

# Section 1: 10-K (FORM 10-K)

[Table of Contents](#)

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

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**FORM 10-K**

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- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2012
- 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 No. 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)

(212) 810-5300

(Registrant's telephone number, including area code)

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

Title of each class  
Common Stock, \$.01 par value

Name of each exchange on which registered  
New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting common stock and non-voting common stock equivalents held by non-affiliates of the registrant as of June 30, 2012 was approximately \$28.7 billion. As of January 31, 2013, there were 169,961,312 shares of the registrant's common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference herein:

Portions of the definitive Proxy Statement of BlackRock, Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2013 annual meeting of stockholders to be held on May 30, 2013 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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## Table of Contents

### BlackRock, Inc. TABLE OF CONTENTS

	<u>PART I</u>	
Item 1	<a href="#">Business</a>	1
Item 1A	<a href="#">Risk Factors</a>	20
Item 1B	<a href="#">Unresolved Staff Comments</a>	29
Item 2	<a href="#">Properties</a>	30
Item 3	<a href="#">Legal Proceedings</a>	30
Item 4	<a href="#">Mine Safety Disclosures</a>	30
	<u>PART II</u>	
Item 5	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	31
Item 6	<a href="#">Selected Financial Data</a>	32
Item 7	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	34
Item 7A	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	71
Item 8	<a href="#">Financial Statements and Supplemental Data</a>	72
Item 9	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	72
Item 9A	<a href="#">Controls and Procedures</a>	72
Item 9B	<a href="#">Other Information</a>	75
	<u>PART III</u>	
Item 10	<a href="#">Directors, Executive Officers and Corporate Governance</a>	75
Item 11	<a href="#">Executive Compensation</a>	75
Item 12	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	75
Item 13	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	75
Item 14	<a href="#">Principal Accountant Fees and Services</a>	75
	<u>PART IV</u>	
Item 15	<a href="#">Exhibits and Financial Statement Schedules</a>	75
	Signatures	78

## Table of Contents

### Part I

#### Item 1. BUSINESS

##### Overview

BlackRock, Inc. (NYSE: BLK; "BlackRock" or the "Company") is the world's largest publicly traded investment management firm with employees in 30 countries that serve clients in over 100 countries across the globe. We provide a broad range of investment and risk management services and had \$3.792 trillion of assets under management ("AUM") at December 31, 2012. Our clients include retail, high net worth ("HNW") and institutional investors, comprised of pension funds, official institutions, endowments, insurance companies, corporations, financial institutions, central banks and sovereign wealth funds. The Company is highly regulated and serves its clients as a fiduciary. We do not engage in proprietary trading activities that could conflict with the interests of our clients.

Our unique platform enables us to offer active (alpha) investments with index (beta) products and risk management to develop tailored solutions for clients. Our product range includes single- and multi-asset class portfolios investing in equities, fixed income, alternatives and/or money market instruments. We offer our products directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*<sup>®</sup> exchange-traded funds ("ETFs") and other exchange-traded products (together with ETFs, "ETPs"), collective investment funds and separate accounts. We also offer our BlackRock Solutions<sup>®</sup> ("BRS") investment systems, risk management and advisory services primarily to institutional investors.

BlackRock is an independent, publicly traded company, with no single majority shareholder and a majority of independent directors on its Board of Directors. At December 31, 2012, The PNC Financial Services Group, Inc. ("PNC") owned approximately 20.8% of BlackRock's voting common shares outstanding and approximately 21.9% of total capital stock.

Management seeks to achieve attractive returns for stockholders over time by, among other things, capitalizing on the following factors:

- the Company's diversified alpha and beta product offerings, which enhance its ability to offer a variety of traditional and alternative investment products across the risk spectrum and to tailor single- and multi-asset class investment solutions to address specific client needs;

- the Company's focus on strong performance providing alpha for active products and limited or no tracking error for passive products;
- the Company's longstanding commitment to risk management and the continued development of, and increased interest in, BRS products and services;
- the Company's positioning in the face of macro challenges driving trends in investor behavior, including the secular shift to passive investing and ETPs, a focus on income and retirement, and barbell of risk using passive and high alpha products including alternatives;
- the Company's global presence and commitment to best practices around the world, with approximately 45% of employees outside the United States supporting local investment capabilities and serving clients, and approximately 44% of total AUM managed for clients domiciled outside the United States; and
- the growing recognition of the global BlackRock brand, and the depth and breadth of the Company's intellectual capital.

BlackRock operates in a global marketplace characterized by a high degree of market volatility and economic uncertainty, factors that can significantly affect earnings and stockholder returns in any given period.

The Company's ability to increase revenue, earnings and stockholder value over time is predicated on its ability to generate new business, including business in BRS products and services. New business efforts are dependent on BlackRock's ability to achieve clients' investment objectives in a manner consistent with their risk preferences and to deliver excellent client service. All of these efforts require the commitment and contributions of BlackRock employees. Accordingly, the ability to attract, develop and retain talented professionals is critical to the Company's long-term success.

## Table of Contents

### Financial Highlights

	Selected GAAP Financial Results						5- Year CAGR (4)
(Dollar amounts in millions, except per share amounts)	2012	2011	2010	2009	2008	2007	
Total revenue	\$9,337	\$9,081	\$8,612	\$4,700	\$5,064	\$4,845	14%
Operating income	\$3,524	\$3,249	\$2,998	\$1,278	\$1,593	\$1,294	22%
Operating margin	37.7%	35.8%	34.8%	27.2%	31.5%	26.7%	7%
Non-operating income (expense) <sup>(1)</sup>	\$ (36)	\$ (116)	\$ 36	\$ (28)	\$ (422)	\$ 162	(174%)
Net income attributable to BlackRock, Inc.	\$2,458	\$2,337	\$2,063	\$ 875	\$ 784	\$ 993	20%
Diluted earnings per common share	\$13.79	\$12.37	\$10.55	\$ 6.11	\$ 5.78	\$ 7.37	13%

  

	Selected Non-GAAP Financial Results						5- Year CAGR (4)
(Dollar amounts in millions, except per share amounts)	2012	2011	2010	2009	2008	2007	
<b>As adjusted<sup>(2)</sup>:</b>							
Operating income	\$3,574	\$3,392	\$3,167	\$1,570	\$1,662	\$1,518	19%
Operating margin <sup>(3)</sup>	40.4%	39.7%	39.3%	38.2%	38.7%	37.4%	2%
Non-operating income (expense) <sup>(1)</sup>	\$ (42)	\$ (113)	\$ 25	\$ (46)	\$ (384)	\$ 150	(178%)
Net income attributable to BlackRock, Inc.	\$2,438	\$2,239	\$2,139	\$1,021	\$ 856	\$1,077	18%
Diluted earnings per common share	\$13.68	\$11.85	\$10.94	\$ 7.13	\$ 6.30	\$ 7.99	11%

(1) Net of net income (loss) attributable to non-controlling interests.

(2) BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"); however, management believes evaluating the Company's ongoing operating results may be enhanced if investors have additional non-GAAP basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock's financial performance over time. 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. GAAP reported results include certain significant items, the after-tax impact of which management considers non-recurring or transactions that ultimately will not impact BlackRock's book value and, therefore, are excluded in calculating as adjusted results as described below.

As adjusted operating income excluded certain expenses incurred related to the integration of the acquisitions of Merrill Lynch Investment Managers ("MLIM"), the fund of funds business of Quellos Group, LLC ("Quellos") and Barclays Global Investors ("BGI"), as well as advisory fees, legal fees and consulting transaction expenses related to the acquisition of BGI from Barclays on December 1, 2009 (the "BGI Transaction"), a 2007 termination fee for closed-end fund administration and servicing arrangements with Merrill Lynch, 2011 and 2012 U.K. lease exit costs, 2008, 2009 and 2011 restructuring charges and a one-time contribution to certain of the Company's bank-managed short-term investment funds ("STIFs") in 2012. 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 and a Merrill Lynch cash compensation contribution has been excluded because, exclusive of the impact related to the exercise of LTIP participants' put options, primarily in the three months ended March 31, 2007, these charges do not impact BlackRock's book value. The expense related to the Merrill Lynch cash compensation contribution ceased at the end of third quarter 2011. As of first quarter 2012, all of the Merrill Lynch contributions had been received. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded from operating and non-operating income, as adjusted, as returns on investments set aside for these plans, which substantially offset this expense, are reported in non-operating income (expense).

(3) Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Management believes that excluding such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company's results until future periods. Revenue used for operating margin, as adjusted, excludes distribution and servicing costs. Amortization of deferred sales commissions is excluded from revenue used for operating margin measurement, as adjusted, because such costs, over time, substantially offset distribution fee revenue earned by the Company. In addition, in 2008 and 2007, revenue used for operating margin, as adjusted, excluded reimbursable property management compensation, which represented compensation and benefits paid to personnel of Metric Property Management, Inc. ("Metric"), a subsidiary of BlackRock Realty Advisors, Inc. ("Realty"). Prior to the transfer in 2008 to a third party, these employees were retained on Metric's payroll when certain properties were acquired by Realty's clients. The related compensation and benefits were fully reimbursed by Realty's clients and have been excluded from revenue used for operating margin, as adjusted, because they did not bear an economic cost to BlackRock.

Net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted exclude the after-tax impact of the items listed above and also include the effect on deferred income tax expense attributable to changes in corporate income tax rates as a result of income tax law changes and a state tax election.

(4) Percentage represents compounded annual growth rate.

See reconciliation to GAAP measures in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures for further information on as adjusted items.

## Table of Contents

### Assets Under Management

A summary of the Company's AUM for the years 2007 through 2012 is presented below:

<b>AUM by Asset Class</b>						
<b>December 31,</b>						
<i>(Dollar amounts in millions)</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Equity	\$ 1,845,501	\$ 1,560,106	\$ 1,694,467	\$ 1,536,055	\$ 203,292	\$ 362,705
Fixed income	1,259,322	1,247,722	1,141,324	1,055,627	481,365	510,207
Multi-asset class	267,748	225,170	185,587	142,029	77,516	98,623
Alternatives	109,795	104,948	109,738	102,101	61,544	71,771
Long-term	<b>3,482,366</b>	<b>3,137,946</b>	<b>3,131,116</b>	<b>2,835,812</b>	<b>823,717</b>	<b>1,043,306</b>
Cash management	263,743	254,665	279,175	349,277	338,439	313,338
Advisory	45,479	120,070	150,677	161,167	144,995	—
<b>Total</b>	<b><u>\$ 3,791,588</u></b>	<b><u>\$ 3,512,681</u></b>	<b><u>\$ 3,560,968</u></b>	<b><u>\$ 3,346,256</u></b>	<b><u>\$ 1,307,151</u></b>	<b><u>\$ 1,356,644</u></b>

### Component Changes in AUM by Asset Class Five Years Ended December 31, 2012

<i>(Dollar amounts in millions)</i>	<b>12/31/2007</b>	<b>Net New Business</b>	<b>Acquired AUM, net<sup>(1)</sup></b>	<b>Market / FX App (Dep)</b>	<b>12/31/2012</b>	<b>5-Year CAGR<sup>(2)</sup></b>
Equity	\$ 362,705	\$ 185,225	\$ 1,053,952	\$ 243,619	\$ 1,845,501	38%
Fixed income	510,207	(588)	502,520	247,183	1,259,322	20%
Multi-asset class	98,623	101,866	39,909	27,350	267,748	22%
Alternatives	71,771	(8,801)	55,734	(8,909)	109,795	9%
Long-term	<b>1,043,306</b>	<b>277,702</b>	<b>1,652,115</b>	<b>509,243</b>	<b>3,482,366</b>	<b>27%</b>
Cash management	313,338	(102,727)	53,616	(484)	263,743	(3%)
Advisory	—	39,935	(10)	5,554	45,479	NM
<b>Total</b>	<b><u>\$ 1,356,644</u></b>	<b><u>\$ 214,910</u></b>	<b><u>\$ 1,705,721</u></b>	<b><u>\$ 514,313</u></b>	<b><u>\$ 3,791,588</u></b>	<b><u>23%</u></b>

NM - Not meaningful.

(1) Amounts include acquisition adjustments and reclassification of certain AUM acquired from BGI in December 2009, Swiss Re Private Equity Partners ("SRPEP") in September 2012 and Claymore Investments, Inc. ("Claymore") in March 2012 and other reclassifications to conform to current period combined AUM policy and presentation. Amounts also include BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011. As a result of client investment manager concentration limits and the scientific active equity performance, outflows were expected to occur for a period of time subsequent to the close of the transaction.

(2) Percentage represents compounded annual growth rate.

AUM represents the broad ranges of financial assets we manage for clients on a discretionary basis pursuant to investment management agreements that are expected to continue for at least 12 months. In general, reported AUM reflects the valuation methodology that corresponds to the basis used for billing (for example, net asset value). Reported AUM does not include assets for which we provide risk management or other forms of non-discretionary advice, or assets that we are retained to manage on a short-term, temporary basis.

Investment management fees are typically expressed as a percentage of AUM. We also earn performance fees on certain portfolios relative to an agreed-upon benchmark or return hurdle. On some products, we also may earn securities lending fees. In addition, BlackRock offers its proprietary *Aladdin*<sup>®</sup> investment system as well

as risk management, outsourcing and advisory services, to institutional investors under the BRS name. Revenue for these services may be based on several criteria including value of positions, number of users, accomplishment of specific deliverables or other objectives.

At December 31, 2012, total AUM was \$3.792 trillion, representing a compounded annual growth rate of 23% over the last five years. AUM growth during the period was achieved through the combination of net market valuation gains, net new business and acquisitions, including BGI, which added approximately \$1.844 trillion of AUM in December 2009 and Claymore and SRPEP, which added \$13.7 billion of AUM in 2012. These acquisitions significantly changed our AUM mix, from predominantly active fixed income and equity in 2007 to a broadly diversified product range, as described below.

## Table of Contents

The Company considers the categorization of its AUM by product type, investment style, client type and client region useful to understanding its business. The following discussion of the Company's AUM will be organized as follows:

Product	Client Type	Client Region
— Equity	— Institutional	— Americas
— Fixed Income	— Retail and HNW	— Europe, the Middle East and Africa ("EMEA")
— Multi-Asset		— Asia-Pacific
— Alternatives		
— Cash Management		
— <i>iShares</i>		

### Products

Component changes in AUM by product type and investment style for 2012 are presented below.

(Dollar amounts in millions)	12/31/2011	Net New Business	Net Acquired	Market /FX App (Dep)	12/31/2012
Equity:					
Active	\$ 275,156	\$ (18,111)	\$ —	\$ 30,170	\$ 287,215
<i>iShares</i>	419,651	52,973	3,517	58,507	534,648
Fixed income:					
Active	614,804	892	—	40,635	656,331
<i>iShares</i>	153,802	28,785	3,026	7,239	192,852
Multi-asset class	225,170	15,817	78	26,683	267,748
Alternatives:					
Core	63,647	(3,922)	6,166	2,476	68,367
Currency and commodities	41,301	(1,547)	860	814	41,428
<b>Sub-total</b>	<b>1,793,531</b>	<b>74,887</b>	<b>13,647</b>	<b>166,524</b>	<b>2,048,589</b>
Non-ETP Index:					
Equity	865,299	19,154	95	139,090	1,023,638
Fixed income	479,116	(96,506)	—	27,529	410,139
<b>Sub-total non-ETP index</b>	<b>1,344,415</b>	<b>(77,352)</b>	<b>95</b>	<b>166,619</b>	<b>1,433,777</b>
<b>Long-term</b>	<b>3,137,946</b>	<b>(2,465)</b>	<b>13,742</b>	<b>333,143</b>	<b>3,482,366</b>
Cash management	254,665	5,048	—	4,030	263,743
Advisory	120,070	(74,540)	—	(51)	45,479
<b>Total AUM</b>	<b>\$3,512,681</b>	<b>\$ (71,957)</b>	<b>\$ 13,742</b>	<b>\$ 337,122</b>	<b>\$3,791,588</b>

At year-end 2012, products invested primarily in long-term assets represented 92% of total AUM, or \$3.482 trillion, of which 53% were equity mandates, 36% fixed income accounts, 8% multi-asset class portfolios and 3% alternative investments. The remaining AUM was in cash management products and advisory mandates representing long-term portfolio liquidation assignments. Net new business in long-term products totaled \$107.7 billion excluding the effect of two large, low-fee non-ETP index fixed income outflows from two institutional clients of \$36.0 billion in the first quarter of 2012 and \$74.2 billion in the third quarter of 2012. Net inflows in long-term products, excluding these outflows, were augmented by net inflows into cash management products. Long-term and cash product net inflows were offset by advisory distributions due to the successful completion of asset dispositions related to the three Maiden Lane vehicles associated with the Federal Reserve Bank of New York,

marking the repayment of all senior and junior obligations of the three vehicles and the generation of net gains benefiting the U.S. public.

Long-term product offerings include active and passive (index) strategies. Our active strategies seek to earn attractive returns in excess of a market benchmark or performance hurdle (alpha) while maintaining an appropriate risk profile. We offer two types of active strategies: those that rely primarily on fundamental research and those that utilize primarily quantitative models to drive portfolio construction. In contrast, passive strategies seek to closely track the returns of a corresponding index (beta), generally by investing in substantially the same underlying securities within the index or in a subset of those securities selected to approximate a similar risk and return profile of the index. Passive strategies include both our institutional non-ETP index products and *iShares* ETPs.

## Table of Contents

Although many clients use both active and passive strategies, the application of these strategies differs greatly. For example, clients may use index products to gain exposure to a market or asset class pending reallocation to an active manager. This has the effect of increasing turnover of index AUM. In addition, institutional non-ETP index assignments tend to be very large (multi-billion dollars) and typically reflect low fee rates. This has the potential to exaggerate the significance of net flows in institutional index products on BlackRock's revenues and earnings.

### Equity

Year-end 2012 equity AUM of \$1.845 trillion increased by \$285.4 billion, or 18%, from the end of 2011, largely due to flows into regional, country-specific and global mandates and the effect of higher market valuations. Equity AUM growth included \$54.0 billion in net new business and \$3.6 billion in new assets related to the acquisition of Claymore. Net new business of \$54.0 billion was driven by net inflows of \$53.0 billion and \$19.1 billion into *iShares* and non-ETP index accounts, respectively. Passive inflows were offset by active net outflows of \$18.1 billion, with net outflows of \$10.0 billion and \$8.1 billion from fundamental and scientific active equity products, respectively.

Passive strategies represented 84% of equity AUM with the remaining 16% in active mandates. Institutional investors represented 62% of equity AUM, while *iShares*, and retail and HNW represented 29% and 9%, respectively. At year-end 2012, 63% of equity AUM was managed for clients in the Americas (defined as the United States, Caribbean, Canada, Latin America and Iberia) compared with 28% and 9% managed for clients in EMEA and Asia-Pacific, respectively.

### Multi-Asset Class

#### Component Changes in Multi-Asset Class AUM

(Dollar amounts in millions)	12/31/2011	Net New Business	Net Acquired	Market /FX App (Dep)	12/31/2012
Asset allocation	\$ 126,067	\$ 1,575	\$ 78	\$ 12,440	\$ 140,160
Target date/risk	49,063	14,526	—	6,295	69,884
Fiduciary	50,040	(284)	—	7,948	57,704
Multi-asset	<u>\$ 225,170</u>	<u>\$ 15,817</u>	<u>\$ 78</u>	<u>\$ 26,683</u>	<u>\$ 267,748</u>

Multi-asset class AUM totaled \$267.7 billion at year-end 2012, up 19%, or \$42.6 billion, reflecting \$15.8 billion in net new business and \$26.7 billion in portfolio valuation gains. BlackRock's multi-asset class team manages a variety of bespoke mandates for a diversified client base that leverages our broad investment expertise in global equities, currencies, bonds and commodities, and our extensive risk management capabilities. Investment solutions might include a combination of long-only

BlackRock's effective fee rates fluctuate due to changes in AUM mix. Approximately half of BlackRock's equity AUM is tied to international markets, including emerging markets, which tend to have higher fee rates than similar U.S. equity strategies. Accordingly, fluctuations in international equity markets, which do not consistently move in tandem with U.S. markets, may have a greater impact on BlackRock's effective equity fee rates and revenues.

### Fixed Income

Fixed income AUM ended 2012 at \$1.259 trillion, rising \$11.6 billion, or 1%, relative to December 31, 2011. Growth in AUM reflected \$43.3 billion in net new business, excluding the two large previously mentioned low-fee outflows, \$75.4 billion in market and foreign exchange gains and \$3.0 billion in new assets related to Claymore. Net new business was led by flows into domestic specialty and global bond mandates, with net inflows of \$28.8 billion, \$13.6 billion and \$3.1 billion into *iShares*, non-ETP index and model-based products, respectively, partially offset by net outflows of \$2.2 billion from fundamental strategies.

Fixed Income AUM was split between passive and active strategies with 48% and 52%, respectively. Institutional investors represented 74% of fixed income AUM while *iShares* and retail and HNW represented 15% and 11%, respectively. At year-end 2012, 59% of fixed income AUM was managed for clients in the Americas compared with 33% and 8% managed for clients in EMEA and Asia-Pacific, respectively.

portfolios and alternative investments as well as tactical asset allocation overlays.

At December 31, 2012, institutional investors represented 66% of multi-asset class AUM, while retail and HNW accounted for the remaining AUM. Additionally, 58% of multi-asset class AUM is managed for clients based in the Americas with 37% and 5% managed for clients in EMEA and Asia-Pacific, respectively. Flows reflected ongoing institutional demand for our advice in an increasingly

## Table of Contents

challenging investment environment with \$15.0 billion, or 95%, of net inflows coming from institutional clients, with the remaining \$0.8 billion, or 5%, generated by retail and HNW clients. Defined contribution plans of institutional clients remained a significant driver of flows. This client group added \$13.1 billion of net new business in 2012. During the year, Americas net inflows of \$18.5 billion were partially offset by net outflows of \$2.6 billion collectively from EMEA and Asia-Pacific clients.

The Company's multi-asset strategies include the following:

- Asset allocation and balanced products represented 52%, or \$140.2 billion, of multi-asset class AUM at year-end, up \$14.1 billion, with growth in AUM driven by net new business of \$1.6 billion and \$12.4 billion in market and foreign exchange gains. These strategies combine equity, fixed income and alternative components for investors seeking a tailored solution relative to a specific benchmark and within a risk budget. In certain cases, these strategies seek to minimize downside risk through diversification, derivatives strategies and tactical asset allocation decisions.
- Target date and target risk products ended the year at \$69.9 billion, up \$20.8 billion, or 42%, since December 31, 2011. Growth in AUM was driven by

net new business of \$14.5 billion, a year-over-year organic growth rate of 30%. Institutional investors represented 90% of target date and target risk AUM, with defined contribution plans accounting for over 80% of AUM. The remaining 10% of target date and target risk AUM consisted of retail client investments. Flows were driven by defined contribution investments in our *LifePath* and *LifePath Retirement Income*<sup>®</sup> offerings, which are qualified investment options under the Pension Protection Act of 2006. These products utilize a proprietary asset allocation model that seeks to balance risk and return over an investment horizon based on the investor's expected retirement timing.

- Fiduciary management services accounted for 22%, or \$57.7 billion, of multi-asset AUM at December 31, 2012 and increased \$7.7 billion during the year due to market and foreign exchange gains. These are complex mandates in which pension plan sponsors retain BlackRock to assume responsibility for some or all aspects of plan management. These customized services require strong partnership with the clients' investment staff and trustees in order to tailor investment strategies to meet client-specific risk budgets and return objectives.

## Alternatives

### Component Changes in Alternatives AUM

(Dollar amounts in millions)	12/31/2011	Net New Business	Net Acquired	Market /FX App (Dep)	12/31/2012
Core	\$ 63,647	\$ (3,922)	\$ 6,166	\$ 2,476	\$ 68,367
Currency and commodities	41,301	(1,547)	860	814	41,428
Alternatives	<u>\$ 104,948</u>	<u>\$ (5,469)</u>	<u>\$ 7,026</u>	<u>\$ 3,290</u>	<u>\$ 109,795</u>

Alternatives AUM totaled \$109.8 billion at year-end 2012, up \$4.8 billion, or 5%, reflecting \$3.3 billion in portfolio valuation gains and \$7.0 billion in new assets related to the acquisitions of SRPEP, which deepened our alternatives footprint in the European and Asian markets, and Claymore. Core alternative outflows of \$3.9 billion were driven almost exclusively by return of capital to clients. Currency net outflows of \$5.0 billion were partially offset by net inflows of \$3.5 billion into *iShares* commodity funds.

We continued to make significant investments in our alternatives platform as demonstrated by our acquisition of SRPEP, successful closes on the renewable power initiative and our build out of an alternatives retail platform, which now stands at nearly \$10.0 billion in AUM.

We believe that as alternatives become more conventional and investors adapt their asset allocation strategies to best meet their investment objectives, they will further increase their use of alternative investments to complement core holdings.

Institutional investors represented 69%, or \$75.8 billion, of alternatives AUM with retail and HNW investors comprising an additional 9%, or \$9.7 billion, at year-end 2012. *iShares* commodity products accounted for the remaining \$24.3 billion, or 22%, of AUM at year-end. Alternative clients are geographically diversified with 56%, 26%, and 18% of clients located in the Americas, EMEA and Asia-Pacific, respectively.

The BlackRock Alternative Investors ("BAI") group coordinates our alternative investment efforts, including



## Table of Contents

product management, business development and client service. Our alternatives products fall into two main categories – core, which includes hedge funds, funds of funds (hedge funds and private equity) and real estate offerings, and currency and commodities. The products offered under the BAI umbrella are described below.

### Core

- **Hedge Funds** ended the year with \$26.6 billion in AUM, down \$1.4 billion as net inflows into single-strategy hedge funds of \$1.0 billion were more than offset by return of capital on opportunistic funds. Market valuation gains contributed \$1.1 billion to AUM growth. Hedge fund AUM includes a variety of single-strategy, multi-strategy, and global macro, as well as portable alpha, distressed and opportunistic offerings. Products include both open-end hedge funds and similar products, and closed-end funds created to take advantage of specific opportunities over a defined, often longer-term investment horizon.
- **Funds of Funds** AUM increased \$6.3 billion, or 28%, to \$29.1 billion at December 31, 2012, including \$17.1 billion in funds of hedge funds and hybrid vehicles and \$12.0 billion in private equity funds of funds. Growth largely reflected \$6.2 billion of assets from SRPEP as we expanded our fund of funds product offerings and further engage in European and Asian markets.
- **Real Estate and Hard Assets** AUM totaled \$12.7 billion, down \$0.1 billion, or 1%, reflecting \$0.6 billion in client net redemptions and distributions and \$0.5 billion in portfolio valuation gains. Offerings include high yield debt and core, value-added and opportunistic equity portfolios and renewable power funds. We continued to expand our real estate platform and product offerings with the launch of our first U.S. real estate investment trust (“REIT”) mutual fund and addition of an infrastructure debt team to further increase and diversify our offerings within global infrastructure investing.

### iShares

Our industry-leading U.S. and international *iShares* ETP suite is discussed below.

#### Component Changes in AUM – iShares

(Dollar amounts in millions)	12/31/2011	Net New Business	Net Acquired	Market /FX App (Dep)	12/31/2012
Equity	\$ 419,651	\$ 52,973	\$ 3,517	\$ 58,507	\$ 534,648
Fixed income	153,802	28,785	3,026	7,239	192,852
Multi-asset class	562	178	78	51	869
Alternatives	19,341	3,232	701	1,064	24,338
Long-term	<u>\$ 593,356</u>	<u>\$ 85,168</u>	<u>\$ 7,322</u>	<u>\$ 66,861</u>	<u>\$ 752,707</u>

**Currency and Commodities.** AUM in currency and commodities strategies totaled \$41.4 billion at year-end 2012, flat from year-end 2011, reflecting net outflows of \$1.5 billion, primarily from active currency and currency overlays, and \$0.8 billion of market and foreign exchange gains. Claymore also contributed \$0.9 billion of AUM. Currency and commodities products include a range of active and passive products. Our *iShares* commodities products represented \$24.3 billion of AUM, including \$0.7 billion acquired from Claymore, and are not eligible for performance fees.

### Cash Management

Cash management AUM totaled \$263.7 billion at December 31, 2012, up \$9.1 billion, or 4%, from year-end 2011. Cash management products include taxable and tax-exempt money market funds and customized separate accounts. Portfolios may be denominated in U.S. dollar, Euro or British pound.

At year-end 2012, 84% of cash AUM was managed for institutions and 16% for retail and HNW investors. The investor base was also predominantly in the Americas, with 69% of AUM managed for investors in the Americas and 31% for clients in other regions, mostly EMEA-based. We generated net inflows of \$5.0 billion during 2012, reflecting continued uncertainty around future regulatory changes and a challenging investing environment. To meet investor needs, we sought to provide new solutions and choices for our clients by launching short duration products in the United States, which both immediately address the challenge of a continuing low interest rate environment and will also be important investment options should regulatory changes occur. In the EMEA business, and in particular for our Euro product set, we have taken action to ensure that we can provide effective cash management solutions in the face of a potentially negative yield environment by taking steps to launch new products and re-engineer our existing product set.

## Table of Contents

The ETP industry experienced a banner year as annual inflow records from 2008 were broken in the United States, the Asia-Pacific region and on a global basis, propelled by exceptional growth in fixed income and emerging markets equity products<sup>1</sup>. The industry saw \$260 billion<sup>1</sup> of net new business, representing 17% in organic growth during 2012, with year-end AUM totaling \$1.902 trillion<sup>1</sup>.

The global growth of the ETP market reflects both continued adoption and new product introduction with investor product preferences driven to varying degrees by performance (as measured by tracking error, which is the difference between net returns on the ETP and the corresponding targeted index), liquidity (bid-ask spread), tax-efficiency, transparency and client service. Fixed income and emerging markets were drivers of industry growth. Fixed income ETPs globally gathered a record \$70 billion of net inflows, \$54 billion of which was U.S.-listed, led by investment grade and high yield demand as investors shunned the record low yields of government securities in favor of higher yielding products. Both developed and emerging markets equity ETPs saw strong inflows in 2012 as central banks around the world continued to pump liquidity into the global economy via asset purchase programs and accommodative monetary policy to help spur economic growth. U.S. equity ETPs globally had inflows of \$116 billion, \$82 billion of which was into U.S.-listed funds, and emerging markets equity ETPs globally had \$55 billion of net inflows, \$30 billion of which was into U.S.-listed funds.<sup>1</sup>

*iShares* is the leading ETP provider in the world, with \$752.7 billion of AUM at December 31, 2012, which increased \$159.4 billion, or 27%, since year-end 2011. *iShares* was the top asset gatherer globally in 2012<sup>1</sup> with \$85.2 billion of net inflows for an organic growth rate of 14%, with additional AUM growth of \$66.9 billion due to market valuation improvements. During 2012, *iShares* introduced 85 new ETPs, acquired Claymore's 35 ETPs in Canada and continued our dual commitment to innovation and responsible product structuring. Our broad product range offers investors a precise, transparent and low-cost way to tap market returns and gain access to a full range of asset classes and global markets that have been difficult or expensive for many investors to access until now, as well as the liquidity required to make adjustments to their exposures quickly and cost-efficiently.

At year-end, *iShares* AUM included \$534.7 billion, or 71%, in equity offerings, \$192.9 billion, or 26%, in fixed income ETPs and \$25.2 billion, or 3%, in multi-asset class and alternative investments. *iShares* equity AUM increased \$115.0 billion, or 27%, from year-end 2011, with \$53.0 billion in net inflows and \$58.5 billion of market and

foreign exchange valuation gains. *iShares* fixed income AUM rose \$39.1 billion, or 25%, over the previous year, with 74% of the increase being driven by \$28.8 billion of net inflows. *iShares* multi-asset class and alternatives AUM grew by \$5.3 billion, or 27%, with \$3.4 billion of net inflows, predominantly into gold commodity products resulting from a macro environment dominated by accommodative monetary policies and resulting currency debasement with an additional \$1.1 billion of market and foreign exchange valuation gains.

*iShares* offers the most diverse product set in the industry with 621 ETPs at year-end 2012 and serves the broadest client base, covering 27 countries on five continents including North America, South America, Europe, Asia and Australia. *iShares* was the ETP leader in asset gathering in 2012 with four of the top ten products and the highest number of leading products as measured by total assets, with five of the top ten<sup>1</sup>. Notwithstanding an increase in the number of ETP products offered in the industry, *iShares* continued to maintain the largest share of global AUM with 39% at December 31, 2012<sup>1</sup>.

