>24</u>	<u>(211)</u>	<u>(180)</u>	<u>(100)</u>
Investing Cash flows, as Adjusted	<u><u>(\$575)</u></u>	<u><u>(\$228)</u></u>	<u><u>(\$55)</u></u>	<u><u>(\$371)</u></u>	<u><u>(\$200)</u></u>
<b>Financing Cash Flows</b>					
Financing Cash flows, GAAP basis	(\$3,170)	(\$2,485)	(\$944)	(\$661)	(\$2,800)
Less: Non-GAAP adjustments <sup>(1)</sup>	<u>110</u>	<u>(71)</u>	<u>631</u>	<u>(10)</u>	<u>(100)</u>
Financing Cash flows, as Adjusted	<u><u>(\$3,280)</u></u>	<u><u>(\$2,414)</u></u>	<u><u>(\$1,575)</u></u>	<u><u>(\$651)</u></u>	<u><u>(\$2,700)</u></u>

<sup>(1)</sup> Non-GAAP adjustments include the impact on cash flows of consolidated sponsored investment funds and consolidated VIEs.

**BLACKROCK®**