- *U.S. iShares* AUM ended at \$552.3 billion with \$61.0 billion of net inflows driven by strong demand for our yield-oriented and equity dividend products with our flagship emerging markets fund also attracting strong flows in 2012. In the United States, we re-gained the top position for 2012 ETP flows with more than 30% market share, and at year-end 2012, *iShares* was the largest ETP provider in the United States with 41% share of AUM<sup>1</sup>. During the fourth quarter of 2012, we debuted the core series in the United States, designed to provide the essential building blocks for buy-and-hold investors to use in constructing the core of their portfolio. The core series demonstrated solid early results with four new and six rebranded products covering U.S. and international equities and U.S. fixed income.
- *International iShares* AUM ended at \$200.4 billion with robust net new business of \$24.2 billion for the year, led by emerging markets equity and corporate fixed income products. In Europe, we captured 80% and 71% of 2012 fixed income and equity net inflows, respectively. At year-end 2012, *iShares* was the largest European provider with 38% of AUM and 55% of total 2012 industry inflows in the European market<sup>1</sup>.

In addition, we were the largest ETP manager in Latin America with over 85% of AUM at December 31, 2012<sup>1</sup>. We continue to look for opportunities to further diversify product offerings in key strategic focus areas including attractive, high-growth markets both organically and

<sup>1</sup> BlackRock; Bloomberg

## Table of Contents

through acquisitions as demonstrated by our acquisition of Claymore and our 2013 agreement with Credit Suisse to acquire their ETF business, the closing of which is subject to customary closing conditions.

In general, we expect to maintain relatively stable pricing, so long as it is supported by performance and the *iShares* value proposition, although we continually seek to achieve efficiencies and pass them on to our clients.

### Clients

We serve a diverse mix of institutional and retail investors worldwide. 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 and HNW investors. We also serve both institutional and retail and HNW investors who acquire *iShares* on exchanges worldwide. *iShares* is presented under "Products" above, with investments in *iShares* by institutions and retail and HNW clients excluded from figures and discussions in their respective sections below.

#### AUM by Style & Client Type December 31, 2012

<i>(Dollar amounts in millions)</i>	<u>Institutional</u>	<u>Retail/HNW</u>	<u>iShares</u>	<u>Total</u>
Active	\$ 884,695	\$ 396,599	—	\$1,281,294
Non-ETP index	1,441,480	6,885	—	1,448,365
<i>iShares</i>	—	—	752,707	752,707
Long-term	2,326,175	403,484	752,707	3,482,366
Cash management	221,447	42,296	—	263,743
Advisory	45,466	13	—	45,479
Total	<u>\$ 2,593,088</u>	<u>\$ 445,793</u>	<u>\$752,707</u>	<u>\$3,791,588</u>

In 2012, we completed an internal reorganization of the firm, structuring ourselves to ensure that strong investment performance is our highest priority, and better align with our clients' needs to capitalize on broader industry trends. Specifically, we organized the client side of our business into two groups: one comprising Retail and *iShares* and another comprising Institutional and *BlackRock Solutions*. The separation of the client

functions into these two teams allows us to better focus on the unique needs of these client groups by bringing the full capabilities of the firm to bear in an organized, cohesive approach. Additionally, we split our investments functions into five distinct strategies: Alpha, Beta, Multi-Asset, Alternatives and Trading/Liquidity. This new organizational structure allows us to enhance our focus on performance and client engagement.

#### *Institutional Investors (excluding Investments in iShares)*

#### *Institutional Long-Term AUM by Asset Class, Style & Client Region December 31, 2012*

<i>(Dollar amounts in millions)</i>	<u>Americas</u>	<u>EMEA</u>	<u>Asia-Pacific</u>	<u>Total</u>
Active:				
Equity	\$ 51,242	\$ 54,499	\$ 23,283	\$ 129,024
Fixed income	336,998	126,530	54,575	518,103
Multi-asset class	77,105	83,797	5,805	166,707
Alternatives	32,362	20,507	17,992	70,861
Index:				
Equity	580,605	318,862	117,613	1,017,080
Fixed income	132,150	235,875	41,918	409,943
Multi-asset class	950	4,434	4,161	9,545
Alternatives	1,464	3,325	123	4,912
Long-term institutional	<u>\$1,212,876</u>	<u>\$847,829</u>	<u>\$ 265,470</u>	<u>\$2,326,175</u>

## Table of Contents

Long-term assets managed for institutional investors totaled \$2.326 trillion, or 61%, of total AUM at year-end 2012. During the year, net outflows in long-term products totaled \$99.2 billion, which includes two large low-fee non-ETP index fixed income outflows from two institutional clients totaling \$110.2 billion. Excluding these outflows, long-term net new business from institutional clients totaled \$11.0 billion with investment performance, market appreciation and foreign exchange valuation gains contributing \$237.9 billion to AUM growth.

BlackRock's institutional AUM is well diversified by both product and region, with 49% of long-term AUM in equities, 40% in fixed income, 8% in multi-asset class and 3% in alternatives. We serve institutional investors on six continents, with 52% of long-term AUM managed on behalf of investors in the Americas, 37% in EMEA and 11% in Asia-Pacific. Institutional AUM is further diversified by investment style and by sub-categories: pensions, endowments and foundations, official institutions, and financial institutions, as described below.

The mix by investment style was 38% active and 62% passive (excluding institutional investors in *iShares*). As noted earlier, non-ETP index accounts tend to be larger institutional mandates managed for relatively low fee rates and subject to higher turnover.

A discussion of the Company's Institutional AUM is presented below:

Institutional active AUM ended the quarter at \$884.7 billion, up \$53.4 billion, or 6%, since year-end 2011, earning base fees of \$1.8 billion. Institutional active represented 25% of long-term firm AUM and 23% of long-term base fees. Growth in AUM included market and investment performance gains of \$71.3 billion and continued strength in multi-asset class products with net inflows of \$12.3 billion largely into defined contribution plans, target date and asset allocation offerings. Multi-asset net inflows were offset by equity net outflows of \$14.1 billion, which were split between active fundamental and scientific active equity, and fixed income net outflows of \$15.1 billion, reflecting outflows from U.S. core and local currency mandates. Core alternatives net outflows were \$0.3 billion, excluding \$3.9 billion of return of capital.

Institutional non-ETP index AUM totaled \$1.441 trillion at December 31, 2012, reflecting net outflows of \$75.1 billion, which included two large low-fee fixed income outflows from two clients of \$36.0 billion and \$74.2 billion. Excluding these outflows, net new business was \$35.0 billion, with market and foreign exchange valuation gains contributing \$166.6 billion to AUM growth. The shift to passive strategies has proven to be a significant and long-term trend in the

industry. Flows were led by equities with net inflows of \$20.5 billion with flows primarily into global mandates as clients increasingly looked to use passive vehicles for macro exposure as they modestly re-risked. In 2012, institutional non-ETP index equity AUM crossed the \$1 trillion threshold. Excluding the two previously mentioned outflows, fixed income garnered net inflows of \$13.6 billion, led by flows into U.S. sector specialty and global bond mandates. While institutional non-ETP index represented 41% of long-term firm AUM, it accounted for 11% of long-term base fees.

The Company's institutional clients consist of the following:

- Pensions, Endowments and Foundations. BlackRock is among the largest managers of pension plan assets in the world with \$1.542 trillion, or 66%, of long-term institutional AUM managed for defined benefit, defined contribution and other pension plans for corporations, governments and unions at December 31, 2012. Retirement is a key theme as longevity, aging populations and changing demographics worldwide are driving investment decisions. The market landscape is shifting from defined benefit to defined contribution, driving strong flows in our defined contribution channel, which had \$28.4 billion of long-term net inflows for the year, or 9% organic growth. Defined contribution net inflows were led by \$13.1 billion into multi-asset class products, with our *LifePath* target date suite serving as a key component of our retirement solutions. We ended 2012 with \$404.9 billion in defined contribution AUM and remain well positioned to capitalize on the on-going evolution of the defined contribution market and demand for outcome-oriented investments. An additional \$58.1 billion was managed for other tax-exempt investors, including charities, foundations and endowments.
- Official Institutions. We also managed \$171.2 billion, or 7%, of long-term institutional AUM, for official institutions, including central banks, sovereign wealth funds, supranationals, multilateral entities and government ministries and agencies at year-end 2012. This specialty client group flourished with long-term net new business of \$24.5 billion for the year. These clients often require specialized investment policy advice, the use of customized benchmarks and training support.
- Financial Institutions. BlackRock is a top independent manager of assets for insurance companies, which accounted for \$226.6 billion, or 10%, of institutional long-term AUM at year-end 2012. Assets managed for other taxable institutions, including corporations, banks and third-party fund sponsors for which we provide sub-advisory services, totaled \$328.2 billion, or 14%, of long-term institutional AUM at year-end.

## Table of Contents

Retail and HNW Investors (Excluding Investments in iShares)

### Retail / HNW Long-Term AUM by Asset Class & Client Region December 31, 2012

(Dollar amounts in millions)	Americas	EMEA	Asia-Pacific	Total
Equity	\$ 94,805	\$53,140	\$ 16,803	\$164,748
Fixed income	121,640	11,444	5,341	138,425
Multi-asset class	76,714	9,538	4,374	90,626
Alternatives	4,865	3,577	1,243	9,685
Long-term retail/HNW	<u>\$ 298,024</u>	<u>\$77,699</u>	<u>\$ 27,761</u>	<u>\$403,484</u>

BlackRock serves retail and HNW investors globally through separate accounts, open-end and closed-end funds, unit trusts and private investment funds. At December 31, 2012, long-term assets managed for retail and HNW investors totaled \$403.5 billion, up 11%, or \$40.1 billion, versus year-end 2011. During the year, net inflows of \$11.6 billion in long-term products were augmented by market valuation improvements of \$28.3 billion.

Retail and HNW investors are served principally through intermediaries, including broker-dealers, banks, trust companies, insurance companies and independent financial advisors. Clients invest primarily in mutual funds, which totaled \$322.4 billion, or 80%, of retail and HNW long-term AUM at year-end, with the remainder invested in private investment funds and separately managed accounts. The product mix is well diversified, with 41% of long-term AUM in equities, 34% in fixed income, 23% in multi-asset class and 2% in alternatives. The vast majority (98%) of long-term AUM is invested in active products, although this is partially inflated by the fact that *iShares* is shown separately, since we do not identify all of the underlying investors.

The client base is also diversified geographically, with 74% of long-term AUM managed for investors based in the Americas, 19% in EMEA and 7% in Asia-Pacific at year-end 2012.

- U.S. retail and HNW long-term inflows of \$9.8 billion were driven by strong demand for U.S. sector-specialty and municipal fixed income mutual fund offerings and income-oriented equity. In 2012, we broadened the distribution of alternatives funds to bring higher alpha, institutional quality hedge fund products to retail investors as three mutual funds launched at the end of 2011 gained traction and acceptance, raising close to \$0.8 billion of assets. U.S. retail alternatives AUM crossed the \$5.0 billion threshold in 2012. The year also included the launch of the BlackRock Municipal Target Term Trust ("BTT") with \$2.1 billion of assets raised, making it the largest municipal fund ever launched and the

largest overall industry offering since 2007. We are the leading U.S. manager by AUM of separately managed accounts, the second largest closed-end fund manager and a top-ten manager of long-term open-end mutual funds<sup>2</sup>.

- International retail net inflows of \$1.8 billion in 2012 were driven by fixed income net inflows of \$5.2 billion. Investor demand remained distinctly risk-off in 2012, largely driven by macro political and economic instability and continued trends toward de-risking. Equity net outflows of \$2.9 billion were predominantly from sector-specific and regional and country-specific equity strategies due to uncertainty in European markets. Our international retail and HNW offerings include our Luxembourg cross-border fund families, BlackRock Global Funds ("BGF"), BlackRock Strategic Funds with \$83.1 billion and \$2.4 billion of AUM at year-end 2012, respectively, and a range of retail funds in the United Kingdom. BGF contained 67 funds registered in 35 jurisdictions at year-end 2012. Over 60% of the funds were rated by S&P. In 2012, we were ranked as the third largest cross border fund provider<sup>3</sup>. In the United Kingdom, we ranked among the five largest fund managers<sup>3</sup>, and are known for our innovative product offerings, especially within natural resources, European equity, Asian equity and equity income.

#### Global Clientele

Our footprint in each of these regions reflects strong relationships with intermediaries and an established ability to deliver our global investment expertise in funds and other products tailored to local regulations and requirements.

<sup>2</sup> Simfund, Cerulli

<sup>3</sup> Lipper FERI

## Table of Contents

**Americas.** At year-end 2012, assets managed on behalf of clients domiciled in the Americas totaled \$2.326 trillion, or 61%, of total AUM, up \$203.0 billion, or 10%, since year-end 2011. Net new business in long-term products of \$69.8 billion and in cash management of \$1.9 billion was offset by planned advisory distributions of \$72.4 billion, primarily due to the successful completion of asset dispositions related to the Maiden Lane vehicles. Market valuation gains contributed an additional \$195.7 billion to AUM growth. During the year, we served clients through offices in 30 states in the United States as well as Canada, Mexico, Brazil, Chile, Colombia and Spain.

**EMEA.** AUM for clients based in EMEA ended the year at \$1.158 trillion, or 31%, of total AUM, an increase of \$131.3 billion from year-end 2011. During the year, clients awarded net new business of \$9.0 billion, including inflows from investors in 22 countries across the region. In the first quarter 2012, flows were impacted by one \$36.0 billion low-fee institutional index fixed income redemption from a single client relating to the client's decision to insure. Excluding this redemption, EMEA net new business was \$45.0 billion, led by equity net inflows of \$32.7 billion as clients slowly began to re-risk in the face of improving confidence in European markets. Our offerings include fund families in the United Kingdom, Luxembourg and Dublin and *iShares* listed on stock exchanges throughout Europe as well as separate accounts and pooled investment products.

**Asia-Pacific.** Clients in the Asia-Pacific region are served through offices in Japan, Australia, Hong Kong, Singapore, Taiwan and Korea, and joint ventures in China and India. At December 31, 2012, we managed \$306.8 billion of AUM for clients in the region, a decrease of 15%, or \$55.4 billion, from year-end 2011. Net outflows of \$80.3 billion included one large low-fee institutional index fixed income redemption. Market and investment performance were favorable with \$24.9 billion of gains.

## Investment Performance

Investment performance across active and passive products as of December 31, 2012 was as follows:

	One-year period	Three-year period	Five-year period
<b>Fixed Income:</b>			
<i>Actively managed products above benchmark or peer median</i>			
Taxable	83%	78%	64%
Tax-exempt	67%	64%	77%
<i>Passively managed products within or above tolerance</i>			
	95%	97%	90%
<b>Equity:</b>			
<i>Actively managed products above benchmark or peer median</i>			
Fundamental	30%	38%	46%
Scientific	85%	89%	88%
<i>Passively managed products within or above tolerance</i>			
	96%	97%	96%
<b>Multi-Asset*:</b>			
<i>Actively managed products above benchmark or peer median</i>			
	38%	27%	81%

\* Includes funds managed for unlevered, absolute return.

**Product Performance Notes.** Past performance is not indicative of future results. The performance information shown is based on preliminarily available data. The performance information for actively managed accounts reflects U.S. open-end and closed-end mutual funds and similar EMEA-based products with respect to peer median comparisons, and actively managed institutional and HNW separate accounts and funds located globally with respect to benchmark comparisons, as determined using objectively based internal parameters, using the most current verified information available as of December 31, 2012.

Accounts terminated prior to December 31, 2012 are not included. In addition, accounts that have not been verified as of January 29, 2013 have not been included. If such terminated and other accounts had been included, the performance information may have differed substantially from that shown. The performance information does not include funds or accounts that are not measured against a benchmark, any benchmark-based alternatives product, private equity products, CDOs, or liquidation accounts managed by BlackRock's FMA group. Comparisons are based on gross-of-fee performance for U.S. retail, institutional and HNW separate accounts and EMEA institutional separate accounts and net-of-fee performance for EMEA based retail products. The performance tracking information for institutional non-ETP index accounts is based on gross-of-fee performance

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## Table of Contents

as of December 31, 2012, and includes all institutional accounts and all *iShares* funds globally using an index strategy. AUM information is based on AUM for each account or fund in the asset class shown without adjustment for overlapping management of the same account or fund as of December 31, 2012. The information reported may differ slightly from that reported previously due to the increased number of accounts that have been verified since the last performance disclosure. BlackRock considers these differences to be not material.

The source of performance information and peer medians is BlackRock and is based in part on data from Lipper Inc. for U.S. funds and Morningstar, Inc. for non-U.S. funds. Fund performance reflects the reinvestment of dividends and distributions, but does not reflect sales charges.

### **BlackRock Solutions**

*BlackRock Solutions* offers investment management technology systems, risk management services and advisory services on a fee basis. At December 31, 2012, approximately \$13.7 trillion of positions were processed on our *Aladdin* proprietary technology platform, which serves as the investment system for both BlackRock and a growing number of sophisticated institutional investors around the world. BRS also offers comprehensive risk reporting capabilities via the *Green Package*<sup>®</sup> and risk management advisory services; interactive fixed income analytics through our web-based calculator, *AnSer*<sup>®</sup>; middle and back office outsourcing services; and investment accounting. BRS' Financial Markets Advisory ("FMA") group provides services such as valuation and risk assessment of illiquid assets, portfolio restructuring, workouts and dispositions of distressed assets and financial and balance sheet strategies, for a wide range of global clients.

In the face of increasing regulatory scrutiny, clients have increased their focus on risk management and demand for BRS services continues to be robust. During 2012, BRS added 43 net new assignments and ended the year with record revenues of \$518 million. At year-end, BRS served 169 clients, including banks, insurance companies, official institutions, pension funds, asset managers and other institutional investors across North America, Europe, Asia and Australia.

Our *Aladdin* business posted strong annual growth of 16%. In 2012, we added \$3.5 trillion in new assets to the *Aladdin* platform with the addition of 16 clients and expansion of 10 existing client mandates. We now have 51 *Aladdin* clients and \$14 trillion of assets on the platform with the average size of the *Aladdin* client growing substantially in the last year. *Aladdin* assignments are long-term contracts that provide significant levels of recurring revenue.

In FMA, the nature of assignments is shifting to longer-term advisory and risk monitoring engagements. Advisory AUM decreased 62% to \$45.5 billion, driven by \$74.5 billion of planned client distributions reflecting our continued success in disposing of assets for clients at, or above, targeted levels.

### **Securities Lending**

Securities lending, which is offered as a potential source of incremental returns on long-term portfolios, is managed by a dedicated team, supported by quantitative analysis, proprietary technology and disciplined risk management. The cash management team invests the cash we receive as collateral for securities on loan in other portfolios. Fees for securities lending can be structured as a share of earnings and/or as a management fee based on a percentage of the value of the cash collateral. The value of the securities on loan and the revenue earned is captured in the corresponding asset class being managed. The value of the collateral is not included in AUM.

Outstanding loan balances ended the year at approximately \$134 billion, up from \$122 billion at year-end 2011. Spreads were approximately flat compared to 2011, as lending premiums increased and offset declining cash reinvestment spreads. The proportion of securities commanding premium lending fees grew slowly through the year, and started 2012 above the 2011 average.

BlackRock employs a conservative investment style for cash and securities lending collateral that emphasizes quality, liquidity and superior client service through all market cycles. Disciplined risk management, including a rigorous credit surveillance process, is an integral part of the investment process. BlackRock's Cash Management Risk Committee has established risk limits, such as aggregate issuer exposure limits and maturity limits, across many of the products BlackRock manages, including over all of its cash management products. In the ordinary course of our business, there may be instances when a portfolio may exceed an internal risk limit or when an internal risk limit may be changed. No such instances, individually or in the aggregate, have been material to the Company. To the extent that daily evaluation/reporting of the profile of the portfolios identifies that a limit has been exceeded, the relevant portfolio will be adjusted. To the extent a portfolio manager would like to obtain a temporary waiver of a risk limit, the portfolio manager must obtain approval from the credit research team, which is independent from the cash management portfolio managers. While a risk limit may be waived, such temporary waivers are infrequent.

## Table of Contents

### Risk & Quantitative Analysis

Across all asset classes, in addition to the efforts of the portfolio management teams, the Risk & Quantitative Analysis ("RQA") group at BlackRock draws on extensive analytical systems and proprietary and third-party data to identify, measure and manage a wide range of risks. RQA provides risk management advice and independent risk oversight of the investment management processes, identifies and helps manage counterparty and operational risks, coordinates standards for firm wide investment performance measurement and determines risk management-related analytical and information requirements. Where appropriate, RQA will work with portfolio managers and developers to facilitate the development or improvement of risk models and analytics.

### Competition

BlackRock competes with investment management firms, mutual fund complexes, insurance companies, banks, brokerage firms and other financial institutions that offer products that are similar to, or alternatives to, those offered by BlackRock. In order to grow its business, BlackRock must be able to compete effectively for AUM. Key competitive factors include investment performance track records, the efficient delivery of beta for passively managed products, investment style and discipline, client service and brand name recognition. Historically, the Company has competed principally on the basis of its long-term investment performance track record, its investment process, its risk management and analytic capabilities and the quality of its client service. These factors may place BlackRock at a competitive disadvantage and there can be no assurance that the Company's strategies and efforts to maintain its existing AUM and to attract new business will be successful.

### Geographic Information

At December 31, 2012, BlackRock had clients in over 100 countries across the globe, including the United States, the United Kingdom and Japan.

The following table illustrates the Company's total revenue for 2012, 2011 and 2010 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

*(Dollar amounts in millions)*

Revenue	2012	2011	2010
Americas	\$6,429	\$6,064	\$5,824
Europe	2,460	2,517	2,300
Asia-Pacific	448	500	488
Total revenue	<u>\$9,337</u>	<u>\$9,081</u>	<u>\$8,612</u>

The following table illustrates the Company's long-lived assets, including goodwill and property and equipment at December 31, 2012, 2011 and 2010 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

*(Dollar amounts in millions)*

Long-lived Assets	2012	2011	2010
Americas	\$13,238	\$13,133	\$13,092
Europe	166	123	42
Asia-Pacific	63	73	99
Total long-lived assets	<u>\$13,467</u>	<u>\$13,329</u>	<u>\$13,233</u>

Americas primarily comprises the United States, Canada, Brazil and Mexico, while Europe primarily comprises the United Kingdom. Asia-Pacific primarily comprises Japan, Australia and Hong Kong.

### Employees

At December 31, 2012, BlackRock had a total of approximately 10,500 employees, including approximately 4,800 located in offices outside the United States. Consistent with our commitment to continually expand and enhance our talent base to support our clients, we added approximately 400 employees during the year, including in strategic focus areas such as business operations, Aladdin applications development, *iShares*, alternatives, institutional sales and Asia.

### Regulation

Virtually all aspects of BlackRock's business are subject to various laws and regulations both in and outside the United States, some of which are summarized below. These laws and regulations are primarily intended to protect investment advisory clients, investors in registered and unregistered investment companies, trust customers of BlackRock Institutional Trust Company, N.A. ("BTC"), PNC and its bank subsidiaries and their customers, and the financial system. Under these laws and regulations, agencies that regulate investment advisers, investment funds and financial and bank holding companies and their subsidiaries, such as BlackRock and its subsidiaries, have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity from carrying on business if it fails to comply with such laws and regulations. Possible sanctions for significant compliance failures include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. The rules governing the regulation of financial institutions and their holding companies and subsidiaries are very detailed and technical. Accordingly, the discussion below is general in nature, does not purport to be complete and is current only as of the date of this report.



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## Table of Contents

### **Regulatory Reform**

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") was signed into law in the United States. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be fully implemented. The continued adoption of these regulations and decisions will in large measure determine the impact of the DFA on BlackRock and other financial services firms. The DFA may significantly change BlackRock's operating environment and the financial markets in general in unpredictable ways. It is not possible to predict the ultimate effects that the DFA, or subsequent implementing regulations and decisions, will have upon BlackRock's business, financial condition, and results of operations. Among the potential impacts, provisions of the DFA referred to as the Volcker Rule could, to the extent the final Volcker Rule is determined to apply to BlackRock's activities, affect the extent to which BlackRock invests in and transacts with certain of its investment funds, including private equity funds, hedge funds and fund of funds platforms. The impact of the Volcker Rule on liquidity and pricing in the broader financial markets is unknown at this time. For a further discussion of the Volcker Rule, see "Item 1A – Risk Factors – Legal and Regulatory Risks." In addition, BlackRock could be designated a systemically important financial institution ("SIFI") and become subject to direct supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). If BlackRock were designated a SIFI, it could be subject to enhanced prudential, supervisory and other requirements, such as risk-based capital requirements; leverage limits; liquidity requirements; resolution plan and credit exposure report requirements; concentration limits; a contingent capital requirement; enhanced public disclosures; short-term debt limits; and overall risk management requirements. Further, new regulations under the DFA, relating to regulation of swaps and derivatives, will impact the manner by which BlackRock and BlackRock-advised funds and accounts use and trade swaps and other derivatives, and may significantly increase the costs of derivatives trading. Similarly, BlackRock's management of funds and accounts that use and trade swaps and derivatives could be adversely impacted by recently adopted changes to the Commodity Futures Trading Commission's (the "CFTC") regulations. These rule changes include those concerning, among other things, the registration and regulation of commodity pool operators and commodity trading advisors (and the accompanying registration and regulation of such entities by the National Futures Association (the "NFA")), the registration status of dealer counterparties and other counterparties who are major participants in the swap markets, and requirements concerning mandatory clearing of certain swap transactions. Jurisdictions outside the United States

in which BlackRock operates are also in the process of devising or considering more pervasive regulation of many elements of the financial services industry, which could have a similar impact on BlackRock and the broader markets.

The DFA and its regulations, and other new laws or regulations, or changes in enforcement of existing laws or regulations, could materially and adversely impact the scope or profitability of BlackRock's business activities; require BlackRock to change certain business practices; divert management's time and attention from BlackRock's business activities to compliance activities; and expose BlackRock to additional costs (including compliance and tax costs) and liabilities, as well as reputational harm. For example, in addition to regulatory changes mandated by the DFA, the Securities and Exchange Commission (the "SEC") continues to review the role of and risks related to, money market funds and has indicated that it may adopt additional regulations. Some of the proposed changes, if adopted, could significantly alter money market fund products and the entire money market fund industry. In 2012, the Office of the Comptroller of the Currency of the United States (the "OCC") amended the regulations governing bank-maintained short-term investment funds ("STIFs") to include new disclosure requirements regarding portfolio holdings and to more closely align portfolio limitations, such as maximum weighted average maturity and weighted average life, with those applicable to SEC registered money market funds. Similarly, the SEC continues to review the distribution fees paid to mutual fund distributors under Rule 12b-1 under the Investment Company Act of 1940 (the "Investment Company Act"), which are important to a number of the mutual funds BlackRock manages. Any changes to 12b-1 fees would alter the way BlackRock's distribution partners distribute BlackRock products. Additionally, the SEC, the Internal Revenue Service ("IRS") and the CFTC each continue to review the use of futures and derivatives by mutual funds, and such reviews could result in regulations that further limit the use of futures and derivatives by mutual funds. If adopted, these limitations could require BlackRock to change certain mutual fund business practices or to register additional entities with the CFTC, which could result in additional costs and/or restrictions. In addition, BlackRock has begun reporting certain information about a number of its private funds to the SEC and certain information about a number of its commodity pools to the CFTC, pursuant to systemic risk reporting requirements adopted by both agencies, which have required, and will continue to require, investments in people and systems to assure timely and accurate reporting. Still another example of changes in the regulatory landscape was the IRS' implementation of Foreign Account Tax Compliance Act ("FATCA"). FATCA was enacted in 2010 and is intended to address tax compliance issues associated with U.S. taxpayers with foreign accounts. FATCA requires foreign

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## Table of Contents

financial institutions to report to the IRS information about financial accounts held by U.S. taxpayers and imposes withholding, documentation and reporting requirements on foreign financial institutions. Final regulations were issued by the IRS on January 17, 2013, with the earliest effective dates beginning in January 1, 2014. In many instances, however, the precise nature of what needs to be implemented will be governed by bilateral Intergovernmental Agreements ("IGAs") between the United States and the countries in which BlackRock does business. Many of these IGAs have yet to be concluded. FATCA could cause the Company to incur significant administrative and compliance costs and subject clients to U.S. tax withholding.

An example of changes in the regulatory landscape in Europe is the European Union ("EU") Alternative Investment Fund Managers Directive ("AIFMD"), which became effective on July 21, 2011 and is required to be implemented by EU member states by July 22, 2013. The AIFMD regulates managers of, and service providers to, a broad range of alternative investment funds ("AIFs") domiciled within and (depending on the precise circumstances) outside the EU. The AIFMD also regulates the marketing of all AIFs inside the European Economic Area (the "EEA"). In general, the AIFMD is expected to have a staged implementation between mid-2013 and 2018. Compliance with the AIFMD's requirements may restrict AIF marketing and will place additional compliance and disclosure obligations regarding remuneration, capital requirements, leverage, valuation, stakes in EU companies, depositaries, the domicile of custodians and liquidity management.

Globally, regulators are examining the potential risks in ETFs and may impose additional regulations on ETFs, including requirements to promote increased transparency and to limit the ability of ETFs to utilize derivatives. The International Organization of Securities Commissions is also examining the appropriate level of regulatory oversight of financial benchmarks, whether standards should apply to methodologies for benchmark calculation, and transparency and governance issues in the benchmarking process. Any of these regulatory changes could also lead to business disruptions, could materially and adversely impact the value of assets in which BlackRock has invested directly and/or on behalf of clients, and, to the extent the regulations strictly control the activities of financial services firms, could make it more difficult for BlackRock to conduct certain businesses or distinguish itself from competitors.

Additional legislation, changes in rules promulgated by regulators and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and regulations may directly affect the method of operation

and profitability of BlackRock. BlackRock's profitability also could be materially and adversely affected by modification of the rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce. See the "--Non-U.S. Regulation" section below for a further discussion of regulatory reforms being considered and/or adopted outside of the United States.

### **U.S. Regulation**

BlackRock and certain of its U.S. subsidiaries are subject to regulation, primarily at the federal level, by the SEC, the Department of Labor (the "DOL"), the Federal Reserve, the OCC, the Financial Industry Regulatory Authority ("FINRA"), the NFA, the CFTC and other government agencies and regulatory bodies. Certain of BlackRock's U.S. subsidiaries are also subject to various anti-terrorist financing, privacy, anti-money laundering regulations and economic sanctions laws and regulations established by various agencies.

The Investment Advisers Act of 1940 (the "Advisers Act"), imposes numerous obligations on registered investment advisers such as BlackRock, including record-keeping, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes stringent governance, compliance, operational, disclosure and related obligations on registered investment companies and their investment advisers and distributors, such as BlackRock. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act and the Investment Company Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations. Non-compliance with the Advisers Act, the Investment Company Act or other federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines and reputational damage.

BlackRock's trading and investment activities for client accounts are regulated under the Securities Exchange Act of 1934 (the "Exchange Act"), as well as the rules of various U.S. and non-U.S. securities exchanges and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of technical requirements (e.g., short sale limits, volume limitations, reporting obligations) and market regulation policies in the United States and globally. Depending on the scope of the rules to be adopted by the SEC, provisions added to the Exchange Act by the DFA may require certain BlackRock subsidiaries to register as municipal advisors in relation to their services for state

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## Table of Contents

and local governments, pension plans and other investment programs, such as college savings plans. In addition, BlackRock manages a variety of investment funds listed on U.S. and non-U.S. exchanges, which are subject to the rules of such exchanges. Violation of these laws and regulations could result in restrictions on the Company's activities and damage its reputation.

BlackRock manages a variety of private pools of capital, including hedge funds, funds of hedge funds, private equity funds, CDOs, real estate funds, collective investment trusts, managed futures funds and hybrid funds. Congress, regulators, tax authorities and others continue to explore, on their own and in response to demands from the investment community and the public, increased regulation related to private pools of capital, including changes with respect to investor eligibility, certain limitations on trading activities, record-keeping and reporting, the scope of anti-fraud protections, safekeeping of client assets and a variety of other matters. BlackRock may be materially and adversely affected by new legislation, rule-making or changes in the interpretation or enforcement of existing rules and regulations imposed by various regulators.

Certain BlackRock subsidiaries are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), and to regulations promulgated thereunder by the DOL, insofar as they act as a "fiduciary" under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and impose excise taxes for violations of these prohibitions, mandate certain required periodic reporting and disclosures and require BlackRock to carry bonds ensuring against losses caused by fraud or dishonesty. ERISA also imposes additional compliance, reporting and operational requirements on BlackRock that otherwise are not applicable to non-benefit plan clients.

BlackRock has seven subsidiaries that are registered as commodity pool operators ("CPOs") and/or commodity trading advisors with the CFTC and are members of the NFA. Additional BlackRock entities may need to register as a CPO or commodity trading advisor as a result of recently enacted regulatory changes by the CFTC. The CFTC and NFA each administer a comparable regulatory system covering futures contracts and various other financial instruments, including swaps as a result of the DFA, in which certain BlackRock clients may invest. Three of BlackRock's other subsidiaries, BlackRock Investments, LLC ("BRIL"), BlackRock Capital Markets, LLC and BlackRock Execution Services, are registered with the SEC as broker-dealers and are member-firms of

FINRA. Each broker-dealer has a membership agreement with FINRA that limits the scope of such broker-dealer's permitted activities. BRIL is also an approved person with the New York Stock Exchange ("NYSE") and a member of the Municipal Securities Rulemaking Board ("MSRB") subject to MSRB rules.

### **U.S. Banking Regulation**

PNC is a bank holding company and regulated as a "financial holding company" by the Federal Reserve under the Bank Holding Company Act of 1956 (the "BHC Act"). Based on PNC's interests in and relationships with BlackRock, BlackRock is deemed to be a non-bank subsidiary of PNC and is therefore subject to the supervision and regulation of the Federal Reserve and to most banking laws, regulations and orders that apply to PNC, including the Volcker Rule. The supervision and regulation of PNC and its subsidiaries under applicable banking laws is intended primarily for the protection of its banking subsidiaries, its depositors, the Deposit Insurance Fund of the Federal Deposit Insurance Corporation, and the financial system as a whole, rather than for the protection of stockholders, creditors or clients of PNC or BlackRock. PNC's relationships and good standing with its regulators are important to the conduct of BlackRock's business. BlackRock may also be subject to foreign banking laws and supervision that could affect its business.

BTC is a limited purpose national trust company that does not accept deposits or make commercial loans and is a member of the Federal Reserve System. Accordingly, BTC is examined and supervised by the OCC and is subject to various banking laws and regulations enforced by the OCC, such as capital adequacy, regulations governing fiduciaries, conflicts of interest, self-dealing, and anti-money laundering laws and regulations. BTC is also subject to various Federal Reserve regulations applicable to member institutions, such as regulations restricting transactions with affiliates. Many of these laws and regulations are meant for the protection of BTC's customers and not BTC, BlackRock and its affiliates, or BlackRock's stockholders.

BlackRock generally may conduct only activities that are authorized for a "financial holding company" under the BHC Act. Investment management is an authorized activity, but must be conducted within applicable regulatory requirements, which in some cases are more restrictive than those BlackRock faces under applicable securities laws. BlackRock may also invest in investment companies and private investment funds to which it provides advisory, administrative or other services, only to the extent consistent with applicable law and regulatory

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## Table of Contents

interpretations. The Federal Reserve has broad powers to approve, deny or refuse to act upon applications or notices for BlackRock to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations. There are limits on the ability of bank subsidiaries of PNC to extend credit to or conduct other transactions with BlackRock or its funds. PNC and its subsidiaries are also subject to examination by various banking regulators, which results in examination reports and ratings that may adversely impact the conduct and growth of BlackRock's businesses.

The Federal Reserve has broad enforcement authority over BlackRock, including the power to prohibit BlackRock from conducting any activity that, in the Federal Reserve's opinion, is unauthorized or constitutes an unsafe or unsound practice in conducting BlackRock's business. The Federal Reserve may also impose substantial fines and other penalties for violations of applicable banking laws, regulations and orders. The DFA strengthened the Federal Reserve's supervisory and enforcement authority over a bank holding company's non-bank affiliates, such as BlackRock.

Any failure of PNC to maintain its status as a financial holding company could result in substantial limitations on certain BlackRock activities and its growth. Such a change of status could be caused by any failure of one of PNC's bank subsidiaries to remain "well capitalized," by any examination downgrade of one of PNC's bank subsidiaries, or by any failure of one of PNC's bank subsidiaries to maintain a satisfactory rating under the Community Reinvestment Act. In addition, the DFA broadened the requirements for maintaining financial holding company status by also requiring the holding company to remain "well capitalized" and "well managed."

### **Non-U.S. Regulation**

BlackRock's international operations are subject to the laws and regulations of non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies and, in certain cases, are affected by U.S. laws and regulations that have extra-territorial application. As BlackRock continues to expand its international presence, a number of its subsidiaries and international operations have become subject to regulatory frameworks comparable to those affecting its operations in the United States.

The Financial Services Authority (the "FSA") currently regulates certain BlackRock subsidiaries in the United Kingdom. Authorization by the FSA is required to conduct any financial services related business in the United Kingdom under the Financial Services and Markets Act 2000. The FSA's rules made under that Act govern a firm's capital resources requirements, senior management

arrangements, conduct of business, interaction with clients, and systems and controls. The FSA also supervises the Company's U.K.-regulated subsidiaries under a "close and continuous" regime – which include regular visits and meetings with senior management and control functions – to monitor the Company's compliance with regulatory requirements. Breaches of the FSA's rules may result in a wide range of disciplinary actions against the Company's U.K.-regulated subsidiaries. In April 2013, the FSA is expected to be replaced by Prudential Regulation Authority and the Financial Conduct Authority. Pending formal implementation, the FSA has introduced a shadow internal structure in anticipation of the creation of the Prudential Regulation Authority and the Financial Conduct Authority, and the Bank of England has created an interim Financial Policy Committee.

In addition to the above, the Company's U.K.-regulated subsidiaries and other European subsidiaries and branches, must comply with the pan-European regulatory regime established by the Markets in Financial Instruments Directive ("MiFID"), which became effective on November 1, 2007 and regulates the provision of investment services and activities throughout the EEA, as well as the Capital Requirements Directive, which delineates regulatory capital requirements. MiFID sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements.

The United Kingdom has adopted the MiFID rules into national legislation and FSA regulations, as have those other European jurisdictions in which BlackRock has a presence (excluding Switzerland which is not part of the EU or EEA). A review of MiFID by the European Commission has led to the publication of a draft amendment Directive and a draft new Markets in Financial Instruments Regulation. The proposals, if implemented, are likely to result in changes to pre- and post-trade reporting obligations and an expansion of the types of instruments subject to these requirements. They may affect the buying and selling of derivatives by moving most derivative trading onto regulated trading venues and may control the activities of algorithmic trading. The proposals may also result in changes to conduct of business requirements including selling practices, intermediary inducements and client categorization. The proposals also envisage giving the European Commission power to ban certain products and services. A further European Commission Regulation, the European Market Infrastructure Regulation ("EMIR"), was adopted in August 2012, and requires the central clearing of standardized OTC derivatives and the mandatory reporting of all derivative contracts. Some of the EMIR technical standards have recently been finalized and the remainder are expected to be finalized in 2013.

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## Table of Contents

In addition, the FSA has finalized rules relating to its retail distribution review. These rules, which came into effect on December 31, 2012, have changed how retail clients pay for investment advice given in respect of all retail investment products, including open-end and closed-end funds, structured products and insurance-based savings products. The FSA is also considering further rules that would ban payments by product providers to distribution platforms for both advised and non-advised business.

In the aftermath of the financial crisis, the European Commission set out a detailed plan for EU financial reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations of which the MiFID review (mentioned above) was a part. These, together with the changes contemplated by the AIFMD (mentioned above), will have direct and indirect effects on BlackRock's operations in the EEA.

The European Commission has also published proposals to replace the Market Abuse Directive with a regulation on insider dealing and market manipulation and with an accompanying directive on criminal sanctions. There are also ongoing plans to reform the framework to which regulated firms are subject, including in relation to regulatory capital and the protection of client assets, which will have a direct effect on some of BlackRock's European operations.

The next iteration of the Undertakings for Collective Investment in Transferable Securities Directive ("UCITS IV"), was required to be adopted in the national law of each EU member state by July 1, 2011. The United Kingdom has adopted UCITS IV requirements into national legislation and FSA regulation. Luxembourg and Ireland have also adopted UCITS IV into their national legislation. However, several other EU member states are still in various stages of the adoption process. UCITS IV introduced new requirements including a requirement on UCITS funds to provide a key investor information document. There are also European Commission consultations in process that are intended to improve retail investor protection, including UCITS V, which addresses, among other items, custodial liability, and UCITS VI, which includes proposals on depositaries, money market funds and product management.

Proposals on packaged retail investment products ("PRIIPs") are to be implemented through the strengthening of MiFID standards (for non-insurance PRIIPs), revisions to the Insurance Mediation Directive's selling standard (for all insurance-based PRIIPs) and new investor disclosure requirements for all PRIIPs through a separate EU legislative process.

Certain individual EU Member States, such as France and Italy, have enacted national financial transaction taxes ("FTTs"), and a group of Member States also could adopt an FTT under an EU Enhanced Cooperation procedure that would apply only in those Member States. In general, any tax on securities and derivatives transactions would likely have a negative impact on the liquidity of the securities and derivatives markets, could diminish the attractiveness of certain types of products that we manage in those countries and could cause clients to shift assets away from such products. An FTT could significantly increase the operational costs of our entering into, on behalf of our clients, securities and derivatives transactions that would be subjected to an FTT, which would adversely impact our revenues.

For the insurance sector the Solvency II process will increase the amount of capital that insurers will have to set aside and will have an indirect effect on fund managers with insurance clients. The Solvency II process has been delayed from an original compliance date of January 1, 2014; no new timetable has been currently proposed.

In addition to the FSA, the activities of certain BlackRock subsidiaries, branches, and representative offices are overseen by financial services regulators in Germany, The Netherlands, Ireland, Luxembourg, Switzerland, Isle of Man, Jersey, France, Belgium, Italy, Poland, South Africa, Spain and Sweden. Regulators in these jurisdictions have authority with respect to financial services including, among other things, the authority to grant or cancel required licenses or registrations. In addition, these regulators may subject certain BlackRock subsidiaries to net capital requirements. Other BlackRock subsidiaries, branches, and representative offices are regulated in Japan, Australia, China, Hong Kong, Singapore, Taiwan, South Korea, India, Dubai, Cayman Islands, Brazil, Chile, Mexico and Canada.

In Japan, a BlackRock subsidiary is subject to the Financial Instruments and Exchange Law (the "FIEL") and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the "JFSA"), which establishes standards for compliance, including capital adequacy and financial soundness requirements, customer protection requirements and conduct of business rules. The JFSA is empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL.

## Table of Contents

In Australia, BlackRock's subsidiaries are subject to various Australian federal and state laws and certain subsidiaries are regulated by the Australian Securities and Investments Commission ("ASIC") and the Australian Prudential Regulation Authority ("APRA"). ASIC regulates companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. APRA is the prudential regulator of the Australian financial services industry and oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies and most members of the superannuation (pension) industry. Failure to comply with applicable law and regulations could result in the cancellation, suspension or variation of the regulated subsidiaries licenses in Australia.

The activities of certain BlackRock subsidiaries in Hong Kong are subject to the Securities and Futures Ordinance (the "SFO") which governs the securities and futures markets and regulates, among others, offers of investments to the public and provides for the licensing of intermediaries. The SFO is administered by the Securities and Futures Commission (the "SFC"). The SFC is also empowered under the SFO to establish standards for compliance as well as codes and guidelines. The relevant BlackRock subsidiaries and the employees conducting any of the regulated activities specified in the SFO are required to be licensed with the SFC, and are subject to the rules, codes and guidelines issued by the SFC from time to time. Failure to comply with the applicable laws, regulations, codes and guidelines issued by the SFC could result in the suspension or revocations of the licenses granted by the SFC.

There are parallel legal and regulatory arrangements in force in many other non-U.S. jurisdictions where BlackRock's subsidiaries are authorized to conduct business.

### **Available Information**

BlackRock files annual, quarterly and current reports, proxy statements and all amendments to these reports and other information with the SEC. BlackRock makes available free-of-charge, on or through its website at <http://www.blackrock.com>, the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those filings, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The Company also makes available on its website the charters for the Audit Committee, Management Development and Compensation

Committee, Nominating and Governance Committee and Risk Committee of the Board of Directors, its Code of Business Conduct and Ethics, its Code of Ethics for Chief Executive and Senior Financial Officers and its Corporate Governance Guidelines. Further, BlackRock will provide, without charge, upon written request, a copy of the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those filings as well as the committee charters, its Code of Business Conduct and Ethics, its Code of Ethics for Chief Executive and Senior Financial Officers and its Corporate Governance Guidelines. Requests for copies should be addressed to Investor Relations, BlackRock, Inc., 55 East 52nd Street, New York, New York 10055. Investors may read and copy any document BlackRock files at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Reports, proxy statements and other information regarding issuers that file electronically with the SEC, including BlackRock's filings, are also available to the public from the SEC's website at <http://www.sec.gov>.

### **Item 1A. RISK FACTORS**

As a leading investment management firm, risk is an inherent part of BlackRock's business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. While BlackRock devotes significant resources across all of its operations to identify, measure, monitor, manage and analyze market and operating risks, BlackRock's business, financial condition, operating results or non-operating results could be materially adversely affected, or the Company's stock price could decline as a result of any of the following risks.

#### ***Risks Related to BlackRock's Business and Competition***

***Changes in the value levels of the capital, commodities or currency markets or other asset classes could lead to a decline in revenues and earnings.***

BlackRock's investment management revenues 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 earned on AUM. Movements in equity, debt, commodity, real estate or alternative investment market prices, interest rates or foreign exchange rates could cause:

- the value of AUM to decrease;
- the returns realized on AUM to decrease;

## Table of Contents

- clients to withdraw funds in favor of products in markets that they perceive offer greater opportunity than BlackRock may not serve;
- clients to rebalance assets away from products that BlackRock manages into products that it may not manage;
- clients to rebalance assets away from products that earn higher fees into products with lower fees; and
- an impairment to the value of intangible assets and goodwill.

The occurrence of any of these events could result in lower investment advisory, administration and performance fees or earnings and cause the Company's stock price to decline.

### ***Poor investment performance could lead to the loss of clients and a decline in revenues and earnings.***

The Company's management believes that investment performance, including the efficient delivery of beta for passively managed products, is one of the most important factors for the growth and retention of AUM. Poor investment performance relative to applicable portfolio benchmarks or to competitors could reduce revenues and cause earnings to decline as a result of:

- existing clients withdrawing funds in favor of better performing products, which could result in lower investment advisory and administration fees;
- the diminishing ability to attract funds from existing and new clients;
- the Company earning minimal or no performance fees; and
- an impairment to the value of intangible assets and goodwill.

### ***The determination to provide support to particular products from time to time or provide securities lending indemnifications may reduce earnings or other investments in the business.***

BlackRock may, at its option, from time to time support investment products through capital or credit support. Such support and indemnifications utilize capital that would otherwise be available for other corporate purposes. Losses or prohibitions on such support and indemnifications, or failure to have or devote sufficient capital to support products and securities lending, could have an adverse impact on revenues and earnings.

On behalf of certain clients, BlackRock 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 should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligations under the securities lending agreement. These indemnifications cover only the collateral shortfall described above, and do not guarantee, assume or otherwise insure the investment performance or return of any cash collateral vehicle into which securities lending cash collateral is invested. The amount of securities on loan as of December 31, 2012 and subject to indemnification was \$99.5 billion. BlackRock held, as agent, cash and securities totaling \$104.8 billion as collateral for indemnified securities on loan at December 31, 2012. BlackRock expects indemnified balances to increase over time.

While the collateral pledged by a borrower is intended to be sufficient to offset the borrower's obligations to return securities borrowed in the event of a borrower default, BlackRock can give no assurance that the collateral pledged by the borrower will be sufficient to fulfill such obligations. If the amount of pledged collateral is not sufficient to fulfill obligations to a client for whom BlackRock has provided indemnification, BlackRock would be responsible for the amount of the shortfall, which could result in additional costs to BlackRock that cannot be estimated with certainty at this time.

### ***Changes in the value levels of the capital markets or other asset classes could lead to a decline in the value of investments that BlackRock owns.***

At December 31, 2012, BlackRock's net economic investment exposure of approximately \$1.2 billion in its investments (see "Item 7A – Quantitative and Qualitative Disclosures About Market Risk") primarily resulted from co-investments and seed investments in its sponsored investment funds. A decline in the prices of equity or debt securities, or the value of real estate or other alternative investments within or outside the United States could lower the value of these investments and result in a decline of non-operating income and an increase in the volatility of BlackRock's earnings.

### ***Continued capital losses on investments could have adverse income tax consequences.***

The Company may generate realized and unrealized capital losses on seed investments and co-investments.

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## Table of Contents

Realized capital losses may be carried back three years and carried forward five years and offset against realized capital gains for federal income tax purposes. The Company has unrealized capital losses for which a deferred tax asset has been established. In the event such unrealized losses are realized, the Company may not be able to offset such losses within the carryback or carryforward period or from future realized capital gains, in which case the deferred tax asset will not be realized. The failure to utilize the deferred tax asset could materially increase BlackRock's income tax expense.

### ***The soundness of other financial institutions could adversely affect BlackRock.***

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. BlackRock, and the products and accounts that it manages, have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, clearing organizations, mutual and hedge funds, and other institutional clients. Many of these transactions expose BlackRock or the funds and accounts that it manages to credit risk in the event of default of its counterparty or client. While BlackRock regularly conducts assessments of such risk posed by its counterparties, the risk of non-performance by such parties is subject to sudden swings in the financial and credit markets, including the effects of the European sovereign debt crisis and/or a collapse of the Eurozone financial system. There is no assurance that any such losses would not materially and adversely impact BlackRock's revenues and earnings.

### ***The failure or negative performance of products of other financial institutions could lead to reduced AUM in similar products of BlackRock without regard to the performance of BlackRock's products.***

The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products of BlackRock without regard to the performance of BlackRock's products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have a material adverse impact on the Company's AUM, revenues and earnings.

### ***Loss of employees could lead to the loss of clients and a decline in revenues.***

The ability to attract and retain quality personnel has contributed significantly to BlackRock's growth and success and is important to attracting and retaining

clients. The market for qualified fund managers, investment analysts, financial advisers and other professionals is competitive. There can be no assurance that the Company will be successful in its efforts to recruit and retain required personnel. Loss of personnel could have a material adverse effect on the Company.

### ***BlackRock's investment advisory contracts may be terminated or may not be renewed by clients and the liquidation of certain funds may be accelerated at the option of investors.***

Separate account and commingled trust clients may terminate their investment management contracts with BlackRock or withdraw funds on short notice. The Company has, from time to time, lost separate accounts and could, in the future, lose accounts or significant AUM due to various circumstances such as adverse market conditions or poor performance.

Additionally, BlackRock manages its U.S. mutual funds, closed-end and exchanged-traded funds under management contracts with the funds that must be renewed and approved by the funds' boards of directors annually. A majority of the directors of each such fund are independent from BlackRock. Consequently, there can be no assurance that the board of directors of each fund managed by the Company will approve the fund's management contract each year, or will not condition its approval on the terms of the management contract being revised in a way that is adverse to the Company.

Further, the governing agreements of many of the Company's private investment funds generally provide that, subject to certain conditions, investors in those funds, and in some cases independent directors of those funds, may remove BlackRock as the investment adviser, general partner or the equivalent of the fund or liquidate the fund without cause by a simple majority vote, resulting in a reduction in the management or performance fees as well as the total carried interest BlackRock could earn.

### ***Failure to comply with client contractual requirements and/or guidelines could result in damage awards against BlackRock and loss of revenues due to client terminations.***

When clients retain BlackRock to manage assets or provide products or services on their behalf, they typically specify guidelines or contractual requirements that the Company is required to observe in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to BlackRock's reputation or in its clients seeking to recover losses, withdrawing their AUM or terminating their contracts, any of which could cause the Company's revenues and earnings to decline.



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## Table of Contents

### ***Competitive fee pressures could reduce revenues and profit margins.***

The investment management industry, including the offering of exchange-traded funds, is highly competitive and has relatively low barriers to entry. To the extent that BlackRock is forced to compete on the basis of price, it may not be able to maintain its current fee structure. Fee reductions on existing or future new business could cause revenues and profit margins to decline.

### ***Performance fees may increase revenue and earnings volatility.***

A portion of the Company's revenues is derived from performance fees on investment and risk management advisory assignments. Performance fees represented \$463 million, or 5%, of total revenue for the year ended December 31, 2012. In most cases, performance fees are based on relative or absolute investment returns, although in some cases they are based on achieving specific service standards. Generally, the Company is entitled to performance fees only if the returns on the related portfolios exceed agreed-upon periodic or cumulative return targets. If these targets are not exceeded, performance fees for that period will not be earned and, if targets are based on cumulative returns, the Company may not earn performance fees in future periods. Performance fees will vary from period to period in relation to volatility in investment returns and the timing of revenue recognition, causing earnings to be more volatile.

### ***Additional acquisitions may decrease earnings and harm the Company's competitive position.***

BlackRock employs a variety of strategies intended to enhance earnings and expand product offerings in order to improve profit margins. These strategies have included hiring smaller-sized investment teams, acquisitions of investment management businesses, such as the MLIM, Quellos and BGI transactions and other small and medium-sized strategic acquisitions. These strategies may not be effective, and failure to successfully develop and implement these strategies may decrease earnings and harm the Company's competitive position in the investment management industry. In the event BlackRock pursues additional acquisitions, it may not be able to find suitable businesses to acquire at acceptable prices, and it may not be able to successfully integrate or realize the intended benefits from such acquisitions.

### ***Risks Related to BlackRock's Operations***

#### ***Failure to maintain adequate infrastructure could impede BlackRock's productivity and growth.***

The Company's infrastructure, including its technological capacity, data centers, and office space, is vital to the

competitiveness of its business. The failure to maintain an adequate infrastructure commensurate with the size and scope of its business, including any expansion, could impede the Company's productivity and growth, which could cause the Company's earnings or stock price to decline. Additionally, the overall stability of the euro could pose operational risks to the Company or the funds and accounts that it manages as a result of the adverse impacts that such issues may have on the Company's trading, clearing, or counterparty relationships.

#### ***Failure to maintain adequate business continuity plans could have a material adverse impact on BlackRock and its products.***

A significant portion of BlackRock's critical business operations is concentrated in a few geographic areas, including San Francisco, California, New York, New York and London, England. A major earthquake, hurricane, fire, terrorist or other catastrophic event could result in disruption to the business. The failure of the Company to maintain updated adequate business continuity plans, including secure backup facilities, systems and personnel could impede the Company's ability to operate upon a disruption, which could cause the Company's earnings or stock price to decline.

#### ***Operating in international markets increases BlackRock's operational, regulatory and other risks.***

As a result of BlackRock's extensive international business activities, the Company faces increased operational, regulatory, reputational and foreign exchange rate risks. The failure of the Company's systems of internal control to properly mitigate such additional risks, or of its operating infrastructure to support such international activities, could result in operational failures and regulatory fines or sanctions, which could cause the Company's earnings or stock price to decline.

#### ***Failure to maintain a technological advantage could lead to a loss of clients and a decline in revenues.***

A key element to BlackRock's continued success is the ability to maintain a technological advantage in providing the sophisticated risk analytics incorporated into BlackRock's *Aladdin* technology platform that support investment advisory and BRS clients. Moreover, the Company's technological and software advantage is dependent on a number of third parties who provide various types of data and software. The failure of these third parties to provide such data or software could result in operational difficulties and adversely impact BlackRock's ability to provide services to its investment advisory and BRS clients. There can be no assurance that the Company will be able to maintain this technological advantage or be able to effectively protect and enforce its intellectual property rights in these systems and processes.

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## Table of Contents

***Failure to implement effective information and cyber security policies, procedures and capabilities could disrupt operations and cause financial losses that could result in a decrease in BlackRock's earnings or stock price.***

BlackRock is dependent on the effectiveness of its information and cyber security policies, procedures and capabilities to protect its computer and telecommunications systems and the data that reside on or are transmitted through them. An externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information and could result in material financial loss, loss of competitive position, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in the Company's earnings or stock price.

***The failure of a key vendor to BlackRock to fulfill its obligations could have a material adverse effect on BlackRock and its products.***

BlackRock depends on a number of key vendors for various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure or inability of BlackRock to diversify its sources for key services or the failure of any key vendors to fulfill their obligations could lead to operational issues for the Company and in certain products, which could result in financial losses for the Company and its clients.

***Failure to manage risks in operating BlackRock's securities lending program for clients could lead to a loss of clients and a decline in revenues and liquidity.***

The size of BlackRock's securities lending programs increased significantly with the completion of the BGI Transaction. As part of these programs, BlackRock must manage risks associated with (i) ensuring that the value of the collateral held against the securities on loan does not decline in value or become illiquid and that its nature and value complies with regulatory requirements and investment requirements; (ii) the potential that a borrower defaults or does not return a loaned security on a timely basis; and (iii) errors in the settlement of securities, daily mark-to-market valuations and collateral collection. The failure of the Company's controls to mitigate these risks could result in financial losses for the Company's clients that participate in its securities lending programs as well as for the Company.

***Risks Related to Relationships with Bank of America/Merrill Lynch, PNC and Other Institutional Investors***

***Merrill Lynch is an important distributor of BlackRock's products, and the Company is, therefore, subject to risks associated with the business of Merrill Lynch.***

Under a global distribution agreement entered into with Merrill Lynch, Merrill Lynch provides distribution, portfolio administration and servicing for certain BlackRock investment management products and services through its various distribution channels. The Company may not be successful in distributing products through Merrill Lynch or in distributing its products and services through other third-party distributors. If BlackRock is unable to distribute its products and services successfully or if it experiences an increase in distribution-related costs, BlackRock's business, results of operations or financial condition may be materially and adversely affected.

***Loss of market share within Merrill Lynch's Global Wealth & Investment Management business could harm operating results.***

A significant portion of BlackRock's revenue has historically come from AUM generated by Merrill Lynch's Global Wealth & Investment Management ("GWIM") business. BlackRock's ability to maintain a strong relationship within GWIM is material to the Company's future performance. If one of the Company's competitors gains significant additional market share within the GWIM retail channel at the expense of BlackRock, then BlackRock's business, results of operations or financial condition may be negatively impacted.

***PNC has agreed to vote as a stockholder in accordance with the recommendation of BlackRock's Board of Directors, and certain actions will require special board approval or the prior approval of PNC and Merrill Lynch.***

As discussed in our proxy statement, PNC has agreed to vote all of its voting shares in accordance with the recommendation of BlackRock's Board of Directors in accordance with the provisions of its stockholder agreement with BlackRock. As a consequence, if the shares held by PNC constitute a substantial portion of the outstanding voting shares, matters submitted to a stockholder vote that require a majority or a plurality of votes for approval, including elections of directors, will have a substantial number of shares voted in accordance with the determinations of the BlackRock Board of Directors. This arrangement has the effect of concentrating a significant block of voting control over BlackRock in its Board of Directors, whether or not stockholders agree with any particular determination of the Board. At December 31, 2012, PNC owned approximately 20.8% of BlackRock's voting common stock.

## Table of Contents

As discussed in our proxy statement, pursuant to our stockholder agreement with PNC, the following may not be done without prior approval of all of the independent directors, or at least two-thirds of the directors, then in office:

- appointment of a new Chief Executive Officer of BlackRock;
- any merger, issuance of shares or similar transaction in which beneficial ownership of a majority of the total voting power of BlackRock capital stock would be held by persons different than those currently holding such majority of the total voting power, or any sale of all or substantially all assets of BlackRock;
- any acquisition of any person or business which has a consolidated net income after taxes for its preceding fiscal year that equals or exceeds 20% of BlackRock's consolidated net income after taxes for its preceding fiscal year if such acquisition involves the current or potential issuance of BlackRock capital stock constituting more than 10% of the total voting power of BlackRock capital stock issued and outstanding immediately after completion of such acquisition;
- any acquisition of any person or business constituting a line of business that is materially different from the lines of business BlackRock and its controlled affiliates are engaged in at that time if such acquisition involves consideration in excess of 10% of the total assets of BlackRock on a consolidated basis;
- except for repurchases otherwise permitted under their respective stockholder agreements, any repurchase by BlackRock or any subsidiary of shares of BlackRock capital stock such that after giving effect to such repurchase BlackRock and its subsidiaries shall have repurchased more than 10% of the total voting power of BlackRock capital stock within the 12-month period ending on the date of such repurchase;
- any amendment to BlackRock's certificate of incorporation or bylaws;
- any matter requiring stockholder approval pursuant to the rules of the NYSE; or
- any amendment, modification or waiver of any restriction or prohibition on Merrill Lynch or its affiliates provided for under its stockholder agreements.

Additionally, BlackRock may not enter into any of the following transactions without the prior approval of PNC:

- any sale of any subsidiary of BlackRock, the annualized revenues of which, together with the

annualized revenues of any other subsidiaries disposed of within the same year, are more than 20% of the annualized revenues of BlackRock for the preceding fiscal year on a consolidated basis;

- for so long as BlackRock is a subsidiary of PNC for purposes of the BHC Act, entering into any business or activity that is prohibited for any such subsidiary under the BHC Act;
- any amendment of any provision of a stockholder agreement between BlackRock and any stockholder beneficially owning greater than 20% of BlackRock capital stock that would be viewed by a reasonable person as being adverse to PNC or materially more favorable to the rights of any stockholder beneficially owning greater than 20% of BlackRock capital stock than to PNC;
- any amendment, modification, repeal or waiver of BlackRock's certificate of incorporation or bylaws that would be viewed by a reasonable person as being adverse to the rights of PNC or more favorable to the rights of any stockholder beneficially owning greater than 20% of BlackRock capital stock, or any settlement or consent in a regulatory enforcement matter that would be reasonably likely to cause PNC or any of its affiliates to suffer regulatory disqualification, suspension of registration or license or other material adverse regulatory consequences; or
- a voluntary bankruptcy or similar filing by BlackRock.

As discussed in our proxy statement, under BlackRock's stockholder agreement with Merrill Lynch, which terminates on July 31, 2013, BlackRock may not enter into any of the following transactions without the prior approval of Merrill Lynch:

- any amendment, modification or waiver of any provision of a stockholder agreement between BlackRock and PNC or any stockholder beneficially owning greater than 20% of BlackRock capital stock that would be viewed by a reasonable person as being adverse to Merrill Lynch or materially more favorable to the rights of PNC or other stockholder beneficially owning greater than 20% of BlackRock capital stock than to Merrill Lynch;
- any amendment, modification, repeal or waiver of BlackRock's certificate of incorporation or bylaws that would be viewed by a reasonable person as being adverse to the rights of Merrill Lynch or more favorable to the rights of PNC or other stockholder beneficially owning greater than 20% of BlackRock capital stock, or any settlement or consent in a regulatory enforcement matter that would be

## Table of Contents

reasonably likely to cause Merrill Lynch or any of its affiliates to suffer regulatory disqualification, suspension of registration or license or other material adverse regulatory consequences;

- any acquisition which would be reasonably likely to require Merrill Lynch to register with the Federal Reserve as a bank holding company or become subject to regulation under the BHC Act, the Change of Bank Control Act of 1978 or Section 10 of the Homeowners Loan Act of 1934; or
- a voluntary bankruptcy or similar filing by BlackRock.

Currently, Merrill Lynch and its affiliates own a *de minimis* number of shares of our capital stock.

***PNC and several other institutional stockholders own a large portion of BlackRock's capital stock. Future sales of our common stock in the public market by the Company or its large stockholders could adversely affect the trading price of our common stock.***

As of December 31, 2012, PNC owned 21.9% of the Company's capital stock and several other institutional holders own in excess of 5% of BlackRock shares. The Company has entered into a registration rights agreement with PNC. The registration rights agreement, which includes customary "piggyback" registration provisions, may continue to allow PNC to cause us to file one or more registration statements for the resale of its shares of capital stock and cooperate in certain underwritten offerings. Sales by us or our large stockholders of a substantial number of shares of our common stock in the public market pursuant to registration rights or otherwise, or the perception that these sales might occur, could cause the market price of our common stock to decline.

### ***Legal and Regulatory Risks***

***BlackRock is subject to extensive regulation in the United States and internationally.***

BlackRock's business is subject to extensive regulation in the United States and around the world. See the discussion under "Item 1 – Business – Regulation." Violation of applicable laws or regulations could result in fines, temporary or permanent prohibition of the engagement in certain activities, reputational harm and related client terminations, suspensions of personnel or revocation of their licenses, suspension or termination of investment adviser or broker-dealer registrations, or other sanctions, which could have a material adverse effect on BlackRock's reputation, business, results of operations or financial condition and cause the Company's earnings or stock price to decline.

***BlackRock may be adversely impacted by legal and regulatory changes in the United States and internationally.***

As previously mentioned, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") was signed into law. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be implemented. The adoption of these regulations and decisions will in large measure determine the impact of the DFA on BlackRock. BlackRock is continuing to review the impact of the legislation and related rule-making will have on its business, financial condition and results of operations.

The business impact of the DFA and its regulations, and other new laws or regulations, including those affecting money market funds, or changes in enforcement of existing laws or regulations in the United States or internationally, could adversely impact the scope or profitability of BlackRock's business activities, could require BlackRock to change certain business practices and could expose BlackRock to additional costs (including compliance and tax costs).

The DFA charges the Board of Governors of the Federal Reserve System (the "Federal Reserve") with establishing enhanced regulatory requirements for non-bank financial institutions designated as "systemically important" by the Financial Stability Oversight Council ("FSOC"). Among the potential impacts of the DFA, if BlackRock were designated a systemically important financial institution (a "SIFI"), it could be subject to these enhanced prudential, supervisory and other requirements, which, individually or in the aggregate, could adversely impact BlackRock's business and operations.

Provisions of the DFA referred to as the "Volcker Rule" place limitations on the ability of banks, and their subsidiaries and affiliates, to engage in proprietary trading and to invest in and transact with certain investment funds, including hedge funds, private equity funds and funds of those funds (collectively "covered funds"). It is expected that the Volcker Rule will apply to BlackRock by virtue of BlackRock's relationship to PNC, and BlackRock could become subject to similar limitations if it is designated a SIFI. The Volcker Rule became effective on July 21, 2012; however, final implementing regulations have not yet been issued. Entities subject to the Volcker Rule will have until at least July 21, 2014 to come into compliance with the provisions of the Volcker Rule. To the extent the Volcker Rule applies to BlackRock, it would limit BlackRock's ability to make and retain investments in covered funds, require BlackRock to remove its name from the name of its covered funds, and limit investments in covered funds by

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## Table of Contents

BlackRock employees, among other restrictions. Depending on the final implementation of the Volcker Rule and the granting of extensions, BlackRock could be required to sell certain seed and co-investments that it holds, including at a discount, depending on market conditions. The scope of the definition of "covered funds" is not yet known, and therefore these restrictions could apply to funds other than those commonly referred to as hedge funds and private equity funds. These limitations and restrictions could disadvantage BlackRock against those competitors that are not subject to the Volcker Rule in the ability to attract clients into BlackRock covered funds and to retain employees.

Regulatory authorities, including the Securities and Exchange Commission (the "SEC"), the FSOC and the International Organization of Securities Commissions, continue to focus on the need for additional regulations for money market mutual funds. In November 2012, the FSOC issued proposed recommendations for money market mutual fund reform for public comment, which closed on February 15, 2013. The FSOC recommendations included floating the net asset value of funds, requiring net asset value buffers and requiring that a portion of redemptions be held back by stable net asset value funds for a period of time, the retention of capital and liquidity gates and/or redemption fees. If adopted by the SEC, these proposals could significantly affect money market fund products and the entire money market fund industry. In light of the uncertainty regarding what changes may ultimately be adopted in a final SEC rule, we cannot predict what investor appetite will be for money market mutual fund products following the adoption of any such reforms or the impact of such reforms on BlackRock.

In 2012, the Office of the Comptroller of the Currency of the United States (the "OCC") amended the regulations governing bank-maintained short-term investment funds ("STIFs") to include new disclosure requirements regarding portfolio holdings and to more closely align portfolio limitations, such as maximum weighted average maturity and weighted average life, with those applicable to SEC registered money market funds. As a result of the new OCC rules, BlackRock chose to sell certain securities held within certain STIFs during the fourth quarter of 2012 and to make a one-time contribution to the STIFs to maintain the value of the funds while ensuring compliance with the OCC rules. As a result of the security sales, these STIFs are currently in compliance with the new OCC rules. The ultimate result of these rule changes is uncertain.

Further, regulations under the DFA relating to regulation of swaps and derivatives could impact the manner by which BlackRock-advised funds and accounts use and trade swaps and other derivatives, and could significantly increase the costs of derivatives trading conducted by

BlackRock on behalf of its clients. BlackRock will also need to build new compliance mechanisms to monitor compliance with SEC and Commodity Futures Trading Commission ("CFTC") rules concerning, among other things, the registration and regulation of commodity pool operators and commodity trading advisors (and the accompanying registration and regulation of such entities by the National Futures Association), the registration status of dealer counterparties and other counterparties who are major swap participants in the swap markets, and requirements concerning mandatory clearing of certain swap transactions. BlackRock, on behalf of its clients, is also preparing for mandated central clearing of swaps and mandated trading venue requirements.

In addition, BlackRock has begun reporting certain information about a number of its private funds to the SEC and certain information about a number of its commodity pools to the CFTC, pursuant to systemic risk reporting requirements adopted by both agencies, which have required, and will continue to require, investments in people and systems to assure timely and accurate reporting.

The SEC, the Internal Revenue Service and the CFTC each continue to review the use of futures and derivatives by mutual funds, which could result in regulations that further limit the use of futures and derivatives by mutual funds. If adopted, these limitations could require BlackRock to change certain mutual fund business practices or to register additional entities with the CFTC, which could result in additional costs and/or restrictions.

In addition, in the aftermath of the financial crisis, the European Commission set out a detailed plan for EU financial reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations of which the review of the Markets in Financial Instruments Directive ("MiFID") was a part. These, together with the changes contemplated by the Alternative Investment Fund Managers Directive ("AIFMD"), will have direct and indirect effects on BlackRock's operations in the European Economic Area, including increased compliance, disclosure and other obligations, which could impact BlackRock's ability to expand in these markets.

The foregoing regulatory changes, and other reforms globally, could also lead to business disruptions, could adversely impact the value of assets in which BlackRock has invested on behalf of clients and/or via seed or co-investments, and, to the extent the regulations strictly control the activities of financial services firms, could make it more difficult for BlackRock to conduct certain business activities or distinguish itself from competitors. See "Item 1 – Business – Regulation" above for additional information regarding certain laws and regulations that affect BlackRock's business.

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## Table of Contents

### ***Failure to comply with the Investment Advisers Act of 1940 (the "Advisers Act") and the Investment Company Act of 1940 (the "Investment Company Act") and related regulations could result in substantial harm to BlackRock's reputation and results of operations.***

Certain BlackRock subsidiaries are registered with the SEC under the Advisers Act and BlackRock's U.S. mutual funds and exchange-traded funds are registered with the SEC under the Investment Company Act. The Advisers Act imposes numerous obligations and fiduciary duties on registered investment advisers, including record-keeping, operating and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational and compliance requirements, on investment advisers to registered investment companies. The failure of any of the relevant subsidiaries to comply with the Advisers Act or the Investment Company Act could cause the SEC to institute proceedings and impose sanctions for violations of either of these acts, including censure, termination of an investment adviser's registration or prohibition to serve as adviser to SEC-registered funds, and could lead to litigation by investors in those funds or harm to the Company's reputation, any of which could cause its earnings or stock price to decline.

### ***Failure to comply with ERISA regulations could result in penalties and cause the Company's earnings or stock price to decline.***

Certain BlackRock subsidiaries are subject to the Employee Retirement Income Security Act of 1974 ("ERISA") and to regulations promulgated thereunder, insofar as they act as a "fiduciary" under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose duties on persons who are fiduciaries under ERISA, prohibit specified transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. The failure of any of the relevant subsidiaries to comply with these requirements could result in significant penalties that could reduce the Company's earnings or cause its stock price to decline.

### ***BlackRock is subject to banking regulations that may limit its business activities.***

Because the total equity ownership interest of PNC in BlackRock exceeds certain thresholds, BlackRock is deemed to be a non-bank subsidiary of PNC, which is regulated as a financial holding company under the Bank Holding Company Act of 1956. As a non-bank subsidiary of PNC, BlackRock is subject to banking regulation, including the supervision and regulation of the Federal Reserve.

Such banking regulation limits the activities and the types of businesses that BlackRock may conduct. The Federal Reserve has broad enforcement authority over BlackRock, including the power to prohibit BlackRock from conducting any activity that, in the Federal Reserve's opinion, is unauthorized or constitutes an unsafe or unsound practice, and to impose substantial fines and other penalties for violations. Any failure of PNC to maintain its status as a financial holding company could result in substantial limitations on certain BlackRock activities and its growth. In addition, BlackRock's trust bank subsidiary is subject to regulation by the OCC, and is subject to capital requirements established by the OCC. The OCC has broad enforcement authority over BlackRock's trust bank subsidiary. Also, provisions of the DFA referred to as the Volcker Rule could, to the extent the final Volcker Rule is determined to apply to BlackRock's activities, affect the method by which BlackRock invests in and operates its investment funds, including private equity funds, hedge funds and fund of funds platforms. Being subject to banking regulation, including potentially the Volcker Rule, may put BlackRock at a competitive disadvantage because most of its competitors are not subject to these limitations.

### ***Failure to comply with laws and regulations in the United Kingdom, other member states of the European Union, Hong Kong, Japan, Australia and other non-U.S. jurisdictions in which BlackRock operates could result in substantial harm to BlackRock's reputation and results of operations.***

The FSA regulates BlackRock's subsidiaries in the United Kingdom. Authorization by the FSA is required to conduct any financial services-related business in the United Kingdom under the Financial Services and Markets Act 2000. The FSA's rules made under that Act govern a firm's capital resources requirements, senior management arrangements, conduct of business, interaction with clients and systems and controls. Breaches of these rules may result in a wide range of disciplinary actions against the Company's U.K.-regulated subsidiaries.

In addition, these subsidiaries, and other European subsidiaries, branches or representative offices, must comply with the pan-European regime established by MiFID, which regulates the provision of investment services and activities throughout the EEA, as well as the Capital Requirements Directive, which delineates regulatory capital requirements. As discussed under "Item 1 - Business - Regulation," in the aftermath of the financial crisis the European Commission set out a detailed plan to complete the EU's financial reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations. The AIFMD, which became effective on July 21, 2011, is required to be

## Table of Contents

implemented by EU member states by July 22, 2013. Compliance with the AIFMD's requirements may restrict alternative investment funds marketing and place additional compliance and disclosure obligations regarding remuneration, capital requirements, leverage, valuation, stakes in EU companies, depositaries, the domicile of custodians and liquidity management. UCITS IV was required to be adopted in the national law of each EU member state by July 1, 2011. UCITS IV was adopted into national law by the United Kingdom prior to the deadline but several other EU member states are still in various stages of the adoption process. There are also European Commission consultations in process that are intended to improve retail investor protection including UCITS V, which addresses, among other items, custodial liability. Recent proposals on packaged retail investment products ("PRIIPs") are to be implemented through the strengthening of MIFID standards (for non-insurance PRIIPs), revisions to the Insurance Mediation Directive's selling standard (for all insurance-based PRIIPs) and new investor disclosure requirements for all PRIIPs through a separate EU legislative process. In the United Kingdom, the Bribery Act 2010 came into force in July 2011 and has required the implementation of additional procedures on the Company's U.K.-regulated subsidiaries. In addition, a retail distribution review initiated by the FSA is expected to change how investment advice is paid for in the United Kingdom for all investment products. Final retail distribution rules were published in 2011, with implementation at the end of 2012. In a similar area, a further European Commission Regulation, the European Market Infrastructure Regulation ("EMIR"), was adopted in August 2012, and requires the central clearing of standardized OTC derivatives and the mandatory reporting of all derivative contracts. Some of the EMIR technical standards have recently been finalized and the remainder are expected to be finalized in 2013.

In Japan, a BlackRock subsidiary is subject to the Financial Instruments and Exchange Law (the "FIEL") and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the "JFSA"), which establishes standards for compliance, including capital adequacy and financial soundness requirements, customer protection requirements and conduct of business rules. The JFSA is empowered to conduct administrative proceedings that can result in censure, fines, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL.

In Australia, BlackRock's subsidiaries are subject to various Australian federal and state laws and certain subsidiaries are regulated by the Australian Securities and Investments Commission ("ASIC") and the Australian Prudential Regulation Authority. ASIC regulates

companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. Failure to comply with applicable law and regulations could result in the cancellation, suspension or variation of the relevant subsidiaries' licenses in Australia.

The activities of certain BlackRock subsidiaries in Hong Kong are subject to the Securities and Futures Ordinance (the "SFO"), which governs the securities and futures markets and regulates, among others, offers of investments to the public and provides for the licensing of intermediaries. The SFO is administered by the Securities and Futures Commission (the "SFC"). The SFC is also empowered under the SFO to establish standards for compliance as well as codes and guidelines. The relevant BlackRock subsidiaries and the employees conducting any of the regulated activities specified in the SFO are required to be licensed with the SFC, and are subject to the rules, codes and guidelines issued by the SFC from time to time. Failure to comply with the applicable laws, regulations, codes and guidelines issued by the SFC could result in the suspension or revocations of the licenses granted by the SFC.

There are similar legal and regulatory arrangements in force in many other non-U.S. jurisdictions where BlackRock's subsidiaries conduct business or where the funds and products it manages are organized. Failure to comply with laws and regulations in any of these jurisdictions could result in substantial harm to BlackRock's reputation and results of operation.

### ***Legal proceedings could adversely affect operating results, financial condition and cash flows for a particular period.***

Many aspects of BlackRock's business involve substantial risks of legal liability. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with BlackRock's activities. From time to time, BlackRock receives subpoenas or other requests for information from various U.S. and non-U.S. governmental and regulatory authorities in connection with certain industry-wide, company-specific or other investigations or proceedings. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which could potentially harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

### **Item 1B. UNRESOLVED STAFF COMMENTS**

The Company has no unresolved comments from the SEC staff relating to BlackRock's periodic or current reports filed with the SEC pursuant to the Exchange Act.

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## Table of Contents

### **Item 2. PROPERTIES**

BlackRock's principal office, which is leased, is located at 55 East 52nd Street, New York, New York. BlackRock leases additional office space in New York City at 40 East 52nd Street and throughout the world, including Boston, Chicago, Edinburgh, Gurgaon (India), Hong Kong, London, Melbourne, Munich, Princeton (New Jersey), San Francisco, Seattle, Singapore, Sydney, Taipei and Tokyo. The Company also owns an 84,500 square foot office building in Wilmington (Delaware).

### **Item 3. LEGAL PROCEEDINGS**

From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and domestic and international regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock's policy to cooperate fully with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's

activities. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which potentially could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

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

### **Item 4. MINE SAFETY DISCLOSURES**

Not applicable.



[Table of Contents](#)

Part II

**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

BlackRock's common stock is listed on the NYSE and is traded under the symbol "BLK". At the close of business on January 31, 2013, there were 339 common stockholders of record. Common stockholders include institutional or omnibus accounts that hold common stock for multiple underlying investors.

The following table sets forth for the periods indicated the high and low reported sale prices, period-end closing prices for the common stock and dividends declared per share for the common stock as reported on the NYSE:

	Common Stock Price Ranges		Closing Price	Cash Dividend Declared
	High	Low		
<b>2012</b>				
First Quarter	\$205.60	\$179.13	\$204.90	\$ 1.50
Second Quarter	\$206.57	\$163.37	\$169.82	\$ 1.50
Third Quarter	\$183.00	\$164.06	\$178.30	\$ 1.50
Fourth Quarter	\$209.29	\$177.17	\$206.71	\$ 1.50
<b>2011</b>				
First Quarter	\$209.77	\$179.52	\$201.01	\$ 1.375
Second Quarter	\$207.42	\$183.51	\$191.81	\$ 1.375
Third Quarter	\$199.10	\$140.22	\$148.01	\$ 1.375
Fourth Quarter	\$179.77	\$137.00	\$178.24	\$ 1.375

BlackRock's closing common stock price as of February 27, 2013 was \$241.07.

PNC and their respective affiliates along with other institutional investors that hold non-voting participating preferred stock receive dividends on these shares, which are equivalent to the dividends received by common stockholders.

**Dividends**

On January 16, 2013, the Board of Directors approved BlackRock's quarterly dividend of \$1.68 to be paid on March 25, 2013 to stockholders of record on March 7, 2013.

**Issuer Purchases of Equity Securities**

During the three months ended December 31, 2012, 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 <sup>(2)</sup>	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 <sup>(1)</sup>
October 1, 2012 through October 31, 2012	199,312	\$ 187.87	189,000	3,404,900
November 1, 2012 through November 30, 2012	644,724	\$ 191.16	642,000	2,762,900
December 1, 2012 through December 31, 2012	48,029	\$ 197.54	37,500	2,725,400
Total	892,065	\$ 190.77	868,500	

(1) In January 2013, the Board of Directors approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock with no stated expiration date.

(2) Includes purchases made by the Company primarily to satisfy income tax withholding obligations of employees and members of our 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.

## Table of Contents

### Item 6. SELECTED FINANCIAL DATA

The selected financial data presented below has been derived in part from, and should be read in conjunction with, the consolidated financial statements of BlackRock and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this Form 10-K. Prior year data reflects certain reclassifications to conform to the current year presentation.

	Year ended December 31,				
	2012	2011	2010 <sup>(1)</sup>	2009	2008
<i>(Dollar amounts in millions, except per share data)</i>					
<b>Income statement data:</b>					
<b>Revenue</b>					
Related parties <sup>(2)</sup>	\$ 5,501	\$ 5,431	\$ 5,025	\$ 2,716	\$ 3,006
Other third parties	3,836	3,650	3,587	1,984	2,058
Total revenue	9,337	9,081	8,612	4,700	5,064
<b>Expenses</b>					
Restructuring charges	—	32	—	22	38
Other operating expenses	5,813	5,800	5,614	3,400	3,433
Total expenses	5,813	5,832	5,614	3,422	3,471
Operating income	3,524	3,249	2,998	1,278	1,593
<b>Total non-operating income (expense)</b>	<b>(54)</b>	<b>(114)</b>	<b>23</b>	<b>(6)</b>	<b>(577)</b>
Income before income taxes	3,470	3,135	3,021	1,272	1,016
Income tax expense	1,030	796	971	375	387
Net income	2,440	2,339	2,050	897	629
Less: Net income (loss) attributable to non-controlling interests	(18)	2	(13)	22	(155)
Net income attributable to BlackRock, Inc.	\$ 2,458	\$ 2,337	\$ 2,063	\$ 875	\$ 784
<b>Per share data:<sup>(3)</sup></b>					
Basic earnings	\$ 14.03	\$ 12.56	\$ 10.67	\$ 6.24	\$ 5.86
Diluted earnings	\$ 13.79	\$ 12.37	\$ 10.55	\$ 6.11	\$ 5.78
Book value <sup>(4)</sup>	\$148.20	\$140.07	\$136.09	\$128.86	\$92.91
Common and preferred cash dividends	\$ 6.00	\$ 5.50	\$ 4.00	\$ 3.12	\$ 3.12

	December 31,				
	2012	2011	2010	2009 <sup>(1)</sup>	2008
<i>(Dollar amounts in millions)</i>					
<b>Balance sheet data:</b>					
Cash and cash equivalents	\$ 4,606	\$ 3,506	\$ 3,367	\$ 4,708	\$ 2,032
Goodwill and intangible assets, net	30,312	30,148	30,317	30,346	11,974
Total assets <sup>(5)</sup>	200,451	179,896	178,459	178,124	19,924
<b>Less:</b>					
Separate account assets <sup>(6)</sup>	134,768	118,871	121,137	119,629	2,623
Collateral held under securities lending agreements <sup>(6)</sup>	23,021	20,918	17,638	19,335	—
Consolidated investment vehicles <sup>(7)</sup>	2,813	2,006	1,610	282	502
Adjusted total assets	\$ 39,849	\$ 38,101	\$ 38,074	\$ 38,878	\$16,799
Short-term borrowings	\$ 100	\$ 100	\$ 100	\$ 2,234	\$ 200
Convertible debentures	—	—	67	243	245
Long-term borrowings	5,687	4,690	3,192	3,191	697
Total borrowings	\$ 5,787	\$ 4,790	\$ 3,359	\$ 5,668	\$ 1,142
Total stockholders' equity	\$ 25,403	\$ 25,048	\$ 26,094	\$ 24,329	\$12,069

## Table of Contents

(Dollar amounts in millions)	December 31,				
	2012	2011	2010	2009 <sup>(1)</sup>	2008
<b>Assets under management:</b>					
Equity:					
Active	\$ 287,215	\$ 275,156	\$ 334,532	\$ 348,574	\$ 152,216
<i>iShares</i>	534,648	419,651	448,160	381,399	—
Fixed income:					
Active	656,331	614,804	592,303	595,580	477,492
<i>iShares</i>	192,852	153,802	123,091	102,490	—
Multi-asset class	267,748	225,170	185,587	142,029	77,516
Alternatives <sup>(8)</sup> :					
Core	68,367	63,647	63,603	66,058	60,954
Currency and commodities <sup>(9)</sup>	41,428	41,301	46,135	36,043	590
<b>Sub-total</b>	<b>2,048,589</b>	<b>1,793,531</b>	<b>1,793,411</b>	<b>1,672,173</b>	<b>768,768</b>
Non-ETF Index:					
Equity	1,023,638	865,299	911,775	806,082	51,076
Fixed Income	410,139	479,116	425,930	357,557	3,873
<b>Sub-total Non-ETF Index</b>	<b>1,433,777</b>	<b>1,344,415</b>	<b>1,337,705</b>	<b>1,163,639</b>	<b>54,949</b>
<b>Long-term</b>	<b>3,482,366</b>	<b>3,137,946</b>	<b>3,131,116</b>	<b>2,835,812</b>	<b>823,717</b>
Cash management	263,743	254,665	279,175	349,277	338,439
<b>Sub-total</b>	<b>3,746,109</b>	<b>3,392,611</b>	<b>3,410,291</b>	<b>3,185,089</b>	<b>1,162,156</b>
Advisory <sup>(10)</sup>	45,479	120,070	150,677	161,167	144,995
<b>Total</b>	<b>\$ 3,791,588</b>	<b>\$ 3,512,681</b>	<b>\$ 3,560,968</b>	<b>\$ 3,346,256</b>	<b>\$ 1,307,151</b>

(1) Significant increases in 2009 (for balance sheet data and AUM) and 2010 (for income statement data) were primarily the result of the BGI Transaction that closed on December 1, 2009.

(2) BlackRock's related party revenue includes fees for services provided to registered investment companies that it manages, which include mutual funds and exchange-traded funds, as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties due to the Company's influence over the financial and operating policies of the investee. See Note 15 to the consolidated financial statements for more information on related parties.

(3) Participating preferred stock is considered to be a common stock equivalent for purposes of earnings per share calculations.

(4) Total BlackRock stockholders' equity, excluding appropriated retained earnings, divided by total common and preferred shares outstanding at December 31 of the respective year-end.

(5) Includes separate account assets that are segregated funds held for purposes of funding individual and group pension contracts and collateral held under securities lending agreements related to these assets that have equal and offsetting amounts recorded in liabilities and ultimately do not impact BlackRock's stockholders' equity or cash flows.

(6) Equal and offsetting amounts, related to separate account assets and collateral held under securities lending agreements, are recorded in liabilities.

(7) Includes assets held by consolidated variable interest entities and consolidated sponsored investments funds.

(8) Data reflects the reclassification of prior period AUM into the current period presentation.

(9) Amounts include commodity *iShares*.

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

## Table of Contents

### **Item 7. 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.

In addition to risk factors previously disclosed in BlackRock's Securities and Exchange Commission ("SEC") reports and those identified elsewhere in this report the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (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 and information security protection; (9) the impact of legislative and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock or The PNC Financial Services Group, Inc. ("PNC"); (10) terrorist activities, international hostilities and natural disasters, which may adversely affect the

general economy, domestic and local financial and capital markets, specific industries or BlackRock; (11) the ability to attract and retain highly talented professionals; (12) fluctuations in the carrying value of BlackRock's economic investments; (13) the impact of changes to tax legislation, including income, payroll and transaction taxes, and taxation on products or transactions, which could affect the value proposition to clients and, generally, the tax position of the Company; (14) BlackRock's success in maintaining the distribution of its products; (15) the impact of BlackRock electing to provide support to its products from time to time and any potential liabilities related to securities lending or other indemnification obligations; and (16) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

#### **Overview**

BlackRock, Inc. ("BlackRock" or the "Company") is the world's largest publicly traded investment management firm. BlackRock has portfolio managers located around the world, including the United States, the United Kingdom, the Netherlands, Japan, Hong Kong, Singapore, Australia and Germany. At December 31, 2012, the Company managed \$3.792 trillion of assets under management ("AUM") on behalf of institutional and individual investors worldwide. The Company provides a wide array of products, including passively and actively managed products in various equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds and funds of funds. BlackRock also provides global advisory services for private investment funds and retail products. The Company's non-U.S. investment funds are based in a number of domiciles and cover a range of asset classes, including equities, fixed income, cash management and alternatives. In addition, *BlackRock Solutions*<sup>®</sup> provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

In the United States, retail offerings include various open-end and closed-end funds, including *iShares*<sup>®</sup>, the global product leader in exchange-traded products for institutional, retail and HNW investors. There were 621 *iShares* products at December 31, 2012 compared with 504 at December 31, 2011 globally across equities, fixed

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## Table of Contents

income and commodities, which trade like common stocks on 20 exchanges worldwide. *iShares* AUM totaled \$752.7 billion at December 31, 2012. The BlackRock Global Funds, the Company's primary retail fund group offered outside the United States, are authorized for distribution in 35 jurisdictions worldwide. Additional fund offerings include structured products, real estate funds, hedge funds, hedge funds of funds, private equity funds and funds of funds, managed futures funds and exchange-traded products. These products are sold to both U.S. and non-U.S. HNW, retail and institutional investors in a wide variety of active and passive strategies covering both equity and fixed income assets.

BlackRock's client base consists of financial institutions and other corporate clients, pension plans, charities, official institutions, such as central banks, sovereign wealth funds, supranational authorities and other government entities, HNW individuals and retail investors around the world. BlackRock maintains a significant sales and marketing presence both inside and outside the United States that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to investors directly and through financial professionals, pension consultants and establishing third-party distribution relationships. BlackRock also distributes its products and services through Merrill Lynch under a

global distribution agreement in effect until January 2014. After such term, the agreement will renew for one automatic three-year extension if certain conditions are met.

On May 29, 2012, BlackRock completed a secondary offering of 26,211,335 shares of common stock held by Barclays Bank PLC ("Barclays") at a price of \$160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Convertible Participating Preferred Stock ("Series B Preferred") by a subsidiary of Barclays. Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays at a price of \$156.80 per share (consisting of 6,346,036 shares of Series B Preferred and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters' option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

On December 31, 2012, PNC held 20.8% of the Company's voting common stock and 21.9% of the Company's capital stock, which includes outstanding common and non-voting preferred stock.

## Table of Contents

Financial information concerning the Company's results of operations for the 12 months ended December 31, 2012 ("2012"), December 31, 2011 ("2011") and December 31, 2010 ("2010") are discussed below.

### Executive Summary

	2012	2011	2010
<i>(Dollar amounts in millions, except per share data)</i>			
<b>GAAP basis:</b>			
Total revenue	\$ 9,337	\$ 9,081	\$ 8,612
Total expenses	5,813	5,832	5,614
Operating income	\$ 3,524	\$ 3,249	\$ 2,998
Operating margin	37.7%	35.8%	34.8%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests <sup>(1)</sup>	(36)	(116)	36
Income tax expense	(1,030)	(796)	(971)
Net income attributable to BlackRock	\$ 2,458	\$ 2,337	\$ 2,063
% attributable to common shares	99.9%	99.1%	98.6%
Net income attributable to common shares	\$ 2,455	\$ 2,315	\$ 2,033
<b>Diluted EPS components:</b>			
Operating income	\$ 13.65	\$ 11.60	\$ 10.28
Non-operating income (expense), less net income (loss) attributable to non-controlling interests <sup>(1)</sup>	(0.14)	(0.41)	0.12
Income tax benefit	0.28	1.18	0.15
Diluted earnings per common share	\$ 13.79	\$ 12.37	\$ 10.55
Effective tax rate	29.5%	25.4%	32.0%
<b>As adjusted<sup>(2)</sup>:</b>			
Total revenue	\$ 9,337	\$ 9,081	\$ 8,612
Total expenses	5,763	5,689	5,445
Operating income	\$ 3,574	\$ 3,392	\$ 3,167
Operating margin	40.4%	39.7%	39.3%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests <sup>(1)</sup>	(42)	(113)	25
Income tax expense	(1,094)	(1,040)	(1,053)
Net income attributable to BlackRock	\$ 2,438	\$ 2,239	\$ 2,139
% attributable to common shares	99.9%	99.1%	98.6%
Net income attributable to common shares	\$ 2,435	\$ 2,218	\$ 2,109
<b>Diluted EPS components:</b>			
Operating income	\$ 13.84	\$ 12.12	\$ 10.85
Non-operating income (expense), less net income (loss) attributable to non-controlling interests <sup>(1)</sup>	(0.16)	(0.40)	0.09
Income tax benefit	—	0.13	—
Diluted earnings per common share	\$ 13.68	\$ 11.85	\$ 10.94
Effective tax rate	31.0%	31.7%	33.0%
<b>Other:</b>			
Assets under management (end of period)	\$ 3,791,588	\$ 3,512,681	\$ 3,560,968
Diluted weighted-average common shares outstanding <sup>(3)</sup>	178,017,679	187,116,410	192,692,047
Shares outstanding (end of period)	171,215,729	178,309,109	191,191,553
Book value per share <sup>(4)</sup>	\$ 148.20	\$ 140.07	\$ 136.09
Cash dividends declared and paid per share	\$ 6.00	\$ 5.50	\$ 4.00

(1) Net of net income (loss) attributable to non-controlling interests ("NCI") (redeemable and nonredeemable).

(2) As adjusted items are described in more detail in *Non-GAAP Financial Measures*.

(3) Unvested restricted stock units ("RSUs") that contain non-forfeitable rights to dividends are not included as they are deemed to be participating securities in accordance with accounting principles generally accepted in the United States ("GAAP"). Upon vesting of the participating RSUs the shares are added to the weighted-average shares outstanding that results in an increase to the percentage of net income attributable to common shares. In addition, non-voting preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share.

(4) Total BlackRock stockholders' equity, excluding appropriated retained earnings, divided by total common and preferred shares outstanding at December 31 of the respective year-end.

## Table of Contents

### **2012 Compared with 2011.**

**GAAP.** Operating income of \$3,524 million and operating margin of 37.7% increased \$275 million and 190 bps, respectively, from 2011 reflecting growth in base fees and higher performance fees. Operating income in 2012 included a \$30 million charge related to a contribution to certain of the Company's bank-managed short-term investment funds ("STIFs"). Non-operating income (expense), less net income (loss) attributable to non-controlling interests) increased \$80 million due to higher net positive marks on investments in 2012 compared with 2011, partially offset by higher interest expense resulting from long-term debt issuances in May 2012 and May 2011. In 2012, income tax expense included a \$21 million benefit related to the resolution of certain outstanding tax positions and a \$50 million net non-cash benefit related to the revaluation of certain deferred income tax liabilities including tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure. In 2011, income tax expenses included a \$24 million benefit related to the resolution of certain outstanding tax positions and \$198 million of net non-cash tax benefits due to a state tax election and enacted U.K., Japan, U.S. state and local tax legislation. Earnings per diluted common share rose \$1.42 from 2011 due to higher net income and the benefit of share repurchases. During 2012, the Company repurchased 9.1 million shares.

**As Adjusted.** Operating income of \$3,574 million and operating margin of 40.4% increased \$182 million and 70 bps, respectively, from 2011 reflecting higher revenues. Operating income on an as adjusted basis excluded non-GAAP expense adjustments totaling \$50 million in 2012 and \$143 million in 2011. Non-operating income (expense), less net income (loss) attributable to non-controlling interests) increased \$71 million. Income tax expense on an as adjusted basis excluded the \$50 million and \$198 million non-cash benefits for 2012 and 2011, respectively, described above. Earnings per diluted common share rose \$1.83 from 2011 reflecting the improvement in net income and the benefit of share repurchases.

See *Non-GAAP Financial Measures* for further information on as adjusted items.

### **2011 Compared with 2010.**

**GAAP.** Operating income of \$3,249 million and operating margin of 35.8% increased \$251 million and 100 bps, respectively, from 2010 reflecting higher base fees and higher *BlackRock Solutions* and advisory revenue, partially offset by lower performance fees and higher operating expenses related to business growth. Operating income and operating margin in 2011 also reflected \$63 million of U.K. lease exit costs related to the Company's exit from two London locations and \$32 million of restructuring

charges. Results for 2010 included \$90 million of Barclays Global Investors ("BGI") integration costs. Non-operating income (expense), less net income (loss) attributable to non-controlling interests) decreased \$152 million due to lower net positive marks on investments compared with 2010 and higher interest expense resulting from long-term debt issuances in May 2011. Income tax expense in 2011 included the previously mentioned \$24 million benefit and \$198 million of net non-cash tax benefits. In 2010, income tax expense included a \$30 million net non-cash benefit related to the revaluation of certain net deferred income tax liabilities primarily related to acquired intangible assets due to enacted U.K. tax legislation. In addition, 2010 included the effect of favorable tax rulings and the resolution of certain outstanding tax positions. Earnings per diluted common share rose \$1.82 from 2010.

**As Adjusted.** Operating income of \$3,392 million and operating margin of 39.7% increased \$225 million and 40 bps, respectively, from 2010 reflecting higher revenues, partially offset by net increases in operating expenses as discussed above. Operating income on an as adjusted basis excluded non-GAAP expense adjustments totaling \$143 million in 2011 and \$169 million in 2010. Non-operating income (expense), less net income (loss) attributable to non-controlling interests) decreased \$138 million. Income tax expense on an as adjusted basis excluded the \$198 million and \$30 million non-cash benefits in 2011 and 2010, respectively, described above. Earnings per diluted common share rose \$0.91 from 2010.

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

### **Business Outlook**

BlackRock offers clients a broad range of equity, fixed income, multi-asset and alternative investment products designed to track various indices (beta), achieve returns in excess of specified benchmarks (alpha) or deliver absolute returns. The diversity of BlackRock's investment platform, across asset classes, investment styles and geographies – combined with world-class risk management, analytics and advisory expertise – positions the Company well to meet the needs of clients in 2013 and beyond and to continue to attract asset flows as investor needs and sentiment evolve.

BlackRock ended 2012 with record assets under management ("AUM") of \$3.792 trillion as clients sought efficient tools and innovative solutions to meet their investment objectives over both the short and long term. The Company experienced strong client demand for exchange traded funds and products ("ETFs" and "ETPs", respectively), alternative and emerging market investment products, high-yielding income strategies, outcome-oriented solutions and retirement-related products, and the Company expects this demand to continue into 2013.

## Table of Contents

In early 2013, BlackRock continues to see signs of an improving global economy. While this offers the potential for greater financial market stability, political and regulatory dynamics, persistent low interest rates and protracted periods of heightened volatility will continue to pose challenges in the investment landscape. BlackRock will continue to monitor these factors actively in 2013, along with global credit and monetary policies (including quantitative easing and the direction of interest rates) and their effects on corporate earnings growth.

While investing for stable income remains a core objective for many of its clients, BlackRock expects clients – particularly in its institutional business – to trend towards barbell strategies through the combination of active and index strategies and the use of alternative and multi-asset investment solutions, complemented with access to BlackRock's risk management tools and advisory services.

### **AUM and Flows**

- BlackRock's unique combination of index and active capabilities positions the Company well to help underfunded corporate and public pension plans narrow the gap between their assets and liabilities with barbell strategies that use a combination of index, alpha, multi-asset and alternative products. As responsibility for retirement funding continues to move away from defined benefit plans into defined contributions plans and ultimately to individuals, BlackRock is also well positioned to offer individual investment options through its *LifePath*<sup>®</sup> target date portfolios and a wide array of ETFs and other mutual fund products.
- BlackRock has a leading global market share in ETPs through *iShares*, which leads the industry in AUM and the number of products offered in various markets. The industry's global growth reflects both continued adoption of ETFs by institutional and retail investors and the introduction of new products. ETP asset growth has historically been linked to positive markets, with investors looking to capitalize on strong market returns. In the continued environment of ultra-low interest rates, industry flows shifted in 2012 toward fixed income products and, within equities, to developed markets. BlackRock believes there is opportunity in emerging markets and is well positioned to grow its active franchise in these markets, including China. While more asset managers may enter the marketplace and offer similar products at lower fees, BlackRock believes that many factors beyond price influence investor preferences. These preferences are driven to varying degrees by performance (as measured by tracking error, or the

difference between net returns on the ETP and the corresponding targeted index), liquidity (the bid-ask spread), tax-efficiency, transparency and client service.

- BlackRock believes alternative investments will continue to become more important for both institutional and retail clients seeking higher returns through alpha-generating products. Several of BlackRock's single strategy hedge funds are top performers in the industry and are well positioned to grow in 2013.
- Cash management assets may decline from year-end levels if clients begin to re-risk their portfolios in the search for yield or equity return opportunities amid continued low interest rates, including in the United States where the Federal Reserve expects rates to remain low until 2014. BlackRock's diversified global product offerings, record of client service and independent advisory capabilities may enable it to retain a portion of these assets.

### **Regulatory Reform**

- BlackRock will continue to monitor the evolving regulatory landscape and to assess its influence on the competitive environment, including on liquidity and trading costs, which may present risks as well as opportunities for BlackRock and its clients.

### **Performance fees and BRS/advisory fees**

- BlackRock improved investment performance in key areas such as fixed income and scientific active equity in 2012 and strong investment performance will again be a priority in 2013. Higher market levels and investment performance may continue to enable the Company's alternative investment products to contribute additional performance fee revenue.
- BlackRock expects continuing strong global demand for its *Aladdin* operating platform and its comprehensive risk reporting capabilities from sophisticated institutional investors and governmental agencies investing in longer-term risk management solutions. The Company also expects to see continuing strong demand for its *BlackRock Solutions* financial markets advisory services.

### **Future opportunities**

- BlackRock intends to continue to invest in its people, its platform and its global brand. The Company will continue to build out its product offering and geographic presence, including in emerging markets, and to grow its *iShares* franchise, both through organic growth and targeted acquisitions.



## Table of Contents

### 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 basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock's financial performance over time. 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.

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

#### (a) Operating income, as adjusted, and operating margin, as adjusted:

Operating income, as adjusted, equals operating income, GAAP basis, excluding certain items management deems non-recurring, or transactions that ultimately will not impact BlackRock's book value, as indicated in the table below. Operating income used for operating margin measurement equals operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Operating margin, as adjusted, equals operating income used for operating margin measurement, divided by revenue (net of distribution and servicing costs and amortization of deferred sales commissions) used for operating margin measurement, as indicated in the table below.

(Dollar amounts in millions)

	2012	2011	2010
<b>Operating income, GAAP basis</b>	<b>\$3,524</b>	<b>\$3,249</b>	<b>\$2,998</b>
Non-GAAP expense adjustments:			
BGI transaction/integration costs			
Employee compensation and benefits	—	—	25
General and administration	—	—	65
Total BGI transaction/integration costs	—	—	90
U.K. lease exit costs	(8)	63	—
Contribution to STIFs	30	—	—
Restructuring charges	—	32	—
PNC LTIP funding obligation	22	44	58
Merrill Lynch compensation contribution	—	7	10
Compensation expense related to appreciation (depreciation) on deferred compensation plans	6	(3)	11
<b>Operating income, as adjusted</b>	<b>3,574</b>	<b>3,392</b>	<b>3,167</b>
Closed-end fund launch costs	22	26	15
Closed-end fund launch commissions	3	3	2
Operating income used for operating margin measurement	<u>\$3,599</u>	<u>\$3,421</u>	<u>\$3,184</u>
Revenue, GAAP basis	<u>\$9,337</u>	<u>\$9,081</u>	<u>\$8,612</u>
Non-GAAP adjustments:			
Distribution and servicing costs	(364)	(386)	(408)
Amortization of deferred sales commissions	(55)	(81)	(102)
Revenue used for operating margin measurement	<u>\$8,918</u>	<u>\$8,614</u>	<u>\$8,102</u>
<b>Operating margin, GAAP basis</b>	<b>37.7%</b>	<b>35.8%</b>	<b>34.8%</b>
<b>Operating margin, as adjusted</b>	<b>40.4%</b>	<b>39.7%</b>	<b>39.3%</b>

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.

#### Operating income, as adjusted:

Operating income, as adjusted reflects non-GAAP expense adjustments. BGI transaction and integration costs consisted principally of compensation expense, legal fees, marketing and promotional, occupancy and consulting

expenses incurred in conjunction with the BGI acquisition from Barclays. U.K. lease exit costs represent costs to exit two locations in London in the third quarter 2011. The amount in 2012 represents an adjustment related to the estimated costs initially recorded in third quarter 2011. The contribution to STIFs represents a one-time contribution to certain of the Company's bank-managed STIFs (see *Liquidity and Capital Resources* for more information). Restructuring charges consist of compensation costs and professional fees.

## Table of Contents

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 and a Merrill Lynch & Co., Inc. ("Merrill Lynch") cash compensation contribution, has been excluded because it ultimately does not impact BlackRock's book value. The expense related to the Merrill Lynch cash compensation contribution ceased at the end of third quarter 2011. As of first quarter 2012, all of the Merrill Lynch contributions had been received.

Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in non-operating income (expense).

Management believes operating income exclusive of these items is a useful measure in evaluating BlackRock's operating performance and helps enhance the comparability of this information for the reporting periods presented.

### Operating margin, as adjusted:

Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Management believes the exclusion of such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company's results until future periods.

Operating margin, as adjusted, allows the Company to compare performance from period-to-period by adjusting for items that may not recur, recur infrequently or may have an economic offset in non-operating income (expense). Examples of such adjustments include BGI transaction and integration costs, U.K. lease exit costs, contribution to STIFs, restructuring charges, closed-end fund launch costs, commissions paid to certain employees as compensation and fluctuations in compensation expense based on mark-to-market movements in investments held to fund certain compensation plans. The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance with other companies. Management uses both the GAAP and non-GAAP financial measures in evaluating the financial performance of BlackRock. The non-GAAP measure by itself may pose limitations because it does not include all of the Company's revenues and expenses.

Revenue used for operating margin, as adjusted, excludes distribution and servicing costs paid to related parties and other third parties. Management believes the exclusion of such costs is useful because it creates consistency in the treatment for certain contracts for similar services, which due to the terms of the contracts, are accounted for under GAAP on a net basis within investment advisory, administration fees and securities lending revenue. Amortization of deferred sales commissions is excluded from revenue used for operating margin measurement, as adjusted, because such costs, over time, substantially offset distribution fee revenue earned by the Company. For each of these items, BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to each of these items as a proxy for such offsetting revenues.

### (b) Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted:

Non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, is presented below. The compensation expense offset is recorded in operating income. This compensation expense has been included in non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, to offset returns on investments set aside for these plans, which are reported in non-operating income (expense), GAAP basis.

<i>(Dollar amounts in millions)</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Non-operating income (expense), GAAP basis	\$ (54)	\$(114)	\$ 23
Less: Net income (loss) attributable to NCI	(18)	2	(13)
Non-operating income (expense) <sup>(1)</sup>	(36)	(116)	36
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(6)	3	(11)
Non-operating income (expense), less net income (loss) attributable to NCI, as adjusted	<u>\$ (42)</u>	<u>\$(113)</u>	<u>\$ 25</u>

<sup>(1)</sup> Net of net income (loss) attributable to NCI.

Management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides comparability of this information among reporting periods and is an effective measure for reviewing BlackRock's non-operating contribution to its results. As compensation expense associated with (appreciation) depreciation on investments related to certain deferred compensation plans, which is included in operating income, substantially offsets the gain (loss) on the investments set aside for these plans, management

## Table of Contents

believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock's non-operating results that impact book value.

(c) Net income attributable to BlackRock, as adjusted:

Management believes net income attributable to BlackRock, 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, as adjusted, equals net income attributable to BlackRock, GAAP basis, adjusted for significant non-recurring items, charges that ultimately will not impact BlackRock's book value or certain tax items that do not impact cash flow.

(Dollar amounts in millions, except per share data)

	2012	2011	2010
<b>Net income attributable to BlackRock, GAAP basis</b>	\$ 2,458	\$ 2,337	\$ 2,063
Non-GAAP adjustments, net of tax: <sup>(d)</sup>			
BGI transaction/integration costs	—	—	59
U.K. lease exit costs	(5)	43	—
Contribution to STIFs	21	—	—
Restructuring charges	—	22	—
PNC LTIP funding obligation	14	30	40
Merrill Lynch compensation contribution	—	5	7
Income tax law changes/election	(50)	(198)	(30)
<b>Net income attributable to BlackRock, as adjusted</b>	<u>\$ 2,438</u>	<u>\$ 2,239</u>	<u>\$ 2,139</u>
Allocation of net income, as adjusted, to common shares <sup>(e)</sup>	\$ 2,435	\$ 2,218	\$ 2,109
Diluted weighted-average common shares outstanding <sup>(f)</sup>	178,017,679	187,116,410	192,692,047
Diluted earnings per common share, GAAP basis <sup>(f)</sup>	\$ 13.79	\$ 12.37	\$ 10.55
Diluted earnings per common share, as adjusted <sup>(f)</sup>	\$ 13.68	\$ 11.85	\$ 10.94

See note (a) Operating income, as adjusted, and operating margin, as adjusted, for information on BGI transaction/integration costs, U.K. lease exit costs, contribution to STIFs, restructuring charges, PNC LTIP funding obligation and Merrill Lynch compensation contribution.

During 2012, income tax changes included adjustments related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure. During 2011 and 2010, income tax changes included adjustments related to the revaluation of certain deferred income tax liabilities due to a state tax election and enacted U.K., Japan, U.S. state and local tax legislation. The resulting decrease in income taxes has been excluded from net income attributable to BlackRock, Inc., as adjusted, as these items do not have a cash flow impact and to ensure comparability among periods presented.

(d) In 2012, 2011 and 2010 non-GAAP adjustments were tax effected at 31.4%, 31.8% and 33%, respectively, reflecting a blended rate applicable to the adjustments.

(e) Amounts exclude net income attributable to participating securities (see below).

(f) Non-voting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations. Certain unvested RSUs are not included in diluted weighted-average common shares outstanding as they are deemed participating securities in accordance with required provisions of Accounting Standards Codification ("ASC") 260-10, *Earnings per Share*. In 2012, 2011 and 2010, average outstanding participating securities were 0.2 million, 1.8 million and 2.8 million, respectively.

## Table of Contents

### 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.

(Dollar amounts in millions)	December 31,			Variance	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Equity:					
Active	\$ 287,215	\$ 275,156	\$ 334,532	4%	(18%)
iShares	534,648	419,651	448,160	27%	(6%)
Fixed income:					
Active	656,331	614,804	592,303	7%	4%
iShares	192,852	153,802	123,091	25%	25%
Multi-asset class	267,748	225,170	185,587	19%	21%
Alternatives:					
Core	68,367	63,647	63,603	7%	— %
Currency and commodities <sup>(1)</sup>	41,428	41,301	46,135	— %	(10%)
<b>Sub-total</b>	<b>2,048,589</b>	<b>1,793,531</b>	<b>1,793,411</b>	<b>14%</b>	<b>— %</b>
Non-ETF Index					
Equity	1,023,638	865,299	911,775	18%	(5%)
Fixed Income	410,139	479,116	425,930	(14%)	12%
<b>Sub-total Non-ETF Index</b>	<b>1,433,777</b>	<b>1,344,415</b>	<b>1,337,705</b>	<b>7%</b>	<b>1%</b>
<b>Long-term</b>	<b>3,482,366</b>	<b>3,137,946</b>	<b>3,131,116</b>	<b>11%</b>	<b>— %</b>
Cash management	263,743	254,665	279,175	4%	(9%)
<b>Sub-total</b>	<b>3,746,109</b>	<b>3,392,611</b>	<b>3,410,291</b>	<b>10%</b>	<b>(1%)</b>
Advisory <sup>(2)</sup>	45,479	120,070	150,677	(62%)	(20%)
<b>Total</b>	<b>\$3,791,588</b>	<b>\$3,512,681</b>	<b>\$3,560,968</b>	<b>8%</b>	<b>(1%)</b>

### Mix of Assets Under Management – by Asset Class

	2012	2011	2010
Equity:			
Active	8%	8%	9%
iShares	14%	12%	13%
Fixed income:			
Active	17%	18%	17%
iShares	5%	4%	3%
Multi-asset class	7%	6%	5%
Alternatives:			
Core	2%	2%	2%
Currency and commodities <sup>(1)</sup>	1%	1%	1%
<b>Sub-total</b>	<b>54%</b>	<b>51%</b>	<b>50%</b>
Non-ETF Index			
Equity	27%	25%	26%
Fixed Income	11%	14%	12%
<b>Sub-total Non-ETF Index</b>	<b>38%</b>	<b>39%</b>	<b>38%</b>
<b>Long-term</b>	<b>92%</b>	<b>90%</b>	<b>88%</b>
Cash management	7%	7%	8%
<b>Sub-total</b>	<b>99%</b>	<b>97%</b>	<b>96%</b>
Advisory <sup>(2)</sup>	1%	3%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Amounts include commodity iShares.

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

## Table of Contents

The following table presents the component changes in BlackRock's AUM for 2012, 2011 and 2010.

	December 31,		
	2012	2011	2010
<i>(Dollar amounts in millions)</i>			
Beginning assets under management	\$ 3,512,681	\$ 3,560,968	\$ 3,346,256
Net subscriptions (redemptions) <sup>(1)</sup>			
Long-term <sup>(2)</sup>	(2,465)	67,349	131,206
Cash management	5,048	(22,899)	(61,424)
Advisory <sup>(3)</sup>	(74,540)	(29,903)	(12,021)
Total net subscriptions (redemptions)	(71,957)	14,547	57,761
BGI merger-related outflows <sup>(4)</sup>	—	(28,251)	(120,969)
Acquisitions <sup>(5)</sup>	13,742	—	(6,160)
Market appreciation (depreciation)	321,377	(27,513)	266,981
Foreign exchange <sup>(6)</sup>	15,745	(7,070)	17,099
Total change	278,907	(48,287)	214,712
Ending assets under management	<u>\$ 3,791,588</u>	<u>\$ 3,512,681</u>	<u>\$ 3,560,968</u>

(1) Amounts include distributions representing return of capital and return on investment to investors.

(2) Amounts include the effect of two single client low-fee institutional index fixed income outflows of \$36.0 billion and \$74.2 billion in first quarter 2012 and third quarter 2012, respectively.

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

(4) Amounts include outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011. As a result of client investment manager concentration limits and the scientific active equity performance, outflows were expected to occur for a period of time subsequent to the close of the transaction.

(5) Amounts include AUM acquired from Swiss Re Private Equity Partners (the "SRPEP Transaction") in September 2012 of \$6.2 billion, the Claymore Investments, Inc. acquisition (the "Claymore Transaction") in March 2012 of \$7.6 billion and BGI acquisition adjustments in 2010 of \$6.2 billion.

(6) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

BlackRock has historically grown aggregate AUM through organic growth and acquisitions. Management believes that the Company will be able to continue to grow AUM by focusing on strong investment performance, the efficient delivery of beta for index products, client service, by developing new products and new distribution capabilities and by continuing appropriate acquisitions.

The following table presents the component changes in BlackRock's AUM for 2012.

	December 31,					
	2011	Net subscriptions (redemptions) (1)	Acquisitions (2)	Market appreciation (depreciation)	Foreign exchange (3)	December 31, 2012
<i>(Dollar amounts in millions)</i>						
Equity:						
Active	\$ 275,156	\$ (18,111)	\$ —	\$ 28,550	\$ 1,620	\$ 287,215
<i>iShares</i>	419,651	52,973	3,517	56,433	2,074	534,648
Fixed income:						
Active	614,804	892	—	40,524	111	656,331
<i>iShares</i>	153,802	28,785	3,026	6,325	914	192,852
Multi-asset class	225,170	15,817	78	25,072	1,611	267,748
Alternatives:						
Core	63,647	(3,922)	6,166	2,266	210	68,367
Currency and commodities <sup>(4)</sup>	41,301	(1,547)	860	1,307	(493)	41,428
<b>Subtotal</b>	<b>1,793,531</b>	<b>74,887</b>	<b>13,647</b>	<b>160,477</b>	<b>6,047</b>	<b>2,048,589</b>
Non-ETF Index						
Equity	865,299	19,154	95	138,730	360	1,023,638
Fixed Income	479,116	(96,506)	—	20,991	6,538	410,139
<b>Sub-total Non-ETF Index</b>	<b>1,344,415</b>	<b>(77,352)</b>	<b>95</b>	<b>159,721</b>	<b>6,898</b>	<b>1,433,777</b>
<b>Long-term</b>	<b>3,137,946</b>	<b>(2,465)</b>	<b>13,742</b>	<b>320,198</b>	<b>12,945</b>	<b>3,482,366</b>
Cash management	254,665	5,048	—	1,983	2,047	263,743
<b>Sub-total</b>	<b>3,392,611</b>	<b>2,583</b>	<b>13,742</b>	<b>322,181</b>	<b>14,992</b>	<b>3,746,109</b>
Advisory <sup>(5)</sup>	120,070	(74,540)	—	(804)	753	45,479
<b>Total</b>	<b><u>\$ 3,512,681</u></b>	<b><u>\$ (71,957)</u></b>	<b><u>\$ 13,742</u></b>	<b><u>\$ 321,377</u></b>	<b><u>\$ 15,745</u></b>	<b><u>\$ 3,791,588</u></b>

## Table of Contents

- (1) Amounts include distributions representing return of capital and return on investment to investors. Amount also includes the effect of two single client low-fee institutional index fixed income outflows of \$36.0 billion and \$74.2 billion.
- (2) Amounts represent AUM acquired in the SRPEP Transaction in September 2012 of \$6.2 billion and Claymore Transaction in March 2012 of \$7.6 billion.
- (3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
- (4) Amounts include commodity *iShares*.
- (5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased \$278.9 billion, or 8%, to \$3.792 trillion at December 31, 2012 from \$3.513 trillion at December 31, 2011. The increase in AUM was driven largely by market gains and positive net new business, excluding the effect of two single client low-fee, institutional index fixed income outflows of \$36.0 billion and \$74.2 billion in first quarter 2012 and third quarter 2012, respectively. Total flows included \$74.5 billion of planned advisory distributions and acquired AUM related to the SRPEP and the Claymore Transactions of \$13.7 billion.

Net market appreciation of \$321.4 billion reflected growth in U.S. and global equity markets and \$67.8 billion appreciation in fixed income products across the majority of strategies.

The \$15.7 billion net increase in AUM from converting non-U.S. dollar denominated AUM into U.S. dollars was primarily due to the weakening of the U.S. dollar against the pound sterling and the euro, partially offset by the strengthening of the U.S. dollar against the Japanese yen.

The following table presents the component changes in BlackRock's AUM for 2011.

(Dollar amounts in millions)	December 31, 2010	Net subscriptions (redemptions) (1)	BGI merger- related outflows (2)	Market appreciation (depreciation)	Foreign exchange (3)	December 31, 2011
<b>Equity:</b>						
Active	\$ 334,532	\$ (22,876)	\$ (6,943)	\$ (29,793)	\$ 236	\$ 275,156
<i>iShares</i>	448,160	24,612	—	(49,863)	(3,258)	419,651
<b>Fixed income:</b>						
Active	592,303	(17,398)	(413)	40,366	(54)	614,804
<i>iShares</i>	123,091	26,876	—	4,824	(989)	153,802
Multi-asset class	185,587	42,654	—	(401)	(2,670)	225,170
<b>Alternatives:</b>						
Core	63,603	48	(152)	179	(31)	63,647
Currency and commodities <sup>(4)</sup>	46,135	(3,818)	—	(1,462)	446	41,301
<b>Subtotal</b>	<b>1,793,411</b>	<b>50,098</b>	<b>(7,508)</b>	<b>(36,150)</b>	<b>(6,320)</b>	<b>1,793,531</b>
<b>Non-ETF Index</b>						
Equity	911,775	22,403	(20,630)	(48,402)	153	865,299
Fixed Income	425,930	(5,152)	(113)	55,463	2,988	479,116
<b>Sub-total Non-ETF Index</b>	<b>1,337,705</b>	<b>17,251</b>	<b>(20,743)</b>	<b>7,061</b>	<b>3,141</b>	<b>1,344,415</b>
<b>Long-term</b>	<b>3,131,116</b>	<b>67,349</b>	<b>(28,251)</b>	<b>(29,089)</b>	<b>(3,179)</b>	<b>3,137,946</b>
Cash management	279,175	(22,899)	—	128	(1,739)	254,665
<b>Sub-total</b>	<b>3,410,291</b>	<b>44,450</b>	<b>(28,251)</b>	<b>(28,961)</b>	<b>(4,918)</b>	<b>3,392,611</b>
Advisory <sup>(5)</sup>	150,677	(29,903)	—	1,448	(2,152)	120,070
<b>Total</b>	<b>\$ 3,560,968</b>	<b>\$ 14,547</b>	<b>\$(28,251)</b>	<b>\$ (27,513)</b>	<b>\$ (7,070)</b>	<b>\$ 3,512,681</b>

(1) Amounts include planned distributions representing return of capital and return on investment to investors.

(2) Amounts include outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011 of \$28.3 billion. As a result of client investment manager concentration limits and the scientific active equity performance, outflows were expected to occur for a period of time subsequent to the close of the transaction.

(3) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

(4) Amounts include commodity *iShares*.

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

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## Table of Contents

AUM decreased approximately \$48.3 billion, or 1%, to \$3.513 trillion at December 31, 2011 from \$3.561 trillion at December 31, 2010. The decline in AUM was primarily attributable to \$34.6 billion in net market and foreign exchange valuation declines, \$29.9 billion of advisory distributions and \$22.9 billion of cash management net outflows, partially offset by \$67.3 billion of long-term net new business, before giving effect to the final BGI merger-related outflows of \$28.3 billion recorded in the first half of 2011.

Net market depreciation of \$27.5 billion included \$128.1 billion of depreciation in equity products resulting from the decline in global equity, partially offset by appreciation in fixed income products of \$100.7 billion.

The \$7.1 billion net decrease in AUM from converting non-U.S. dollar denominated AUM into U.S. dollars was primarily due to the strengthening of the U.S. dollar against the euro, pound sterling and Canadian dollar, partially offset by weakening of the U.S. dollar against the Japanese yen.

### **Discussion of Financial Results**

#### **Introduction**

BlackRock derives a substantial portion of its revenue from investment advisory and administration fees, which are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM or percentages of committed capital during investment periods of certain alternative products and are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net subscriptions or redemptions. Net subscriptions or redemptions represent the sum of new client assets, additional fundings from existing clients (including dividend reinvestment), withdrawals of assets from, and termination of, client accounts and distributions to investors representing return of capital and return on investments to investors. Market appreciation or depreciation includes current income earned on, and changes in the fair value of, securities held in client accounts. Foreign exchange translation reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

BlackRock also earns revenue by lending securities on behalf of clients, primarily to brokerage institutions. The securities loaned are secured by collateral in the form of cash or securities, with minimum collateral generally ranging from approximately 102% to 112% of the value of the loaned securities. The revenue earned is shared between BlackRock and the funds or other third-party accounts managed by the Company from which the

securities are borrowed. Historically, securities lending revenue in the second quarter exceeds the other quarters during the year.

Investment advisory agreements for certain separate accounts and investment funds provide for performance fees, based upon relative and/or absolute investment performance, in addition to base fees based on AUM. Investment advisory performance fees generally are earned after a given period of time and when investment performance exceeds a contractual threshold. As such, the timing of recognition of performance fees may increase the volatility of BlackRock's revenue and earnings. Historically, the magnitude of performance fees in the third and fourth quarters generally exceeds the first two calendar quarters in a year due to the greater number of products with performance measurement periods that end on either September 30 or December 31.

BlackRock provides a variety of risk management, investment analytic and investment system and advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions* and include a wide array of risk management services, valuation services related to illiquid securities, disposition and workout assignments (including long-term portfolio liquidation assignments), strategic planning and execution, and enterprise investment system outsourcing to clients. Approximately \$14 trillion of positions are processed on the Company's *Aladdin*<sup>®</sup> operating platform, which serves as the investment/risk solutions system for BlackRock and other institutional investors. Fees earned for *BlackRock Solutions* and advisory services are determined using some, or all, of the following methods: (i) percentages of various attributes of advisory AUM or value of positions on the *Aladdin* platform, (ii) fixed fees and (iii) performance fees if contractual thresholds are met.

BlackRock builds upon its leadership position to meet the growing need for investment and risk management solutions. Through its scale and diversity of products, it is able to provide its clients with customized solutions including fiduciary outsourcing for liability-driven investments and overlay strategies for pension plan sponsors, balance sheet management and related services for insurance companies and target date and target return funds, as well as asset allocation portfolios, for retail investors. BlackRock is also able to service these clients via its *Aladdin* platform to provide risk management and other outsourcing services for institutional investors and custom and tailored solutions to address complex risk exposures.

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## Table of Contents

The Company earns fees for transition management services comprised of commissions from acting as an introducing broker-dealer in buying and selling securities on behalf of its customers. Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur.

The Company also earns revenue related to operating advisory company investments accounted for as equity method investments.

Operating expenses reflect employee compensation and benefits, distribution and servicing costs, amortization of deferred sales commissions, direct fund expenses, general and administration expenses and amortization of finite-lived intangible assets.

- Employee compensation and benefits expense includes salaries, commissions, temporary help, deferred and incentive compensation, employer payroll taxes, severance and related benefit costs.
- Distribution and servicing costs, which are primarily AUM driven, include payments made to Merrill Lynch-affiliated entities under a global distribution agreement, to PNC and Barclays, as well as other third parties, primarily associated with obtaining and retaining client investments in certain BlackRock products.
- Direct fund expenses primarily consist of third-party non-advisory expenses incurred by BlackRock related to certain funds for the use of index trademarks, reference data for indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, legal expenses, audit and tax services as well as other fund-related expenses directly attributable to the non-advisory operations of the fund. These expenses may vary

over time with fluctuations in AUM, number of shareholder accounts, or other attributes directly related to volume of business.

- General and administration expenses include marketing and promotional, occupancy and office-related costs, portfolio services (including clearing expenses related to transition management services), technology, professional services, communications, closed-end fund launch costs and other general and administration expenses, including the impact of foreign currency remeasurement.

Non-operating income (expense) includes the effect of changes in the valuations on investments (excluding available-for-sale investments) and earnings on equity method investments, as well as interest and dividend income and interest expense. Other comprehensive income includes changes in valuations related to available-for-sale investments. BlackRock primarily holds seed and co-investments in sponsored investment products that invest in a variety of asset classes, including private equity, distressed credit/mortgage debt securities, hedge funds and real estate. 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, including Federal Reserve Bank stock. BlackRock does not engage in proprietary trading activities that could conflict with the interests of its clients.

In addition, non-operating income (expense) includes the impact of changes in the valuations of consolidated sponsored investment funds and consolidated collateralized loan obligations ("CLOs"). The portion of non-operating income (expense) not attributable to BlackRock is allocated to NCI on the consolidated statements of income.



## Table of Contents

### Revenue

				Variance	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
<i>(Dollar amounts in millions)</i>					
<b>Investment advisory, administration fees and securities lending revenue:</b>					
Equity:					
Active	\$1,753	\$1,967	\$1,848	\$ (214)	\$ 119
<i>iShares</i>	1,941	1,847	1,660	94	187
Fixed income:					
Active	1,182	1,104	1,047	78	57
<i>iShares</i>	441	317	263	124	54
Multi-asset class	957	894	740	63	154
Alternatives:					
Core	525	557	522	(32)	35
Currency and commodities	131	136	110	(5)	26
Sub-total	6,930	6,822	6,190	108	632
Non-ETF Index:					
Equity	552	488	424	64	64
Fixed income	229	203	166	26	37
Sub-total Non-ETF Index	781	691	590	90	101
Long-term	7,711	7,513	6,780	198	733
Cash management	361	383	510	(22)	(127)
Total base fees	8,072	7,896	7,290	176	606
Investment advisory performance fees:					
Equity	88	145	123	(57)	22
Fixed income	48	35	55	13	(20)
Multi-asset class	15	20	33	(5)	(13)
Alternatives	312	171	329	141	(158)
Total	463	371	540	92	(169)
<i>BlackRock Solutions</i> and advisory	518	510	460	8	50
Distribution fees	71	100	116	(29)	(16)
Other revenue	213	204	206	9	(2)
<b>Total revenue</b>	<b>\$9,337</b>	<b>\$9,081</b>	<b>\$8,612</b>	<b>\$ 256</b>	<b>\$ 469</b>

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

	Mix of Base Fees			Mix of Average AUM by Asset Class <sup>(1)</sup>		
	2012	2011	2010	2012	2011	2010
Equity:						
Active	22%	25%	25%	8%	9%	10%
<i>iShares</i>	23%	23%	23%	13%	13%	12%
Fixed income:						
Active	15%	14%	14%	18%	18%	19%
<i>iShares</i>	5%	4%	4%	5%	4%	4%
Multi-asset class	12%	11%	10%	7%	6%	5%
Alternatives:						
Core	7%	7%	7%	2%	2%	2%
Currency and commodities	2%	2%	2%	1%	1%	1%
Sub-total	86%	86%	85%	54%	53%	53%
Non-ETF Index:						
Equity	7%	6%	6%	27%	26%	26%
Fixed income	3%	3%	2%	12%	13%	12%
Sub-total Non-ETF Index:	10%	9%	8%	39%	39%	38%
Long-term	96%	95%	93%	93%	92%	91%
Cash management	4%	5%	7%	7%	8%	9%
<b>Total excluding Advisory AUM</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Average AUM represents a five point average of quarter-end spot AUM.

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## Table of Contents

In 2012, non-ETF Index equity and fixed income were 10% of total base fees; however, AUM associated with these base fees represented 39% of total average AUM. In 2011, non-ETF Index equity and fixed income were 9% of total base fees; however, AUM associated with these base fees represented 39% of total average AUM.

### **2012 Compared with 2011.**

Revenues increased \$256 million, or 3%, in 2012 reflecting market growth, positive flows, improvements in securities lending revenue and strength in performance fees.

**Investment Advisory, Administration Fees and Securities Lending Revenue.** Investment advisory, administration fees and securities lending revenue totaled \$8,072 million in 2012 compared with \$7,896 million in 2011. The current year reflected an improvement in securities lending revenue and higher advisory fees reflecting higher long-term average AUM. Securities lending fees were \$510 million in 2012 compared with \$397 million in 2011, reflecting higher lending rates and an increase in average balances of securities on loan.

**Performance Fees.** Investment advisory performance fees were \$463 million in 2012 compared with \$371 million in 2011, primarily reflecting higher performance fees from alternative products, including fees from a disposition-related opportunistic fund, which were partially offset by lower fees from equity products.

**BlackRock Solutions and Advisory.** BlackRock Solutions and advisory revenue in 2012 increased \$8 million, or 2%, from 2011, primarily due to higher revenue from Aladdin mandates partially offset by the run off of revenues associated with a lower level of advisory assets and lower one-term revenue from advisory assignments.

**Distribution Fees.** Distribution fees of \$71 million in 2012 decreased \$29 million, or 29%, from \$100 million in 2011, primarily due to lower AUM in certain share classes of BlackRock Funds.

**Other Revenue.** Other revenue increased \$9 million, largely reflecting higher earnings from certain operating advisory company investments, partially offset by lower sales commissions and marketing fees earned for services to distribute iPath® products.

### **2011 Compared with 2010.**

Revenues increased \$469 million, or 5%, in 2011 largely reflecting a \$606 million increase in total investment advisory, administration fees and securities lending revenue, partially offset by lower performance fees of \$169 million.

**Investment Advisory, Administration Fees and Securities Lending Revenue.** Investment advisory, administration fees and securities lending revenue totaled \$7,896 million in 2011 compared with \$7,290 million in 2010. 2011 reflected an improvement in base fees primarily due to growth in long-term average AUM, which included the benefit of net new business, partially offset by a decline in fees from cash management products due to lower average AUM and higher fee waivers. Securities lending fees were \$397 million in 2011 compared with \$325 million in 2010, reflecting an increase in average balances of securities on loan and higher lending rates.

**Performance Fees.** Investment advisory performance fees were \$371 million in 2011 compared with \$540 million in 2010, primarily reflecting lower performance fees from alternative strategies, including multi-strategy and single-strategy equity and fixed income hedge funds and opportunistic funds. The decrease was partially offset by higher performance fees due to strong relative performance from regional/country and global equity strategies.

**BlackRock Solutions and Advisory.** BlackRock Solutions and advisory revenue in 2011 increased \$50 million, or 11%, from 2010, largely driven by on-going and additional Aladdin mandates and advisory assignments.

**Distribution Fees.** Distribution fees of \$100 million in 2011 decreased \$16 million, or 14%, from \$116 million in 2010, primarily due to lower AUM in certain share classes of BlackRock Funds.

## Table of Contents

### Expenses

	2012	2011	2010	Variance	
				2012 Vs. 2011	2011 Vs. 2010
<i>(Dollar amounts in millions)</i>					
<b>Expenses, GAAP:</b>					
Employee compensation and benefits	\$3,287	\$3,199	\$3,097	\$ 88	\$ 102
Distribution and servicing costs	364	386	408	(22)	(22)
Amortization of deferred sales commissions	55	81	102	(26)	(21)
Direct fund expenses	591	563	493	28	70
General and administration:					
Marketing and promotional	384	315	328	69	(13)
Occupancy and office related	248	373	317	(125)	56
Portfolio services	196	189	177	7	12
Technology	150	146	152	4	(6)
Professional services	114	139	115	(25)	24
Communications	39	40	49	(1)	(9)
Regulatory, filing and license fees	17	16	34	1	(18)
Charitable contributions	6	7	26	(1)	(19)
Closed-end fund launch costs	22	26	15	(4)	11
Other general and administration	183	164	141	19	23
Total general and administration expenses	1,359	1,415	1,354	(56)	61
Restructuring charges	—	32	—	(32)	32
Amortization of intangible assets	157	156	160	1	(4)
<b>Total expenses, GAAP</b>	<b>\$5,813</b>	<b>\$5,832</b>	<b>\$5,614</b>	<b>\$ (19)</b>	<b>\$ 218</b>
<b>Less non-GAAP expense adjustments:</b>					
Employee compensation and benefits:					
BGI integration costs	—	—	25	—	(25)
PNC LTIP funding obligation	22	44	58	(22)	(14)
Merrill Lynch compensation contribution	—	7	10	(7)	(3)
Compensation expense related to appreciation (depreciation) on deferred compensation plans	6	(3)	11	9	(14)
Sub-total	28	48	104	(20)	(56)
General and administration:					
BGI integration costs	—	—	65	—	(65)
U.K. lease exit costs	(8)	63	—	(71)	63
Contribution to STIFs	30	—	—	30	—
Sub-total	22	63	65	(41)	(2)
Restructuring charges	—	32	—	(32)	32
<b>Total non-GAAP expense adjustments</b>	<b>50</b>	<b>143</b>	<b>169</b>	<b>(93)</b>	<b>(26)</b>
<b>Expenses, as adjusted:</b>					
Employee compensation and benefits	3,259	3,151	2,993	108	158
Distribution and servicing costs	364	386	408	(22)	(22)
Amortization of deferred sales commissions	55	81	102	(26)	(21)
Direct fund expenses	591	563	493	28	70
General and administration	1,337	1,352	1,289	(15)	63
Amortization of intangible assets	157	156	160	1	(4)
<b>Total expenses, as adjusted</b>	<b>\$5,763</b>	<b>\$5,689</b>	<b>\$5,445</b>	<b>\$ 74</b>	<b>\$ 244</b>

## Table of Contents

### **2012 Compared with 2011.**

Total GAAP expenses decreased \$19 million to \$5,813 million in 2012 from \$5,832 million in 2011. Excluding certain items deemed non-recurring by management or transactions that ultimately will not affect the Company's book value, total expenses, as adjusted, increased \$74 million. The increase in total expenses, as adjusted, is primarily attributable to increases in employee compensation and benefits and direct fund expenses, partially offset by a reduction in amortization of deferred sales commissions, distribution and servicing costs and general and administration expenses.

#### Employee Compensation and Benefits.

GAAP. Employee compensation and benefits expense increased \$88 million, or 3%, to \$3,287 million in 2012 from \$3,199 million in 2011. Employees at December 31, 2012 totaled approximately 10,500 compared with approximately 10,100 at December 31, 2011.

As Adjusted. Employee compensation and benefits, as adjusted, increased by \$108 million, reflecting a \$104 million increase in incentive compensation driven by higher operating income, including higher performance fees.

Distribution and Servicing Costs. Distribution and servicing costs decreased \$22 million, or 6%, to \$364 million in 2012 from \$386 million in 2011. The \$22 million decrease related to lower service fees from variable annuities and lower cash management-related distribution costs. These costs included payments to Bank of America/Merrill Lynch under the global distribution agreement, PNC and Barclays, as well as other third parties, primarily associated with the distribution and servicing of client investments in certain BlackRock products.

Distribution and servicing costs for 2012 and 2011 included \$195 million and \$207 million, respectively, of costs attributable to Bank of America and affiliates.

Amortization of Deferred Sales Commissions. Amortization of deferred sales commissions decreased \$26 million, or 32%, to \$55 million in 2012 from \$81 million in 2011, primarily related to lower sales in certain share classes of U.S. open-end mutual funds.

Direct Fund Expenses. In 2012, direct fund expenses increased \$28 million from 2011 million, primarily reflecting growth in average AUM for the funds (predominantly iShares) where BlackRock pays certain non-advisory expenses of the funds.

#### General and Administration Expenses.

GAAP. General and administration expenses decreased \$56 million, or 4%, to \$1,359 million in 2012 from \$1,415 million in 2011. Lower occupancy and office-related expenses, primarily due to \$63 million of U.K. lease exit costs incurred in the third quarter 2011, and lower professional services costs contributed to the overall net decrease in general and administration expenses. The decrease in general and administration expenses was partially offset by higher marketing and promotional expenses in connection with the brand campaign and a one-time contribution to STIFs (see *Liquidity and Capital Resources* for more information).

Non-GAAP Adjustments. In 2012, general and administration expenses included the previously mentioned contribution to STIFs. In 2011, general and administration expenses included \$63 million of U.K. lease exit costs related to the Company's exit from two London locations. The adjustment for U.K. lease exit costs in 2012 represents an adjustment to the estimated costs initially recorded in 2011. These amounts were excluded from as adjusted general and administrative expenses.

As Adjusted. General and administration expenses, as adjusted, of \$1,337 million decreased \$15 million in 2012 from \$1,352 million in 2011. Lower occupancy and office-related expenses, professional fees and consulting expenses contributed to the overall decrease in as adjusted general and administration expenses. The decrease in as adjusted general and administration expenses was partially offset by higher marketing and promotional expenses in connection with the brand campaign.

### **2011 Compared with 2010.**

Total GAAP expenses increased \$218 million, or 4%, to \$5,832 million in 2011 from \$5,614 million in 2010. Excluding certain items deemed non-recurring by management or transactions that ultimately will not affect the Company's book value, total expenses, as adjusted, increased \$244 million, or 4%. The increase in total expenses, as adjusted, is primarily attributable to increases in employee compensation and benefits, direct fund expenses and general and administration expenses, partially offset by a reduction in distribution and servicing costs and amortization of deferred sales commissions.

#### Employee Compensation and Benefits.

GAAP. Employee compensation and benefits expense increased \$102 million, or 3%, to \$3,199 million in 2011 from \$3,097 million in 2010. Employees at December 31, 2011 totaled approximately 10,100 compared with approximately 9,100 at December 31, 2010.

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## Table of Contents

As Adjusted. Employee compensation and benefits, as adjusted, increased by \$158 million, reflecting a \$164 million increase in base salaries due to an increase in the number of employees and salary levels, and a \$41 million increase in other compensation, including payroll taxes, benefits, and commissions. These increases were partially offset by a \$47 million decrease in incentive compensation.

Distribution and Servicing Costs. Distribution and servicing costs decreased \$22 million, or 5%, to \$386 million in 2011 from \$408 million in 2010. The \$22 million decrease related to lower cash management-related costs of \$45 million, reflecting lower average AUM and higher yield-support waivers resulting in lower levels of distribution costs, partially offset by higher costs due to increases in average AUM for open-end and closed-end funds, separate accounts and variable annuities.

Distribution and servicing costs in 2011 included \$207 million of costs attributable to Bank of America/Merrill Lynch and affiliates, and \$3 million of costs attributable to PNC and affiliates compared with \$246 million and \$10 million, respectively, in 2010. Distribution and servicing costs related to other third parties, including Barclays, increased \$24 million to \$176 million in 2011 from \$152 million in 2010 due to an expansion of distribution platforms and higher long-term AUM.

Amortization of Deferred Sales Commissions. Amortization of deferred sales commissions decreased \$21 million, or 21%, to \$81 million in 2011 from \$102 million in 2010. Lower sales in certain share classes of U.S. open-end mutual funds contributed to the decline.

Direct Fund Expenses. Direct fund expenses increased \$70 million reflecting growth in average AUM for the funds (predominantly *iShares*) where BlackRock pays certain non-advisory expenses of the funds.

General and Administration Expenses.

GAAP. General and administration expenses increased \$61 million, or 5%, to \$1,415 million in 2011 from \$1,354

million in 2010. Higher occupancy and office-related expenses (including \$63 million of U.K. lease exit costs), higher professional services costs and other general and administration expenses contributed to the overall net increase in general and administration expenses. The \$23 million increase in other general and administration expenses reflected higher VAT expense and recruiting costs in 2011 offset by the non-recurrence of other general and administration provisions recorded in 2010 related to an outstanding loan to Anthracite Capital Inc. The increase in general and administration expenses was partially offset by a decrease in charitable contributions as well as a decrease in regulatory, filing and licenses fees, primarily due to a \$20 million 2010 U.K. industry regulatory assessment.

Non-GAAP Adjustments. In 2011 general and administration expenses included the previously mentioned \$63 million of U.K. lease exit costs. In 2010, general and administration expenses included \$65 million of BGI integration costs primarily consisting of \$33 million of marketing and promotional costs, \$12 million of professional services and \$12 million of occupancy costs. These amounts were excluded from as adjusted general and administrative expenses.

As Adjusted. General and administration expenses, as adjusted, of \$1,352 million increased \$63 million, or 5%, in 2011 from \$1,289 million in 2010. The increase was primarily due to higher VAT expense, an increase in professional services costs, and higher marketing and promotional costs, partially offset by the non-recurrence of costs recorded in 2010 related to an outstanding loan to Anthracite Capital, Inc.

In addition, general and administration expenses, as adjusted, reflected higher marketing and promotional costs in 2011.

Restructuring Charges. In 2011, BlackRock recorded pre-tax restructuring charges of \$32 million, primarily related to severance, accelerated amortization of certain previously granted stock awards, and legal and outplacement costs, associated with a reduction in work force and reengineering efforts.

## Table of Contents

### Non-operating Results

Non-operating income (expense), less net income (loss) attributable to NCI for 2012, 2011 and 2010 was as follows:

(Dollar amounts in millions)	2012	2011	2010	Variance	
				2012 vs. 2011	2011 vs. 2010
Non-operating income (expense), GAAP basis	\$ (54)	\$(114)	\$ 23	\$ 60	\$ (137)
Less: Net income (loss) attributable to NCI <sup>(1)</sup>	(18)	2	(13)	(20)	15
Non-operating income (expense) <sup>(2)</sup>	(36)	(116)	36	80	(152)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(6)	3	(11)	(9)	14
Non-operating income (expense), as adjusted <sup>(2)</sup>	<u>\$ (42)</u>	<u>\$(113)</u>	<u>\$ 25</u>	<u>\$ 71</u>	<u>\$ (138)</u>

<sup>(1)</sup> Amounts included losses of \$38 million, \$18 million and \$35 million attributable to consolidated variable interest entities for 2012, 2011 and 2010, respectively.

<sup>(2)</sup> Net of net income (loss) attributable to NCI.

The components of non-operating income (expense), less net income (loss) attributable to NCI for 2012, 2011 and 2010 were as follows:

(Dollar amounts in millions)	2012	2011	2010	Variance	
				2012 vs. 2011	2011 vs. 2010
Net gain (loss) on investments <sup>(1)</sup>					
Private equity	\$ 36	\$ 36	\$ 31	\$ —	\$ 5
Real estate	14	10	17	4	(7)
Distressed credit/mortgage funds	69	(13)	66	82	(79)
Hedge funds/funds of hedge funds	20	(5)	18	25	(23)
Other investments <sup>(2)</sup>	(2)	1	14	(3)	(13)
Sub-total	137	29	146	108	(117)
Investments related to deferred compensation plans	6	(3)	11	9	(14)
Total net gain (loss) on investments	143	26	157	117	(131)
Interest and dividend income	36	34	29	2	5
Interest expense	(215)	(176)	(150)	(39)	(26)
Net interest expense	(179)	(142)	(121)	(37)	(21)
Total non-operating income (expense) <sup>(1)</sup>	(36)	(116)	36	80	(152)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(6)	3	(11)	(9)	14
Non-operating income (expense), as adjusted <sup>(1)</sup>	<u>\$ (42)</u>	<u>\$(113)</u>	<u>\$ 25</u>	<u>\$ 71</u>	<u>\$ (138)</u>

<sup>(1)</sup> Net of net income (loss) attributable to NCI.

<sup>(2)</sup> Amount included net gains (losses) related to equity and fixed income investments and BlackRock's seed capital hedging program.

#### 2012 Compared with 2011.

Net gains on investments increased \$117 million from 2011 due to higher net positive marks in 2012 compared with 2011.

Net interest expense increased from 2011, primarily due to long-term debt issuances in May 2011 and May 2012. For further information on the Company's long-term debt, see *Liquidity and Capital Resources* herein.

#### 2011 Compared with 2010.

Net gains on investments decreased \$131 million during 2011 due to lower net positive marks in 2011 compared with 2010.

Net interest expense increased \$21 million, or 17%, from 2010 primarily due to long-term debt issuances in May 2011, partially offset by higher interest and dividend income.

## Table of Contents

### Income Tax Expense

(Dollar amounts in millions)

	GAAP			As adjusted		
	2012	2011	2010	2012	2011	2010
Income before income taxes <sup>(1)</sup>	\$3,488	\$3,133	\$3,034	\$3,532	\$3,279	\$3,192
Income tax expense	\$1,030	\$ 796	\$ 971	\$1,094	\$1,040	\$1,053
Effective tax rate	29.5%	25.4%	32.0%	31.0%	31.7%	33.0%

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

The Company's tax rate is affected by tax rates in foreign jurisdictions and the relative amount of income earned in those jurisdictions, which the Company expects to be fairly consistent in the near term. The significant foreign jurisdictions, which have lower statutory tax rates than the U.S. federal statutory rate of 35%, include the United Kingdom, Luxembourg, Canada and the Netherlands. U.S. income taxes were not provided for certain undistributed foreign earnings intended to be indefinitely reinvested outside the United States.

**2012.** The GAAP effective tax rate of 29.5% for 2012 included a \$21 million benefit related to the resolution of certain outstanding tax positions and a \$50 million net non-cash benefit related to the revaluation of certain deferred income tax liabilities including tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure.

The as adjusted effective tax rate of 31.0% for 2012 excluded the \$50 million net non-cash tax benefit mentioned above.

**2011.** The GAAP effective tax rate of 25.4% for 2011 included a \$24 million benefit related to the resolution of certain outstanding tax positions and \$198 million of net non-cash tax benefits due to a state tax election and enacted U.K., Japan, U.S. state and local tax legislation.

The 2011 as adjusted effective tax rate of 31.7% included the \$24 million benefit related to the revaluation of certain deferred income tax liabilities and excluded the \$198 million net non-cash benefit.

**2010.** The GAAP effective tax rate of 32.0% for 2010 included a \$30 million non-cash tax benefit related to the revaluation of certain net deferred income tax liabilities primarily related to acquired intangible assets due to enacted U.K. tax legislation. In addition, 2010 included the effect of favorable tax rulings and the resolution of certain outstanding tax positions.

The as adjusted effective tax rate of 33.0% for 2010 excluded the \$30 million non-cash tax benefit mentioned above.

### Balance Sheet Overview

#### As Adjusted Balance Sheet

The following table presents a reconciliation of the Company's consolidated statement of financial condition presented on a GAAP basis to the Company's consolidated statement of financial condition excluding the impact of separate account assets and collateral held under securities lending agreements (directly related to lending securities held by separate account assets) and separate account liabilities and collateral liabilities under securities lending agreements, consolidated variable interest entities ("VIEs") and consolidated sponsored investment funds.

The Company presents the as adjusted balance sheet as additional information to enable investors to eliminate gross presentation of certain assets that have equal and offsetting liabilities or non-controlling interests and ultimately do not have an impact on stockholders' equity (excluding appropriated retained earnings related to consolidated collateralized loan obligations) or cash flows. Management reviews the Company's as adjusted balance sheet, a non-GAAP financial measure, as an economic presentation of its 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 Collateral Held under Securities Lending Agreements

The separate account assets are maintained by 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. In accordance with GAAP, 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 Company's consolidated statements of income. While

## Table of Contents

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 the clients.

In addition, the Company records on its consolidated statements of financial condition the collateral received under securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral.

### Consolidated VIEs

At December 31, 2012, BlackRock's consolidated VIEs included CLOs and one investment fund. The assets of these VIEs are not available to creditors of the Company and the Company has no obligation to settle the liabilities of the VIEs. While BlackRock has no material economic interest in these assets or liabilities, BlackRock earns an investment advisory fee, as well as a potential performance fee, for the service of managing these assets on behalf of clients.

	December 31, 2012				
	Segregated client assets generating advisory fees in which BlackRock has no economic interest or liability				
	GAAP Basis	Separate Account Assets/ Collateral	Consolidated VIEs	Consolidated Sponsored Investment Funds	As Adjusted
<i>(Dollar amounts in millions)</i>					
<b>Assets</b>					
Cash and cash equivalents	\$ 4,606	\$ —	\$ —	\$ 133	\$ 4,473
Accounts receivable	2,250	—	—	—	2,250
Investments	1,750	—	—	94	1,656
Assets of consolidated VIEs	2,561	—	2,561	—	—
Separate account assets and collateral held under securities lending agreements	157,789	157,789	—	—	—
Other assets <sup>(1)</sup>	1,183	—	—	25	1,158
Sub-total	170,139	157,789	2,561	252	9,537
Goodwill and intangible assets, net	30,312	—	—	—	30,312
Total assets	<u>\$200,451</u>	<u>\$ 157,789</u>	<u>\$ 2,561</u>	<u>\$ 252</u>	<u>\$ 39,849</u>
<b>Liabilities</b>					
Accrued compensation and benefits	\$ 1,547	\$ —	\$ —	\$ —	\$ 1,547
Accounts payable and accrued liabilities	1,055	—	—	—	1,055
Borrowings <sup>(2)</sup>	5,787	—	—	—	5,787
Liabilities of consolidated VIEs	2,505	—	2,505	—	—
Separate account liabilities and collateral liabilities under securities lending agreements	157,789	157,789	—	—	—
Deferred income tax liabilities	5,293	—	—	—	5,293
Other liabilities <sup>(3)</sup>	858	—	—	65	793
Total liabilities	<u>174,834</u>	<u>157,789</u>	<u>2,505</u>	<u>65</u>	<u>14,475</u>
<b>Equity</b>					
Total stockholders' equity <sup>(4)</sup>	25,403	—	29	—	25,374
Non-controlling interests	214	—	27	187	—
Total equity	<u>25,617</u>	<u>—</u>	<u>56</u>	<u>187</u>	<u>25,374</u>
Total liabilities and equity	<u>\$200,451</u>	<u>\$ 157,789</u>	<u>\$ 2,561</u>	<u>\$ 252</u>	<u>\$ 39,849</u>

(1) Amounts include due from related parties, deferred sales commissions, property and equipment and other assets.

(2) Amounts include short-term borrowings and long-term borrowings.

(3) Amounts include due to related parties and other liabilities.

(4) GAAP amount includes \$29 million of appropriated retained earnings.



## Table of Contents

The following table presents selected significant components of BlackRock's GAAP consolidated statements of financial condition at December 31, 2012 and December 31, 2011:

(Dollar amounts in millions)	December 31,	December 31,	Variance	
	2012	2011	Amount	% Change
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,606	\$ 3,506	\$ 1,100	31%
Accounts receivable	2,250	1,960	290	15%
Investments	1,750	1,631	119	7%
Goodwill and intangible assets, net	30,312	30,148	164	1%
Other assets <sup>(1)</sup>	1,183	1,169	14	1%
<b>Liabilities:</b>				
Accrued compensation and benefits	1,547	1,383	164	12%
Accounts payable and accrued liabilities	1,055	923	132	14%
Borrowings <sup>(2)</sup>	5,787	4,790	997	21%
Deferred income tax liabilities	5,293	5,323	(30)	(1%)
Other liabilities <sup>(3)</sup>	858	743	115	15%
Stockholders' equity	25,403	25,048	355	1%

<sup>(1)</sup> Amounts include due from related parties, deferred sales commissions, property and equipment and other assets.

<sup>(2)</sup> Amounts include short-term and long-term borrowings.

<sup>(3)</sup> Amounts include due to related parties and other liabilities.

The following discussion summarizes the significant changes in assets and liabilities. 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.

**Cash and Cash Equivalents.** Cash and cash equivalents at December 31, 2012 and December 31, 2011 included \$133 million and \$196 million of cash held by consolidated sponsored investment funds, respectively. See *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during 2012.

**Accounts Receivable.** Accounts receivable at December 31, 2012 increased \$290 million from December 31, 2011, primarily reflecting higher receivables resulting from an increase in base fees related to AUM growth and higher performance fees, and an increase in unit trust receivables, substantially offset by an increase in unit trust payables recorded within accounts payable and accrued liabilities.

**Investments.** BlackRock reports its investments on a GAAP basis, which includes investments that are held by sponsored investment funds deemed to be controlled by BlackRock in accordance with GAAP. As a result, management reviews BlackRock's investments on an "economic" basis, which eliminates the portion of investments that do not impact BlackRock's book value. 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 its investments that are owned by the Company, net of NCI, as a gauge to measure the impact of changes in net non-operating gain (loss) on investments to net income (loss) attributable to BlackRock.

## Table of Contents

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

<i>(Dollar amounts in millions)</i>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Total investments, GAAP	\$ 1,750	\$ 1,631
Investments held by consolidated sponsored investment funds <sup>(1)</sup>	(524)	(587)
Net exposure to consolidated investment funds	430	475
Total investments, as adjusted	1,656	1,519
Federal Reserve Bank stock <sup>(2)</sup>	(89)	(328)
Carried interest	(85)	(21)
Deferred compensation investments	(62)	(65)
Hedged investments	(209)	(43)
Total "economic" investment exposure	\$ 1,211	\$ 1,062

<sup>(1)</sup> At December 31, 2012 and December 31, 2011, approximately \$524 million and \$587 million, respectively, of BlackRock's total GAAP investments were maintained in sponsored investment funds that were deemed to be controlled by BlackRock in accordance with GAAP, and, therefore, are consolidated even though BlackRock may not economically own a majority of such funds.

<sup>(2)</sup> The decrease of \$239 million related to a lower holding requirement of Federal Reserve Bank stock held by BlackRock Institutional Trust Company, N.A. ("BTC").

Total investments, as adjusted, at December 31, 2012 increased \$137 million from December 31, 2011, resulting from \$765 million of purchases/capital contributions, \$185 million from positive market valuations and earnings from equity method investments, and \$64 million from net additional carried interest capital allocations, partially offset by \$742 million of sales/maturities and \$135 million of distributions representing return of capital and return on investments.

## Table of Contents

The following table represents the carrying value of investments, by asset type, at December 31, 2012 and December 31, 2011:

(Dollar amounts in millions)	December 31,	December 31,	Variance	
	2012	2011	Amount	% Change
Private equity	\$ 298	\$ 306	\$ (8)	(3%)
Real estate	122	108	14	13%
Distressed credit/mortgage funds	214	217	(3)	(1%)
Hedge funds/funds of hedge funds	159	167	(8)	(5%)
Other investments <sup>(1)</sup>	418	264	154	58%
Total "economic" investment exposure	\$ 1,211	\$ 1,062	\$ 149	14%

<sup>(1)</sup> Other investments primarily include seed investments in fixed income, commodities and equity funds/strategies as well as U.K. government securities held for regulatory purposes. The increase in other investments reflected higher seed investments in fourth quarter 2012.

The following table represents investments, as adjusted at December 31, 2012:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Investments Not Held at Fair Value <sup>(1)</sup>	Investments at December 31, 2012
Total investments, as adjusted <sup>(2)</sup>	\$ 541	\$ 196	\$ 548	\$ 371	\$ 1,656

<sup>(1)</sup> Amount includes investments held at cost, amortized cost, carried interest and equity method investments, which include investment companies, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures, therefore, the Company's investment in such equity method investees may not represent fair value.

<sup>(2)</sup> Amounts include BlackRock's portion of cash and cash equivalents, other assets and liabilities that are consolidated from non-VIE sponsored investment funds. See Note 5, Fair Value Disclosures, to the Company's consolidated financial statements contained in Part II, Item 8 of this filing, for total GAAP investments.

**Goodwill and Intangible Assets.** Goodwill and intangible assets at December 31, 2012 increased \$164 million from December 31, 2011, primarily due to the SRPEP and Claymore Transactions, partially offset by \$157 million of amortization expense.

**Other Assets.** Other assets at December 31, 2012 increased \$14 million from December 31, 2011, primarily related to higher earnings from certain operating advisory company investments and an increase in property and equipment, partially offset by a decline in receivables from related parties and lower current income taxes receivable.

**Accrued Compensation and Benefits.** Accrued compensation and benefits at December 31, 2012 increased \$164 million from December 31, 2011, primarily related to higher 2012 incentive compensation accruals.

**Accounts Payable and Accrued Liabilities.** Accounts payable and accrued liabilities at December 31, 2012 increased \$132 million from December 31, 2011, due to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within accounts receivable), increased accruals, including direct

fund expenses and marketing and higher current income taxes payable.

**Borrowings.** Borrowings at December 31, 2012 increased \$997 million from December 31, 2011 primarily resulting from \$1.5 billion of net proceeds from new issuances of long-term borrowings, partially offset by repayments of \$500 million.

**Deferred Income Tax Liabilities.** Net deferred income tax liabilities at December 31, 2012 decreased \$30 million, primarily as a result of the effects of temporary differences associated with deferred stock compensation and investment income offset by the Claymore Transaction. In addition, the decrease related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure.

**Other Liabilities.** Other liabilities at December 31, 2012 increased \$115 million from December 31, 2011, primarily resulting from an increase in deferred carried interest, liabilities of consolidated funds and other operating liabilities.

## Table of Contents

**Stockholders' Equity.** Total stockholders' equity at December 31, 2012 increased \$355 million from December 31, 2011, resulting from \$2.5 billion of net income attributable to BlackRock, \$451 million of stock-based compensation expense, \$64 million excess tax benefits from vested stock-based compensation, \$53 million of foreign currency translation adjustments and \$56 million of issuances of common shares related to employee stock transactions. The increase in stockholders' equity was partially offset by \$1.7 billion of share repurchases and \$1.1 billion of cash dividend payments.

### Liquidity and Capital Resources

#### BlackRock Cash Flows Excluding the Impact of Consolidated Sponsored Investment Funds and VIEs

In accordance with GAAP, BlackRock consolidates certain BlackRock sponsored investment funds and CLOs,

notwithstanding the fact BlackRock may only have a minority interest, if any, in these funds or CLOs. As a result, BlackRock's consolidated statements of cash flows include the cash flows of consolidated sponsored investment funds and CLOs. The Company uses an adjusted cash flow statement, which excludes the impact of consolidated sponsored investment funds and CLOs, 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 funds and CLOs, 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 consolidated statements of cash flows presented on a GAAP basis to the consolidated statements of cash flows, excluding the impact of the cash flows of consolidated sponsored investment funds and consolidated VIEs:

	GAAP Basis	Impact on Cash Flows of Consolidated Sponsored Investment Funds	Impact on Cash Flows of Consolidated VIEs	Cash Flows Excluding Impact of Consolidated Sponsored Investment Funds and VIEs
<i>(Dollar amounts in millions)</i>				
<b>Cash and cash equivalents, December 31, 2010</b>	<b>\$ 3,367</b>	<b>\$ 65</b>	<b>\$ —</b>	<b>\$ 3,302</b>
Cash flows from operating activities	2,826	42	136	2,648
Cash flows from investing activities	(204)	24	—	(228)
Cash flows from financing activities	(2,485)	65	(136)	(2,414)
Effect of exchange rate changes on cash and cash equivalents	2	—	—	2
Net change in cash and cash equivalents	139	131	—	8
<b>Cash and cash equivalents, December 31, 2011</b>	<b>\$ 3,506</b>	<b>\$ 196</b>	<b>\$ —</b>	<b>\$ 3,310</b>
Cash flows from operating activities	2,240	(256)	(227)	2,723
Cash flows from investing activities	(266)	(211)	—	(55)
Cash flows from financing activities	(944)	404	227	(1,575)
Effect of exchange rate changes on cash and cash equivalents	70	—	—	70
Net change in cash and cash equivalents	1,100	(63)	—	1,163
<b>Cash and cash equivalents, December 31, 2012</b>	<b>\$ 4,606</b>	<b>\$ 133</b>	<b>\$ —</b>	<b>\$ 4,473</b>

Sources of BlackRock's operating cash primarily include investment advisory, administration fees and securities lending revenue, performance fees, revenue from *BlackRock Solutions* and advisory products and services, other revenue and distribution fees.

BlackRock uses its cash to pay compensation and benefits, distribution and servicing costs, direct fund expenses, general and administration expenses, interest and principal on the Company's borrowings, income taxes, dividends on BlackRock's capital stock, repurchases of the Company's stock, capital expenditures and purchases of co-investments and seed investments.

## Table of Contents

Cash flows from operating activities, excluding the impact of consolidated sponsored investment funds and VIEs, primarily include the receipt of investment advisory and administration fees, securities lending revenue and other revenue offset by the payment of operating expenses incurred in the normal course of business, including the effect of cash payments related to year-end incentive compensation.

Cash outflows from investing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the year ended December 31, 2012 were \$55 million and primarily included \$435 million of purchases of investments, \$267 million related to the Claymore and SRPEP Transactions and \$150 million of purchases of property and equipment, partially offset by \$724 million of net proceeds from sales and maturities of investments

### Capital Resources

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Capital resources at December 31, 2012 and 2011 were as follows:

(Dollar amounts in millions)	December 31,	December 31,	Variance	
	2012	2011	Amount	% Change
Cash and cash equivalents	\$ 4,606	\$ 3,506	\$ 1,100	31%
Cash and cash equivalents held by consolidated sponsored investment funds <sup>(1)</sup>	(133)	(196)	63	32%
Subtotal	4,473	3,310	1,163	35%
Credit facility – undrawn	3,685	3,400	285	8%
Total liquidity	\$ 8,158	\$ 6,710	\$ 1,448	22%

(1) The Company may not be able to access such cash to use in its operating activities.

Total liquidity increased \$1.4 billion during 2012, primarily reflecting positive operating cash flows, proceeds from long-term debt issuances in May 2012 and the increased aggregate commitment of the 2012 credit facility from \$3.5 billion to \$3.785 billion, partially offset by share repurchases, including \$1.0 billion from Barclays and \$500 million in open market transactions, and the long-term debt repayments of \$500 million. A portion of liquidity may be utilized to pay down the current portion of long-term debt maturing in 2013.

**Share Repurchase Approvals.** In January 2013, the Board of Directors (the "Board") approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock.

In February 2012, the Board approved an increase in the availability under the Company's then existing share

and \$73 million of return of capital from equity method investees.

Cash outflows from financing activities, excluding the impact of consolidated sponsored investment funds and VIEs, for the year ended December 31, 2012 were \$1.6 billion, including \$1.7 billion of share repurchases, including \$1.0 billion from Barclays, \$500 million in open market transactions, and \$0.2 billion of employee tax withholdings related to employee stock transactions, \$1.1 billion of payments for cash dividends and a \$0.5 billion repayment of long-term debt. Cash outflows from financing activities were partially offset by cash inflows related to \$1.5 billion of net proceeds from long-term borrowings, \$74 million of excess tax benefits from stock-based compensation and \$47 million of proceeds from stock options exercised.

repurchase program to allow for the repurchase of up to 5.0 million shares. The Company repurchased 2,726,600 shares in open market transactions for approximately \$500 million during 2012. As of December 31, 2012, there were 2,725,400 shares still authorized to be repurchased, which are included in the total January 2013 Board authorization of 10.2 million shares.

**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 equivalents in those jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers.

## Table of Contents

BTC is chartered as a national bank that does not accept client deposits and whose powers are limited to trust activities. BTC provides investment management services, including investment advisory and securities lending agency services to institutional investors and other clients. BTC is subject to various regulatory capital and liquid asset requirements administered by Federal banking agencies.

At December 31, 2012, the Company was required to maintain approximately \$1,209 million, compared with \$1,196 million at December 31, 2011, in net capital in certain regulated subsidiaries, including BTC, entities

regulated by the Financial Services Authority in the United Kingdom and the Company's broker-dealers, and was in compliance with all applicable regulatory minimum net capital requirements.

**Undistributed Earnings of Foreign Subsidiaries.** As of December 31, 2012, the Company has not provided for U.S. federal and state income taxes on approximately \$2,125 million of undistributed earnings of its foreign subsidiaries. Such earnings are considered indefinitely reinvested outside the United States. The Company's current plans do not demonstrate a need to repatriate these funds.

### Contractual Obligations, Commitments and Contingencies

The following table sets forth contractual obligations, commitments and contingencies by year of payment at December 31, 2012:

<i>(Dollar amounts in millions)</i>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
<b>Contractual obligations and commitments:</b>							
Short-term borrowings:							
Principal	\$ 100	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100
Long-term borrowings <sup>(1)</sup> :							
Principal	750	1,000	750	—	700	2,500	5,700
Interest <sup>(2)</sup>	200	196	156	151	151	342	1,196
Operating leases	134	122	113	104	105	784	1,362
Purchase obligations	78	70	34	23	8	—	213
Investment commitments	235	—	—	—	—	—	235
<b>Total contractual obligations and commitments</b>	<u>1,497</u>	<u>1,388</u>	<u>1,053</u>	<u>278</u>	<u>964</u>	<u>3,626</u>	<u>8,806</u>
<b>Contingent obligations:</b>							
Contingent distribution obligations	179	—	—	—	—	—	179
<b>Total contractual obligations, commitments and contingent obligations<sup>(3)</sup></b>	<u>\$ 1,676</u>	<u>\$ 1,388</u>	<u>\$ 1,053</u>	<u>\$ 278</u>	<u>\$ 964</u>	<u>\$ 3,626</u>	<u>\$ 8,985</u>

<sup>(1)</sup> Long-term borrowings exclude the borrowings of consolidated CLOs. The Company has no obligation to settle the liabilities of these CLOs.

<sup>(2)</sup> Interest payable on the 2013 floating rate notes was calculated using a fixed rate of 1.03% as a result of the interest rate swap entered into in conjunction with the obligation.

<sup>(3)</sup> As of December 31, 2012, the Company had \$313 million of net unrecognized tax benefits. Due to the uncertainty of timing and amounts that will ultimately be paid, this amount has been excluded from the table above.

### Short-term Borrowings.

The following describes the Company's short-term borrowing arrangements that the Company has access to utilize.

**2012 Revolving Credit Facility.** In March 2012, the 2011 credit facility was amended to extend the maturity date by one year to March 2017 and in April 2012 the amount of the aggregate commitment was increased to \$3.785 billion (the "2012 credit facility"). The 2012 credit facility permits the Company to request an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2012 credit facility to an

aggregate principal amount not to exceed \$4.785 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2012 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 December 31, 2012.

The 2012 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At December 31, 2012, the Company had \$100 million

## Table of Contents

outstanding under this facility with an interest rate of 1.085% and a maturity during January 2013. During January 2013, the Company rolled over the \$100 million in borrowings at an interest rate of 1.085% and a maturity during February 2013. During February 2013, the Company rolled over the \$100 million in borrowings at an interest rate of 1.075% and a maturity during March 2013.

*Commercial Paper Program.* On October 14, 2009, BlackRock established a commercial paper program (the "CP Program") under which the Company could issue unsecured commercial paper notes (the "CP Notes") on a private placement basis up to a maximum aggregate amount outstanding at any time of \$3.0 billion. On May 13, 2011, BlackRock increased the maximum aggregate amount that may be borrowed under the CP Program to \$3.5 billion. On May 17, 2012, BlackRock increased the maximum aggregate amount to \$3.785 billion. The CP Program is currently supported by the 2012 credit facility. As of December 31, 2012 and December 31, 2011, BlackRock had no CP Notes outstanding.

*Long-term Borrowings.* At December 31, 2012, the principal amount of long-term borrowings, including current portion, was \$5.7 billion.

*2017 Notes.* In September 2007, the Company issued \$700 million in aggregate principal amount of 6.25% senior unsecured and unsubordinated notes maturing on September 15, 2017 (the "2017 Notes"). A portion of the net proceeds of the 2017 Notes was used to fund the initial cash payment for the acquisition of the fund of funds business of Quellos and the remainder was used for general corporate purposes. Interest is payable semi-annually in arrears on March 15 and September 15 of each year, or approximately \$44 million per year. The 2017 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price.

*2012, 2014 and 2019 Notes.* In December 2009, the Company issued \$2.5 billion in aggregate principal amount of unsecured and unsubordinated obligations. These notes were issued as three separate series of senior debt securities including \$0.5 billion of 2.25% notes, which were repaid in December 2012, and \$1.0 billion of 3.50% notes and \$1.0 billion of 5.0% notes maturing in December 2014 and 2019, respectively. Net proceeds of this offering were used to repay borrowings under the CP program, which was used to finance a portion of the BGI Transaction, and for general corporate purposes. These notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. Interest on the 2014 Notes and 2019 Notes of approximately \$35 million and \$50 million per year, respectively, is payable semi-annually in arrears

on June 10 and December 10 of each year. In 2012, approximately \$96 million of interest was paid related to the 2012, 2014 and 2019 Notes.

*2013 and 2021 Notes.* In May 2011, the Company issued \$1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including \$750 million of 4.25% notes and \$750 million of floating rate notes maturing in May 2021 and 2013, respectively. Net proceeds of this offering were used to fund the repurchase of BlackRock's Series B Preferred from affiliates of Merrill Lynch. Interest on the 4.25% notes due in 2021 ("2021 Notes") is payable semi-annually on May 24 and November 24 of each year, which commenced November 24, 2011, and is approximately \$32 million per year. Interest on the floating rate notes due in 2013 ("2013 Floating Rate Notes") is payable quarterly on February 24, May 24, August 24 and November 24 of each year. The 2021 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The 2013 Floating Rate Notes may not be redeemed at the Company's option before maturity.

In May 2011, in conjunction with the issuance of the 2013 Floating Rate Notes, the Company entered into a \$750 million notional interest rate swap maturing in 2013 to hedge the future cash flows of its obligation at a fixed rate of 1.03% payable semi-annually on May 24 and November 24 of each year, which commenced November 24, 2011. The interest rate swap effectively converts the 2013 Floating Rate Notes to a fixed rate obligation.

*2015 and 2022 Notes.* In May 2012, the Company issued \$1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities, including \$750 million of 1.375% notes maturing in June 2015 (the "2015 Notes") and \$750 million of 3.375% notes maturing in June 2022 (the "2022 Notes"). Net proceeds were used to fund the repurchase of BlackRock's common stock and Series B Preferred from Barclays and affiliates and for general corporate purposes. Interest on the 2015 Notes and 2022 Notes of approximately \$10 million and \$25 million per year, respectively, is payable semi-annually on June 1 and December 1 of each year, which commenced December 1, 2012. The 2015 Notes and 2022 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The "make-whole" redemption price represents a price, subject to the specific terms of the 2015 and 2022 Notes and related indenture, that is the greater of (a) par value and (b) the present value of future

## Table of Contents

payments that will not be paid because of an early redemption, which is discounted at a fixed spread over a comparable Treasury security.

*Operating Leases.* The Company leases its primary office locations under agreements that expire on varying dates through 2035. In connection with certain lease agreements, the Company is responsible for escalation payments. The contractual obligations table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases and, as such, are not recorded as liabilities on the consolidated statements of financial condition.

*Purchase Obligations.* In the ordinary course of business, BlackRock enters into contracts or purchase obligations with third parties whereby the third parties provide services to or on behalf of BlackRock. Purchase obligations included in the contractual obligations table above represent executory contracts, which are either non-cancelable or cancelable with a penalty. At December 31, 2012, the Company's obligations primarily reflected standard service contracts for portfolio, market data, office-related services and third-party marketing and promotional services. Purchase obligations are recorded on the Company's financial statements when services are provided and, as such, obligations for services not received are not included in the consolidated statement of financial condition at December 31, 2012.

*Investment Commitments.* At December 31, 2012, the Company had \$235 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party non-controlling 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 consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

*Carried Interest Claw-back.* As a general partner in certain investment funds, 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 claw-back provisions in investments, or cash to the extent that it is distributed, as a deferred carried interest liability on its consolidated statements of financial condition. Carried interest is realized and recorded as performance fees on its consolidated statements of income upon the earlier of the termination of the investment fund or when the likelihood of claw-back is mathematically improbable.

*Indemnifications.* In many of the Company's contracts, including the BGI, MLIM and Quellos Transaction agreements, BlackRock agrees to indemnify third parties under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in the consolidated statement of financial condition at December 31, 2012. See further discussion in Note 12, Commitments and Contingencies, to the consolidated financial statements beginning on page F-1 of this Form 10-K.

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 losses resulting from a borrower's failure to fulfill its obligations should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligations under the securities lending agreement. The amount of securities on loan as of December 31, 2012 and subject to indemnification was \$99.5 billion. The Company held, as agent, cash and securities totaling \$104.8 billion as collateral for indemnified securities on loan at December 31, 2012. As part of the Barclays Global Investors ("BGI") acquisition, Barclays was contractually obligated to continue providing counterparty default indemnification to certain BlackRock securities lending clients through December 1, 2012. BlackRock assumed these indemnification obligations prior to or upon the expiration of Barclays' indemnification obligation. The amount of client balances indemnified increased in the fourth quarter 2012 due to the Company's assumption of Barclays' indemnification obligations on December 1, 2012. The fair value of these indemnifications was not



## Table of Contents

material at December 31, 2012. The Company currently expects indemnified balances to continue to increase over time.

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.

**Contingent Distribution Obligations.** In November 2010, BlackRock entered into a second amended and restated global distribution agreement with Merrill Lynch, which requires the Company to make payments to Merrill Lynch contingent upon sales of products and level of AUM maintained in certain BlackRock products. The economic terms of the agreement will remain in effect until January 2014. After such term, the agreement will renew for one automatic three-year extension if certain conditions are satisfied. The obligation for 2014, 2015 and 2016 is not included in the table above as the amounts are not currently determinable.

The following items have not been included in the contractual obligations, commitments and contingencies table:

**Compensation and Benefit Obligations.** The Company has various compensation and benefit obligations, including bonuses, commissions and incentive payments payable, defined contribution plan matching contribution obligations, and deferred compensation arrangements, that are excluded from the table contractual obligations and commitments above. These arrangements are discussed in more detail in Notes 13, Stock-Based Compensation, and 14, Employee Benefit Plans, to the consolidated financial statements beginning on page F-1 of this Form 10-K. Accrued compensation and benefits at December 31, 2012 totaled \$1,547 million and included incentive compensation of \$1,168 million, deferred compensation of \$137 million and other compensation and benefits related obligations of \$242 million. Substantially all of the incentive compensation liability was paid in the first quarter of 2013, while the deferred compensation obligations are generally payable over periods up to five years.

**Separate Account Liabilities.** At December 31, 2012, the Company had \$134.8 billion of separate account assets and offsetting liabilities on the consolidated statement of financial condition. The payment of these contractual obligations is inherently uncertain and varies by customer. As such, these liabilities have been excluded from the contractual obligations table above.

**Short-Term Investment Funds.** Barclays has provided capital support agreements to support certain cash management funds acquired by BlackRock in the BGI Transaction. Pursuant to the terms of the capital support agreements, Barclays agreed to cover losses on covered securities within the products in the aggregate of up to \$2.2 billion from December 1, 2009 through December 1, 2013 or until certain criteria were met. BlackRock and Barclays have procedures in place to determine loss events on covered securities within the products and to ensure support payments from Barclays. On October 9, 2012, BlackRock, on behalf of two of these funds, negotiated amendments to these capital support agreements to release Barclays from coverage provided for defaults on 51 covered securities (with an estimated value of approximately \$750 million) held in the funds in exchange for a payment by Barclays to the funds of \$70 million. The payment was in an amount in excess of the payments that were expected under the Barclays capital support agreements. The Barclays capital support agreements continued in effect for the remaining covered securities in these two funds, and after this transaction, at October 10, 2012, Barclays' remaining potential obligation in the aggregate under the capital support agreements was \$1.6 billion. The support agreements for these two funds had a termination date of December 1, 2013 subject to an early termination option in the event that the applicable fund's market value remained above a certain net asset value per unit for 120 consecutive days. Barclays exercised its termination option for these two funds on December 7, 2012 and January 3, 2013. After these terminations, at January 31, 2013, Barclays' remaining maximum potential obligation in the aggregate under the capital support agreements was not material.

As previously mentioned, the fourth quarter 2012 results included a one-time \$30 million charge related to a contribution to certain of these STIFs. This contribution resulted from actions taken to ensure compliance with new regulations from the Office of the Comptroller of the Currency ("OCC") taking effect in July 2013 that further limit a STIF's weighted-average portfolio life maturity. BlackRock chose to sell certain securities held within STIFs and to make a one-time contribution to the STIFs to maintain the value of the funds while ensuring compliance with the new OCC rules. The securities sold were held in funds managed by BGI prior to BlackRock's

## Table of Contents

acquisition of BGI. Until adoption of the new STIF regulations, BlackRock had been pursuing a strategy to hold these securities as market values improved over time. As a result of the fourth quarter security sales, these STIFs are currently in compliance with the new OCC rules.

At December 31, 2012, BlackRock concluded that although these funds were VIEs, it was not the primary beneficiary ("PB") of these funds.

### **Critical Accounting Policies**

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the consolidated financial statements. For a summary of these and additional accounting policies see Note 2, Significant Accounting Policies, to the consolidated financial statements beginning on page F-1 of this Form 10-K.

### **Consolidation of Sponsored Investment Funds and Securitization Products.**

Consolidation of sponsored investment funds and securitization products (collectively "investment products") is determined pursuant to ASC 810, *Consolidation*. The accounting method used by the Company depends upon the influence the Company has over its investee, the investment product. To the extent that BlackRock can exert control over the financial and operating policies of the investment product, which generally exists if there is a 50% or greater voting interest or if partners or members of certain products do not have substantive rights, BlackRock consolidates the investment product.

For investment products in which BlackRock's voting interest is less than 50%, an analysis is performed to determine if the investment product is a VIE or a voting rights entity. Upon the determination that the investment product is a VIE, further analysis, as discussed below, is performed to determine if BlackRock is the PB of the investment product, which would require consolidation.

*Consolidation of Variable Interest Entities.* Certain investment products for which the risks and rewards of

ownership are not directly linked to voting interests may be deemed VIEs. BlackRock reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment product is a VIE. BlackRock is required to consolidate a VIE when it is deemed to be the PB, which is evaluated continuously as facts and circumstances change.

Accounting Standards Update ("ASU") 2010-10, *Amendments to Statement 167 for Certain Investment Funds* ("ASU 2010-10") defers the application of Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R)*, for certain investment funds, including money market funds. The PB of a VIE that meets the conditions of ASU 2010-10 is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. Effective January 1, 2010, the PB of a VIE that does not meet the conditions for deferral in ASU 2010-10 is the enterprise that has the power to direct activities of the entity that most significantly impact the entity's economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE.

Significant judgment is required in the determination of whether the Company is the PB of a VIE. If the Company is determined to be the PB of a VIE, BlackRock will consolidate the entity. In order to determine whether the Company is the PB of a VIE for entities that meet the conditions of ASU 2010-10, management must make significant estimates and assumptions of projected future cash flows and assign probabilities to different cash flow scenarios. Assumptions made in such analyses include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, gain realization, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations ("CDOs") or CLOs that do not meet the conditions of ASU 2010-10 and sponsored investment funds, which may be considered VIEs.

## Table of Contents

At December 31, 2012, the following balances related to consolidated VIEs including CLOs and an investment fund on the consolidated statements of financial condition:

<i>(Dollar amounts in millions)</i>	CLOs	Sponsored Private Equity Fund	Total Consolidated VIEs
<b>Assets of consolidated VIEs:</b>			
Cash and cash equivalents	\$ 294	\$ 3	\$ 297
Bank loans, bonds and other investments	2,240	24	2,264
<b>Liabilities of consolidated VIEs:</b>			
Borrowings	(2,402)	—	(2,402)
Other liabilities	(103)	—	(103)
Appropriated retained earnings	(29)	—	(29)
Non-controlling interests of consolidated VIEs	—	(27)	(27)
<b>Total BlackRock net interests in consolidated VIEs</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

At December 31, 2012, BlackRock was the manager of over 20 CLOs/CDOs and other securitization entities. In accordance with consolidation accounting guidance for VIEs, BlackRock was determined to be the PB for certain of these CLOs, which required BlackRock to consolidate these VIEs. BlackRock was deemed to be the PB because it has the power to direct the activities of the CLO that most significantly impact the entity's economic performance and has the right to receive benefits that potentially could be significant to the VIE. At December 31, 2012, the Company had \$2,534 million and \$2,505 million in assets and liabilities, respectively, on its consolidated statement of financial condition related to these consolidated CLOs. In addition, the Company recorded appropriated retained earnings for the difference between the assets and liabilities, as the CLO noteholders, not BlackRock, ultimately will receive the benefits or absorb the losses associated with the CLO's assets and liabilities. The changes in the fair value of the assets and liabilities of these CLOs have no impact on net income attributable to BlackRock or its cash flows. Excluding outstanding management fee receivables, the Company has no risk of loss with its involvement with these VIEs.

At December 31, 2012, BlackRock was determined to be the PB of one sponsored private equity investment fund of funds in which it had a non-substantive investment and was deemed to absorb the majority of the variability due to its de-facto third-party relationships with other partners in the fund, which limits the ability of the partners to transfer or sell their interests without BlackRock's consent as the general partner of the fund. At December 31, 2012, the Company had recorded \$3 million,

\$24 million and \$27 million in cash and cash equivalents, private equity investments and nonredeemable non-controlling interests of consolidated VIEs, respectively, on the consolidated statement of financial condition related to this VIE. The changes in the fair value of the assets and liabilities of this VIE have no impact on net income attributable to BlackRock. Excluding outstanding management fee receivables, the Company has no risk of loss with its involvement with this VIE.

*Consolidation of Voting Rights Entities.* To the extent that BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a 50% or greater voting interest or if partners or members of certain products do not have substantive rights, BlackRock consolidates the investee.

The Company, as general partner or managing member of certain sponsored investment funds, generally is presumed to control funds that are limited partnerships or limited liability companies. Pursuant to ASC 810-20, *Control of Partnerships and Similar Entities* ("ASC 810-20"), the Company reviews such investment vehicles to determine if such a presumption can be overcome by determining whether other non-affiliated partners or members of the limited partnership or limited liability company have the substantive ability to dissolve (liquidate) the investment vehicle, or otherwise to remove BlackRock as the general partner or managing member without cause based on a simple unaffiliated majority vote, or have other substantive participating rights. If the investment vehicle is not a VIE and the presumption of control is not overcome, BlackRock will consolidate the investment vehicle.

## Table of Contents

At December 31, 2012 and 2011, as a result of consolidation of various investment products deemed to be voting rights entities, including products where BlackRock owns 50% or greater of the voting rights of the product, under the consolidation policies described above, the Company had the following balances on its consolidated statements of financial condition:

<i>(Dollar amounts in millions)</i>	December 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 133	\$ 196
Investments:		
Trading investments	123	214
Other investments	401	373
Other assets	25	5
Other liabilities	(65)	(37)
Non-controlling interests	(187)	(276)
BlackRock's net interests in consolidated investment funds	<u>\$ 430</u>	<u>\$ 475</u>

The Company retained the specialized accounting of these investment funds pursuant to ASC 810-10. VIEs, including a consolidated sponsored investment fund and CLOs, were excluded from the balances above as these balances are reported separately on the consolidated statements of financial condition.

### Investments

**Equity Method Investments.** For equity investments where BlackRock does not control the investee, and where it is not the PB of a VIE, but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting. The evaluation of whether the Company exerts control or significant influence over the financial and operational policies of its investees requires significant judgment based on the facts and circumstances surrounding each individual investment. Factors considered in these evaluations may include the type of investment, the legal structure of the investee, the terms and structure of the investment agreement, including investor voting or other rights, the terms of BlackRock's advisory agreement or other agreements with the investee, any influence BlackRock may have on the governing board of the investee, the legal rights of other investors in the entity pursuant to the fund's operating documents and the relationship between BlackRock and other investors in the entity.

Substantially all of BlackRock's equity method investees are investment companies that record their underlying investments at fair value. Therefore, under the equity method of accounting, BlackRock's share of the investee's underlying net income predominantly represents fair value

adjustments in the investments held by the equity method investees. BlackRock's share of the investee's underlying net income or loss is based upon the most currently available information and is recorded as non-operating income (expense) for investments in investment companies, or as other revenue for operating advisory company investments, which are recorded in other assets, since such investees are considered to be an extension of BlackRock's core business.

At December 31, 2012, the Company had \$604 million and \$124 million of equity method investments, including equity method investments held for deferred compensation, reflected within investments and other assets, respectively, and at December 31, 2011, the Company had \$476 million and \$80 million of equity method investees reflected in investments and other assets, respectively.

**Impairment of Investments.** The Company's management periodically assesses its equity method, available-for-sale, held-to-maturity and cost investments for impairment. If circumstances indicate that impairment may exist, investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Company's carrying value of the investment, an impairment charge is recorded in the consolidated statement of income.

When the fair value of available-for-sale securities is lower than cost, the Company evaluates the security to determine whether the impairment is considered to be "other-than-temporary".

In making this determination for equity securities, the Company considers, among other factors, the length of time the security has been in a loss position, the extent to which the security's market value is less than cost, the financial condition and near-term prospects of the security's issuer and the Company's ability and intent to hold the security for a length of time sufficient to allow for recovery of such unrealized losses. If the impairment is considered other-than-temporary, an impairment charge is recorded in non-operating income (expense) on the consolidated statement of income.

In making this determination for debt securities, the Company considers whether: (1) it has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery or (3) it expects to recover the entire amortized cost basis of the security. If the Company does not intend to sell a security and it is not more likely than not that it will be required to sell the security, but the security has suffered a credit loss, the credit loss will be bifurcated from the total

## Table of Contents

impairment and recorded in earnings with the remaining portion recorded in accumulated other comprehensive income.

Evaluation of securities impairments involves significant assumptions and management judgments, which could differ from actual results, and these differences could have a material impact on the consolidated statements of income.

### Fair Value Measurements

Hierarchy of Fair Value Inputs. The provisions of ASC 820-10 establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

#### Level 1 Inputs:

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

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

#### Level 2 Inputs:

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

- Level 2 assets may include debt securities, bank loans, short-term floating rate notes and asset-backed securities, securities held within consolidated hedge funds, certain equity method

limited partnership interests in hedge funds valued based on NAV (or its equivalent) where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign exchange currency 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 non-binding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Certain investments that are valued using NAV (or its equivalent) and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3.

- Level 3 assets may include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, funds of hedge funds, direct private equity investments held within consolidated funds, bonds and bank loans.
- Level 3 liabilities include borrowings of consolidated CLOs valued based upon non-binding single-broker quotes.
- Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices. BlackRock's \$679 million of Level 3 investments or 39% of total GAAP investments at December 31, 2012 primarily included the above mentioned co-investments.

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

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

## Table of Contents

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

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

In addition, quotes obtained from brokers generally are non-binding 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.

Changes in Valuation. Changes in value on \$1,275 million of investments will impact the Company's non-operating income (expense), \$158 million will impact accumulated other comprehensive income, \$232 million are held at cost or amortized cost and the remaining \$85 million relates to carried interest which will not impact non-operating income (expense). As of December 31, 2012, changes in fair value of approximately \$524 million of such investments within consolidated sponsored investment funds will impact BlackRock's net income (loss) attributable to non-controlling interests expense on the

consolidated statements of income. BlackRock's net exposure to changes in fair value of such consolidated sponsored investment funds was \$430 million.

### **Goodwill and Intangible Assets**

The value of advisory contracts acquired in business acquisitions to manage AUM in proprietary open- and closed-end investment funds as well as collective trust funds without a specified termination date are classified as indefinite-lived intangible assets. The assignment of indefinite lives to such investment fund contracts is based upon the assumption that there is no foreseeable limit on the contract period to manage these funds due to the likelihood of continued renewal at little or no cost. In addition, trade names/trademarks are considered indefinite-lived intangibles as they are expected to generate cash flows indefinitely. Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. In accordance with the applicable provisions of ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), indefinite-lived intangible assets and goodwill are not amortized. Finite-lived management contracts, which relate to acquired separate accounts and funds with a specified termination date, are amortized over their remaining expected useful lives, which, at December 31, 2012, ranged from 1 to 12 years with a weighted-average remaining estimated useful life of 4.9 years.

*Goodwill.* The Company assesses its goodwill for impairment at least annually, considering such factors as the book value and the market capitalization of the Company. The impairment test performed as of July 31, 2012 indicated that no impairment charge was required. The Company continuously monitors its book value per share as compared with closing prices of its common stock for potential indicators of impairment. At December 31, 2012, the Company's common stock closed at \$206.71, which exceeded its book value per share of approximately \$148.20 after excluding appropriated retained earnings.

*Indefinite-lived and finite-lived intangibles.* The Company performs assessments to determine if any intangible assets are potentially impaired and whether the indefinite-life and finite-life classifications are still appropriate. In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than its carrying value, BlackRock assesses various significant factors including AUM, revenue basis points, projected AUM growth rates, operating margins, tax rates and discount rates. In addition, the Company considers other factors including: (i) macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign

## Table of Contents

exchange rates, or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics, a change in the market for an entity's services, or regulatory, legal or political developments; and (iii) entity-specific events, such as a change in management or key personnel, overall financial performance and litigation that could affect significant inputs.

If potential impairment circumstances are considered to exist, the Company will perform an impairment test, using an undiscounted cash flow analysis. Actual results could differ from these cash flow estimates, which could materially impact the impairment conclusion. If the asset is determined to be impaired, the difference between the book value of the asset and its current fair value would be recognized as an expense in the period in which the impairment occurs.

In addition, management judgment is required to estimate the period over which finite-lived intangible assets will contribute to the Company's cash flows and the pattern in which these assets will be consumed. A change in the remaining useful life of any of these assets, or the reclassification of an indefinite-lived intangible asset to a finite-lived intangible asset, could have a significant impact on the Company's amortization expense, which was \$157 million, \$156 million and \$160 million for 2012, 2011 and 2010, respectively.

In 2012, 2011 and 2010, the Company performed impairment tests that indicated no impairment charges were required, the classification of indefinite-lived versus finite-lived intangibles was still appropriate and no changes to the expected lives of the finite-lived intangibles were required. The Company continuously monitors various factors, including AUM, for potential indicators of impairment.

**Income Taxes.** The Company accounts for income taxes under the asset and liability method prescribed by ASC 740, *Income Taxes* ("ASC 740"). Deferred income tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Significant management judgment is required in estimating the ranges of possible outcomes and determining the probability of favorable or unfavorable tax

outcomes and potential interest and penalties related to such unfavorable outcomes, that require significant management judgment. Actual future tax consequences relating to uncertain tax positions may be materially different than the Company's current estimates. At December 31, 2012, BlackRock had \$404 million of gross unrecognized tax benefits, of which \$250 million, if recognized, would affect the effective tax rate.

In accordance with ASC 740, management is required to estimate the timing of the recognition of deferred tax assets and liabilities, make assumptions about the future deductibility of deferred income tax assets and assess deferred income tax liabilities based on enacted tax rates for the appropriate tax jurisdictions to determine the amount of such deferred income tax assets and liabilities. At December 31, 2012, the Company had deferred tax assets of \$4 million and deferred tax liabilities of approximately \$5,293 million on the consolidated statement of financial condition. Changes in the calculated deferred tax assets and liabilities may occur in certain circumstances, including statutory income tax rate changes, statutory tax law changes, changes in the anticipated timing of recognition of deferred tax assets and liabilities or changes in the structure or tax status of the Company. ASC 740 requires the Company to assess whether a valuation allowance should be established against its deferred income tax assets based on consideration of all available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of statutory carry back and carry forward periods, the Company's experience with tax attributes expiring unused, and tax planning alternatives.

At December 31, 2012, the Company had recorded a deferred tax asset of \$71 million for unrealized investment losses; however, no valuation allowance has been established because the Company expects to hold certain equity method investments which invest in fixed income securities over a period sufficient for them to recover their unrealized losses, and generate future capital gains sufficient to offset the unrealized capital losses. Based on the weight of available evidence, it is more likely than not that the deferred tax asset will be realized. However, changes in circumstance could cause the Company to revalue its deferred tax balances with the resulting change impacting the consolidated statements of income in the period of the change. Such changes may be material to the Company's consolidated financial statements. See Note 19, Income Taxes, to the consolidated financial statements beginning on page F-1 of this Form 10-K for further details.

## Table of Contents

The Company records income taxes based upon its estimated income tax liability or benefit. The Company's actual tax liability or benefit may differ from the estimated income tax liability or benefit. The Company had current income taxes receivables of approximately \$102 million and current income taxes payables of \$121 million at December 31, 2012.

**Revenue Recognition.** Investment advisory and administration fees are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM or, in the case of certain real estate clients, net operating income generated by the underlying properties. Investment advisory and administration fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net subscriptions or redemptions. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

The Company contracts with third parties and related parties for various fund distribution and shareholder servicing to be performed on behalf of certain funds the Company manages. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund takes on the primary responsibility for payment for services such that the Company bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with ASC 605-45, *Revenue Recognition – Principle Agent Considerations* ("ASC 605-45"), and records its management fees net of retrocessions. Retrocessions for 2012, 2011 and 2010 were \$793 million, \$928 million and \$831 million, respectively. The Company has additional contracts for similar services with third parties, which due to the terms of the contracts, are recorded as distribution and servicing costs and thus not netted on the consolidated statements of income.

The Company earns revenue by lending securities on behalf of clients, primarily to brokerage institutions. Such revenues are accounted for on an accrual basis. The securities loaned are secured by collateral, generally ranging from 102% to 112% of the value of the loaned securities. The revenue earned is shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed. For 2012, 2011 and 2010, securities lending revenue totaled \$510 million, \$397 million and \$325 million, respectively, and is recorded in investment advisory, administration fees and securities lending revenue on the consolidated statements of income. Investment advisory, administration fees and securities lending revenue are reported together as the fees for these services often are agreed upon with clients as a bundled fee.

The Company receives investment advisory performance fees or incentive allocation from certain actively managed investment funds and certain separately managed accounts. These performance fees are earned upon exceeding specified relative and/or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period, which varies by product or account, and could be monthly, quarterly, annually or longer. For the years ended December 31, 2012, 2011 and 2010, performance fee revenue totaled \$463 million, \$371 million and \$540 million, respectively. In addition, the Company receives carried interest from certain alternative investments upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these funds. Therefore, BlackRock records carried interest subject to such claw-back provisions in investments or cash to the extent that it is distributed, on its consolidated statements of financial condition. Carried interest is realized and recorded as performance fee revenue upon the earlier of the termination of the investment fund or when the likelihood of claw-back is mathematically improbable. The Company records realized carried interest as performance fees on its consolidated statements of income. The Company records a deferred carried interest liability to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At December 31, 2012 and 2011, the Company had \$97 million and \$33 million, respectively, of deferred carried interest recorded in other liabilities on the consolidated statements of financial condition. The ultimate recognition of performance fee revenue, if any, for these products is unknown.

Fees earned for *BlackRock Solutions*, which include advisory services, are recorded as services are performed and are determined using some, or all, of the following methods: (i) percentages of various attributes of advisory AUM or value of positions on the *Aladdin* platform, (ii) fixed fees and (iii) performance fees if contractual thresholds are met. Revenue earned on advisory assignments was comprised of one-time advisory and portfolio structuring fees and ongoing fees based on AUM of the respective portfolio assignment. For 2012, 2011 and 2010, *BlackRock Solutions* and advisory revenue totaled \$518 million, \$510 million and \$460 million, respectively.

Adjustments to revenue arising from initial estimates historically have been immaterial since the majority of BlackRock's investment advisory and administration revenue is calculated based on the fair value of AUM and since the Company does not record performance revenues until performance thresholds have been exceeded and the likelihood of claw-back is mathematically improbable.



## Table of Contents

### Accounting Developments

For accounting pronouncements the Company adopted during 2012 and for recent accounting pronouncements not yet adopted, see Note 2 to the consolidated financial statements.

### Recent Developments

BlackRock holds an approximately one-third equity interest in Private National Mortgage Acceptance Company, LLC ("PennyMac"), accounted for as an equity method investment. PennyMac Financial Services, Inc., which is proposed to become a holding company of PennyMac, recently filed a Form S-1 with the SEC to effectively take PennyMac public. A successful offering by PennyMac may require BlackRock to adjust its investment in PennyMac at the time of the offering. Given the uncertain nature of the registration and offering process for PennyMac, the amount and timing of any such potential gains or changes in carrying values is uncertain.

### Item 7A. 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 December 31, 2012, 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 estate, 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 total return swaps to hedge market exposure to certain investments. At December 31, 2012, the outstanding total return swaps had an aggregate notional value of approximately \$206 million.

At December 31, 2012, approximately \$524 million of BlackRock's total investments were maintained in sponsored investment funds deemed to be controlled by BlackRock in accordance with GAAP and, therefore, are consolidated even though BlackRock may not own a majority of such funds. 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 as follows:

<i>(Dollar amounts in millions)</i>	December 31,	December 31,	Variance	
	2012	2011	Amount	% Change
Total investments, GAAP	\$ 1,750	\$ 1,631	\$ 119	7%
Investments held by consolidated sponsored investment funds	(524)	(587)	63	11%
Net exposure to consolidated investment funds	430	475	(45)	(10%)
Total investments, as adjusted	1,656	1,519	137	9%
Federal Reserve Bank stock	(89)	(328)	239	73%
Carried interest	(85)	(21)	(64)	(305%)
Deferred compensation investments	(62)	(65)	3	5%
Hedged investments	(209)	(43)	(166)	(386%)
Total "economic" investment exposure	\$ 1,211	\$ 1,062	\$ 149	14%

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## Table of Contents

The "economic" investment exposure of the portfolio is presented in either the equity market price or the interest rate/credit spread risk disclosures below:

**Equity Market Price Risk.** At December 31, 2012, the Company's net exposure to market price risk in its investment portfolio was approximately \$609 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real estate 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 \$60.9 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk.** At December 31, 2012, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$602 million of 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 \$8.0 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 pound sterling and euro was \$156 million at December 31, 2012. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$15.6 million decline in the carrying value of such investments.

**Other Market Risks.** By using derivative financial instruments, the Company exposes itself to market risk. Market risk from forward foreign currency exchange contracts is the effect on the value of a financial instrument that results from a change in currency exchange rates. The Company manages exposure to

market risk associated with foreign currency exchange contracts by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. At December 31, 2012, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$79 million.

### **Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

The report of the independent registered public accounting firm and financial statements listed in the accompanying index are included in Item 15 of this report. See Index to the consolidated financial statements on page F-1 of this Form 10-K.

### **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no disagreements on accounting and financial disclosure matters. BlackRock has not changed accountants in the two most recent fiscal years.

### **Item 9A. 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 annual report on Form 10-K. 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 and Financial Reporting.** There have been no changes in internal control over financial reporting during the latest fiscal quarter that have materially affected or are reasonably likely to materially affect such internal control over financial reporting.

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## Table of Contents

### **Management's Report on Internal Control Over Financial Reporting**

Management of BlackRock, Inc. (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and affected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with the authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012 based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an attestation report on the effectiveness of the Company's internal control over financial reporting.

February 28, 2013

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## Table of Contents

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the internal control over financial reporting of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately

and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition as of December 31, 2012 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended of the Company and our report dated February 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte & Touche LLP  
New York, New York  
February 28, 2013

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[Table of Contents](#)

**Item 9B. OTHER INFORMATION**

The Company is furnishing no other information in this Form 10-K.

**Part III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information regarding directors and executive officers set forth under the captions "Item 1: Election of Directors – Information Concerning the Nominees and Directors" and "Item 1: Election of Directors – Other Executive Officers" of the Proxy Statement is incorporated herein by reference.

The information regarding compliance with Section 16(a) of the Exchange Act set forth under the caption "Item 1: Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement is incorporated herein by reference.

The information regarding BlackRock's Code of Ethics for Chief Executive and Senior Financial Officers under the caption "Item 1: Corporate Governance Guidelines and Code of Business Conduct and Ethics" of the Proxy Statement is incorporated herein by reference.

**Item 11. EXECUTIVE COMPENSATION**

The information contained in the sections captioned "Item 1: Compensation of Executive Officers" and "Item 1: 2012 Director Compensation" of the Proxy Statement is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information contained in the sections captioned "Item 1: Ownership of BlackRock Common and Preferred Stock" and "Equity Compensation Plan Information" of the Proxy Statement is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information contained in the sections captioned "Item 1: Certain Relationships and Related Transactions" and "Item 1: Director Independence" of the Proxy Statement is incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information regarding BlackRock's independent auditor fees and services in the section captioned "Item 4: Ratification of Appointment of Independent Registered Public Accounting Firm" of the Proxy Statement is incorporated herein by reference.

**Part IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**1. Financial Statements**

The Company's consolidated financial statements are included beginning on pages F-1.

**2. Financial Statement Schedules**

Ratio of Earnings to Fixed Charges has been included as Exhibit 12.1. All other schedules have been omitted because they are not applicable, not required or the information required is included in the Company's consolidated financial statements or notes thereto.

**3. Exhibit Index**

As used in this exhibit list, "BlackRock" refers to BlackRock, Inc. (formerly named New BlackRock, Inc. and previously, New Boise, Inc.) (Commission File No. 001-33099) and "Old BlackRock" refers to BlackRock Holdco 2, Inc. (formerly named BlackRock, Inc.) (Commission File No. 001-15305), which is the predecessor of BlackRock. The following exhibits are filed as part of this Annual Report on Form 10-K:

Please note that the agreements included as exhibits to this Form 10-K are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about BlackRock or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

## Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
3.1(1)	Amended and Restated Certificate of Incorporation of BlackRock.
3.2(2)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of BlackRock, Inc.
3.3	Amended and Restated Bylaws of BlackRock.
3.4(1)	Certificate of Designations of Series A Convertible Participating Preferred Stock of BlackRock.
3.5(3)	Certificate of Designations of Series B Convertible Participating Preferred Stock of BlackRock.
3.6(3)	Certificate of Designations of Series C Convertible Participating Preferred Stock of BlackRock.
3.7(4)	Certificate of Designations of Series D Convertible Participating Preferred Stock of BlackRock.
4.1(5)	Specimen of Common Stock Certificate.
4.2(6)	Indenture, dated September 17, 2007, between BlackRock and The Bank of New York, as trustee, relating to senior debt securities.
4.3(7)	Form of 6.25% Notes due 2017.
4.4(8)	Form of 3.50% Notes due 2014.
4.5(8)	Form of 5.00% Notes due 2019.
4.6(9)	Form of Floating Rate Notes due 2013.
4.7(9)	Form of 4.25% Notes due 2021.
4.8(10)	Form of 1.375% Notes due 2015.
4.9(10)	Form of 3.375% Notes due 2022.
10.1(11)	BlackRock, Inc. Amended and Restated 1999 Stock Award and Incentive Plan. +
10.2(12)	Amended and Restated BlackRock, Inc. 1999 Annual Incentive Performance Plan. +
10.3(13)	Amendment No. 1 to the BlackRock, Inc. Amended and Restated 1999 Annual Incentive Performance Plan.+
10.4(5)	BlackRock, Inc. Voluntary Deferred Compensation Plan, as amended and restated as of January 1, 2005.+
10.5(1)	Form of Stock Option Agreement expected to be used in connection with future grants of Stock Options under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.6(1)	Form of Restricted Stock Agreement expected to be used in connection with future grants of Restricted Stock under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.7(14)	Form of Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.8(14)	Form of Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units for long-term incentive awards under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.9(1)	Form of Directors' Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.10(5)	Registration Rights Agreement, dated as of September 29, 2006, among BlackRock, Merrill Lynch & Co., Inc. and the PNC Financial Service Group, Inc.
10.11(15)	Share Surrender Agreement, dated October 10, 2002 (the "Share Surrender Agreement"), among Old BlackRock, PNC Asset Management, Inc. and The PNC Financial Services Group, Inc.+
10.12(16)	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement.+
10.13(17)	Second Amendment, dated as of June 11, 2007, to the Share Surrender Agreement.+
10.14(3)	Third Amendment, dated as of February 27, 2009, to the Share Surrender Agreement.+
10.15(18)	Fourth Amendment, dated as of August 7, 2012, to the Share Surrender Agreement.+
10.16(19)	Five-Year Revolving Credit Agreement, dated as of March 10, 2011, by and among BlackRock, Inc., certain of its subsidiaries, Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender and L/C agent, Sumitomo Mitsui Banking Corporation, as Japanese Yen lender, a group of lenders, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, J.P. Morgan Securities LLC and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Citibank, N.A., as syndication agent and Bank of America, N.A., Barclays Bank PLC, JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc., as documentation agents.
10.17(20)	Amendment No. 1, dated as of March 30, 2012, by and among BlackRock, Inc., certain of its subsidiaries, Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender, L/C agent and a lender, and the banks and other financial institutions referred to therein.

## Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
10.18(21)†	Second Amended and Restated Global Distribution Agreement, dated as of November 15, 2010, among BlackRock and Merrill Lynch & Co., Inc.
10.19(3)	Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between The PNC Financial Services Group, Inc. and BlackRock.
10.20(22)	Amendment No. 1, dated as of June 11, 2009, to the Amended and Restated Implementation and Stockholder Agreement between The PNC Financial Services Group, Inc. and BlackRock.
10.21(23)	Third Amended and Restated Stockholder Agreement, dated as of November 15, 2010, among BlackRock, Merrill Lynch & Co., Inc. and Merrill Lynch Group, Inc.
10.22(24)	Commercial Paper Dealer Agreement between BlackRock and Barclays Capital Inc., dated as of October 14, 2009.
10.23(25)	Lease Agreement, dated as of February 17, 2010, among BlackRock Investment Management (UK) Limited and Mourant & Co Trustees Limited and Mourant Property Trustees Limited as Trustees of the Drapers Gardens Unit Trust for the lease of Drapers Gardens, 12 Throgmorton Avenue, London, EC2, United Kingdom.
10.24(26)	Stock Repurchase Agreement, dated as of May 21, 2012, between Barclays Bank PLC and BlackRock.
10.25(26)	Exchange Agreement, dated as of May 21, 2012, between Barclays Bank PLC and BlackRock.
10.26(26)	Exchange Agreement, dated as of May 21, 2012, among PNC Bancorp, Inc., The PNC Financial Services Group, Inc. and BlackRock.
10.27(27)	Letter Agreement, dated November 20, 2012, between Susan L. Wagner and BlackRock. +
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of Registrant.
23.1	Deloitte & Touche LLP Consent.
31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

- (1) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on October 5, 2006.  
(2) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 25, 2012.  
(3) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on February 27, 2009.  
(4) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on December 3, 2009.  
(5) Incorporated by reference to BlackRock's Registration Statement on Form S-8 (Registration No. 333-137708) filed on September 29, 2006.  
(6) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2007.  
(7) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on September 17, 2007.  
(8) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on December 10, 2009.  
(9) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 25, 2011.  
(10) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 31, 2012.  
(11) Incorporated by reference to BlackRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.  
(12) Incorporated by reference to Old BlackRock's Annual Report on Form 10-K for the year ended December 31, 2002.  
(13) Incorporated by reference to Old BlackRock's Current Report on Form 8-K filed on May 24, 2006.  
(14) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2008.  
(15) Incorporated by reference to Old BlackRock's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.  
(16) Incorporated by reference to Old BlackRock's Current Report on Form 8-K filed on February 22, 2006.  
(17) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on June 15, 2007.  
(18) Incorporated by reference to BlackRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.  
(19) Incorporated by reference to BlackRock's Current Report on Form 8-K/A filed on August 24, 2012.  
(20) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on April 4, 2012.  
(21) Incorporated by reference to BlackRock's Current Report on Form 8-K/A filed on August 24, 2012.  
(22) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on June 17, 2009.  
(23) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on November 17, 2010.  
(24) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on October 20, 2009.  
(25) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2009.  
(26) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 23, 2012.  
(27) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on November 27, 2012.

+ Denotes compensatory plans or arrangements

† Confidential treatment has been granted for certain portions of this exhibit, which portions have been omitted and filed separately with the Securities and Exchange Commission.

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**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

By: \_\_\_\_\_  
/s/ LAURENCE D. FINK  
**Laurence D. Fink**  
**Chairman, Chief Executive Officer and Director**

February 28, 2013

Each of the officers and directors of BlackRock, Inc. whose signature appears below, in so signing, also makes, constitutes and appoints Laurence D. Fink, Ann Marie Petach, Matthew Mallow, Daniel R. Waltcher and Harris Oliner, his or her true and lawful attorneys-in-fact, with full power and substitution, for him or her in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to the Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorney-in-fact or his or her substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ LAURENCE D. FINK <b>Laurence D. Fink</b></u>	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2013
<u>/s/ ANN MARIE PETACH <b>Ann Marie Petach</b></u>	Senior Managing Director and Chief Financial Officer (Principal Financial Officer)	February 28, 2013
<u>/s/ JOSEPH FELICIANI, JR. <b>Joseph Feliciani, Jr.</b></u>	Managing Director and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2013
<u>/s/ ABDLATIF Y. AL-HAMAD <b>Abdlatif Y. Al-Hamad</b></u>	Director	February 28, 2013
<u>/s/ MATHIS CABIALLAVERETTA <b>Mathis Cabiallavetta</b></u>	Director	February 28, 2013
<u>/s/ DENNIS D. DAMMERMAN <b>Dennis D. Dammerman</b></u>	Director	February 28, 2013
<u>/s/ WILLIAM S. DEMCHAK <b>William S. Demchak</b></u>	Director	February 28, 2013
<u>/s/ JESSICA EINHORN <b>Jessica Einhorn</b></u>	Director	February 28, 2013
<u>/s/ FABRIZIO FREDA <b>Fabrizio Freda</b></u>	Director	February 28, 2013



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Table of Contents

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ MURRY S. GERBER</u> <b>Murry S. Gerber</b>	Director	February 28, 2013
<u>/S/ JAMES GROSFELD</u> <b>James Grosfeld</b>	Director	February 28, 2013
<u>/S/ ROBERT S. KAPITO</u> <b>Robert S. Kapito</b>	Director	February 28, 2013
<u>/S/ DAVID H. KOMANSKY</u> <b>David H. Komansky</b>	Director	February 28, 2013
<u>/S/ SIR DERYCK MAUGHAN</u> <b>Sir Deryck Maughan</b>	Director	February 28, 2013
<u>/S/ THOMAS K. MONTAG</u> <b>Thomas K. Montag</b>	Director	February 28, 2013
<u>/S/ THOMAS H. O'BRIEN</u> <b>Thomas H. O'Brien</b>	Director	February 28, 2013
<u>/S/ JAMES E. ROHR</u> <b>James E. Rohr</b>	Director	February 28, 2013
<u>/S/ IVAN G. SEIDENBERG</u> <b>Ivan G. Seidenberg</b>	Director	February 28, 2013
<u>/S/ MARCO ANTONIO SLIM DOMIT</u> <b>Marco Antonio Slim Domit</b>	Director	February 28, 2013
<u>/S/ JOHN S. VARLEY</u> <b>John S. Varley</b>	Director	February 28, 2013
<u>/S/ SUSAN L. WAGNER</u> <b>Susan L. Wagner</b>	Director	February 28, 2013

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**Table of Contents**

**INDEX TO FINANCIAL STATEMENTS**

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Statements of Financial Condition</a>	F-3
<a href="#">Consolidated Statements of Income</a>	F-4
<a href="#">Consolidated Statements of Comprehensive Income</a>	F-5
<a href="#">Consolidated Statements of Changes in Equity</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-9
<a href="#">Notes to the Consolidated Financial Statements</a>	F-11

---

[Table of Contents](#)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the accompanying consolidated statements of financial condition of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BlackRock, Inc. and subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP  
New York, New York  
February 28, 2013

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Financial Condition**  
(Dollar amounts in millions, except per share data)

	December 31, 2012	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 4,606	\$ 3,506
Accounts receivable	2,250	1,960
Due from related parties	77	142
Investments	1,750	1,631
Assets of consolidated variable interest entities:		
Cash and cash equivalents	297	54
Bank loans and other investments	2,264	1,639
Separate account assets	134,768	118,871
Collateral held under securities lending agreements	23,021	20,918
Deferred sales commissions, net	24	38
Property and equipment (net of accumulated depreciation of \$572 and \$483 at December 31, 2012 and 2011, respectively)	557	537
Intangible assets (net of accumulated amortization of \$899 and \$751 at December 31, 2012 and 2011, respectively)	17,402	17,356
Goodwill	12,910	12,792
Other assets	525	452
<b>Total assets</b>	<b>\$ 200,451</b>	<b>\$ 179,896</b>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 1,547	\$ 1,383
Accounts payable and accrued liabilities	1,055	923
Due to related parties	14	22
Short-term borrowings	100	100
Liabilities of consolidated variable interest entities:		
Borrowings	2,402	1,574
Other liabilities	103	9
Long-term borrowings	5,687	4,690
Separate account liabilities	134,768	118,871
Collateral liabilities under securities lending agreements	23,021	20,918
Deferred income tax liabilities	5,293	5,323
Other liabilities	844	721
<b>Total liabilities</b>	<b>174,834</b>	<b>154,534</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Temporary equity</b>		
Redeemable non-controlling interests	32	92
<b>Permanent Equity</b>		
BlackRock, Inc. stockholders' equity		
Common stock, \$ 0.01 par value:	2	1
Shares authorized: 500,000,000 at December 31, 2012 and 2011; Shares issued: 171,252,185 and 139,880,380 at December 31, 2012 and 2011, respectively; Shares outstanding: 168,875,304 and 138,463,135 at December 31, 2012 and 2011, respectively;		
Series B non-voting participating preferred stock, \$0.01 par value;	—	—
Shares authorized: 150,000,000 at December 31, 2012 and 2011; Shares issued and outstanding: 823,188 and 38,328,737 at December 31, 2012 and 2011, respectively;		
Series C non-voting participating preferred stock, \$0.01 par value;	—	—
Shares authorized: 6,000,000 at December 31, 2012 and 2011; Shares issued and outstanding: 1,517,237 at December 31, 2012 and 2011, respectively		
Additional paid-in capital	19,419	20,275
Retained earnings	6,444	5,046
Appropriated retained earnings	29	72
Accumulated other comprehensive loss	(59)	(127)
Escrow shares, common, at cost (3,603 shares held at December 31, 2011)	—	(1)
Treasury stock, common, at cost (2,376,881 and 1,413,642 shares held at December 31, 2012 and 2011, respectively)	(432)	(218)
<b>Total BlackRock, Inc. stockholders' equity</b>	<b>25,403</b>	<b>25,048</b>
Nonredeemable non-controlling interests	155	184
Nonredeemable non-controlling interests of consolidated variable interest entities	27	38
<b>Total permanent equity</b>	<b>25,585</b>	<b>25,270</b>
<b>Total liabilities, temporary equity and permanent equity</b>	<b>\$ 200,451</b>	<b>\$ 179,896</b>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Income**  
(Dollar amounts in millions, except per share data)

	Year ended December 31,		
	2012	2011	2010
<b>Revenue</b>			
Investment advisory, administration fees and securities lending revenue			
Related parties	\$ 5,292	\$ 5,303	\$ 4,893
Other third parties	2,780	2,593	2,397
Total investment advisory, administration fees and securities lending revenue	8,072	7,896	7,290
Investment advisory performance fees	463	371	540
BlackRock Solutions and advisory	518	510	460
Distribution fees	71	100	116
Other revenue	213	204	206
Total revenue	9,337	9,081	8,612
<b>Expenses</b>			
Employee compensation and benefits	3,287	3,199	3,097
Distribution and servicing costs			
Related parties	4	5	226
Other third parties	360	381	182
Amortization of deferred sales commissions	55	81	102
Direct fund expenses	591	563	493
General and administration	1,359	1,415	1,354
Restructuring charges	—	32	—
Amortization of intangible assets	157	156	160
Total expenses	5,813	5,832	5,614
Operating income	3,524	3,249	2,998
<b>Non-operating income (expense)</b>			
Net gain (loss) on investments	163	46	179
Net gain (loss) on consolidated variable interest entities	(38)	(18)	(35)
Interest and dividend income	36	34	29
Interest expense	(215)	(176)	(150)
Total non-operating income (expense)	(54)	(114)	23
Income before income taxes	3,470	3,135	3,021
Income tax expense	1,030	796	971
Net income	2,440	2,339	2,050
Less:			
Net income (loss) attributable to redeemable non-controlling interests	9	—	3
Net income (loss) attributable to nonredeemable non-controlling interests	(27)	2	(16)
Net income attributable to BlackRock, Inc.	\$ 2,458	\$ 2,337	\$ 2,063
<b>Earnings per share attributable to BlackRock, Inc. common stockholders:</b>			
Basic	\$ 14.03	\$ 12.56	\$ 10.67
Diluted	\$ 13.79	\$ 12.37	\$ 10.55
<b>Cash dividends declared and paid per share</b>	\$ 6.00	\$ 5.50	\$ 4.00
<b>Weighted-average common shares outstanding:</b>			
Basic	174,961,018	184,265,367	190,554,510
Diluted	178,017,679	187,116,410	192,692,047

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(Dollar amounts in millions)

	Year ended December 31,		
	2012	2011	2010
<b>Net income</b>	\$2,440	\$2,339	\$2,050
Other comprehensive income:			
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:			
Unrealized holding gains (losses), net of tax	26	(3)	3
Less: reclassification adjustment included in net income	6	1	1
Net change from available-for-sale investments, net of tax <sup>(1)</sup>	20	(4)	2
Benefit plans, net	(5)	—	(1)
Foreign currency translation adjustments	53	(27)	(1)
Other comprehensive income (loss)	68	(31)	—
Comprehensive income	2,508	2,308	2,050
Less: Comprehensive income (loss) attributable to non-controlling interests	(18)	2	(13)
<b>Comprehensive income attributable to BlackRock, Inc.</b>	<u>\$2,526</u>	<u>\$2,306</u>	<u>\$2,063</u>

<sup>(1)</sup> The tax benefit (expense) on unrealized holding gains (losses) was \$(8) million, \$3 million and \$(2) million in 2012, 2011 and 2010, respectively.

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Changes in Equity**  
(Dollar amounts in millions)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Nonredeemable Non-controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non- controlling Interests / Temporary Equity
December 31, 2009	\$ 22,129	\$ 2,436	\$ —	\$ (96)	\$ (137)	\$ (3)	\$ 24,329	\$ 224	\$ —	\$ 24,553	\$ 49
January 1, 2010 initial recognition of ASU 2009-17	—	—	114	—	—	—	114	(49)	49	114	—
Net income	—	2,063	—	—	—	—	2,063	19	(35)	2,047	3
Allocation of losses of consolidated collateralized loan obligations	—	—	(39)	—	—	—	(39)	—	39	—	—
Dividends paid, net of dividend expense for unvested RSUs	—	(776)	—	—	—	—	(776)	—	—	(776)	—
Release of common stock from escrow agent in connection with Quellos Transaction	—	—	—	—	136	—	136	—	—	136	—
Stock-based compensation	444	—	—	—	—	1	445	—	—	445	—
PNC preferred stock capital contribution	5	—	—	—	—	—	5	—	—	5	—
Merrill Lynch cash capital contribution	10	—	—	—	—	—	10	—	—	10	—
Exchange of common stock for preferred shares series B	128	—	—	—	—	(128)	—	—	—	—	—
Issuance of common shares related to employee stock transactions	(202)	—	—	—	—	217	15	—	—	15	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	—	(124)	(124)	—	—	(124)	—
Shares repurchased	—	—	—	—	—	(140)	(140)	—	—	(140)	—
Convertible debt conversions, net of tax	(54)	—	—	—	—	66	12	—	—	12	—
Net tax benefit (shortfall) from stock-based compensation	44	—	—	—	—	—	44	—	—	44	—
Subscriptions/ (redemptions/distributions) – non-controlling interest holders	—	—	—	—	—	—	—	(6)	(8)	(14)	124
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	—	—	—	(170)
Other changes in non- controlling interests	—	—	—	—	—	—	—	1	—	1	—
December 31, 2010	\$ 22,504	\$ 3,723	\$ 75	\$ (96)	\$ (1)	\$ (111)	\$ 26,094	\$ 189	\$ 45	\$ 26,328	\$ 6

(1) Amount includes \$1 million of common stock at par value and \$1 million of preferred stock at par value at both December 31, 2010 and 2009.

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Changes in Equity**  
(Dollar amounts in millions)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Non redeemable Non- controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non- controlling Interests / Temporary Equity
December 31, 2010	\$ 22,504	\$ 3,723	\$ 75	\$ (96)	\$ (1)	\$ (111)	\$ 26,094	\$ 189	\$ 45	\$ 26,328	\$ 6
Net income	—	2,337	—	—	—	—	2,337	20	(18)	2,339	—
Consolidation of a collateralized loan obligation	—	—	19	—	—	—	19	—	—	19	—
Allocation of losses of consolidated collateralized loan obligations	—	—	(22)	—	—	—	(22)	—	22	—	—
Dividends paid, net of dividend expense for unvested RSUs	—	(1,014)	—	—	—	—	(1,014)	—	—	(1,014)	—
Stock-based compensation	494	—	—	—	—	3	497	—	—	497	—
PNC preferred stock capital contribution	200	—	—	—	—	—	200	—	—	200	—
Retirement of preferred stock	(200)	—	—	—	—	—	(200)	—	—	(200)	—
Merrill Lynch cash capital contribution	8	—	—	—	—	—	8	—	—	8	—
Issuance of common shares related to employee stock transactions	(208)	—	—	—	—	228	20	—	—	20	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	—	(239)	(239)	—	—	(239)	—
Shares repurchased	(2,545)	—	—	—	—	(100)	(2,645)	—	—	(2,645)	—
Convertible debt conversions	4	—	—	—	—	1	5	—	—	5	—
Net tax benefit (shortfall) from stock-based compensation	12	—	—	—	—	—	12	—	—	12	—
Subscriptions/ (redemptions/distributive – non-controlling interest holders)	—	—	—	—	—	—	—	(25)	(11)	(36)	90
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	—	—	—	(4)
Foreign currency translation adjustments	7	—	—	—	—	—	7	—	—	7	—
Other comprehensive income (loss)	—	—	—	(31)	—	—	(31)	—	—	(31)	—
December 31, 2011	\$ 20,276	\$ 5,046	\$ 72	\$ (127)	\$ (1)	\$ (218)	\$ 25,048	\$ 184	\$ 38	\$ 25,270	\$ 92

(1) Amount includes \$1 million of common stock at par value at both December 31, 2011 and 2010 and \$1 million of preferred stock at par value at December 31, 2010.

See accompanying notes to consolidated financial statements.



[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Changes in Equity**  
(Dollar amounts in millions)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Non redeemable Non- controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non- controlling Interests / Temporary Equity <sup>(2)</sup>
December 31, 2011	\$ 20,276	\$ 5,046	\$ 72	\$ (127)	\$ (1)	\$ (218)	\$ 25,048	\$ 184	\$ 38	\$ 25,270	\$ 92
Net income	—	2,458	—	—	—	—	2,458	11	(38)	2,431	9
Allocation of losses of consolidated collateralized loan obligations	—	—	(43)	—	—	—	(43)	—	43	—	—
Release of common stock from escrow	(1)	—	—	—	1	—	—	—	—	—	—
Dividends paid	—	(1,060)	—	—	—	—	(1,060)	—	—	(1,060)	—
Stock-based compensation	451	—	—	—	—	—	451	—	—	451	—
Merrill Lynch cash capital contribution	7	—	—	—	—	—	7	—	—	7	—
Issuance of common shares related to employee stock transactions	(376)	—	—	—	—	432	56	—	—	56	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	—	(146)	(146)	—	—	(146)	—
Shares repurchased	(1,000)	—	—	—	—	(500)	(1,500)	—	—	(1,500)	—
Net tax benefit (shortfall) from stock-based compensation	64	—	—	—	—	—	64	—	—	64	—
Subscriptions/ (redemptions/distributions) – non-controlling interest holders	—	—	—	—	—	—	—	(33)	(10)	(43)	343
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(7)	(6)	(13)	(412)
Other comprehensive income (loss)	—	—	—	68	—	—	68	—	—	68	—
December 31, 2012	\$ 19,421	\$ 6,444	\$ 29	\$ (59)	\$ —	\$ (432)	\$ 25,403	\$ 155	\$ 27	\$ 25,585	\$ 32

<sup>(1)</sup> Amount includes \$2 million and \$1 million of common stock at par value at December 31, 2012 and 2011, respectively.

<sup>(2)</sup> Amounts include \$89 million of redemptions and \$89 million of net consolidations related to consolidated variable interest entities ("VIEs").

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**BlackRock, Inc.**  
**Consolidated Statements of Cash Flows**  
(Dollar amounts in millions)

	Year ended December 31,		
	2012	2011	2010
<b>Cash flows from operating activities</b>			
Net income	\$ 2,440	\$ 2,339	\$ 2,050
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and amortization	295	299	310
Amortization of deferred sales commissions	55	81	102
Stock-based compensation	451	497	445
Deferred income tax expense (benefit)	(61)	(137)	3
Net (gains) losses on non-trading investments	(43)	(40)	(62)
Purchases of investments within consolidated sponsored investment funds	(108)	(41)	(26)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	96	50	54
Assets and liabilities of consolidated VIEs:			
Change in cash and cash equivalents	(24)	54	(45)
Net losses within consolidated VIEs	38	18	35
Net (purchases) proceeds within consolidated VIEs	(203)	82	44
(Earnings) losses from equity method investees	(175)	(23)	(141)
Distributions of earnings from equity method investees	42	30	14
Other adjustments	(4)	—	(1)
Changes in operating assets and liabilities:			
Accounts receivable	(292)	124	(364)
Due from related parties	(4)	(6)	45
Deferred sales commissions	(41)	(53)	(65)
Investments, trading	(664)	(116)	(118)
Other assets	35	(122)	236
Accrued compensation and benefits	138	(140)	52
Accounts payable and accrued liabilities	114	(152)	164
Due to related parties	(8)	(35)	(356)
Other liabilities	163	117	112
Cash flows from operating activities	<u>2,240</u>	<u>2,826</u>	<u>2,488</u>
<b>Cash flows from investing activities</b>			
Purchases of investments	(402)	(204)	(656)
Proceeds from sales and maturities of investments	695	213	181
Distributions of capital from equity method investees	73	34	53
Net consolidations (deconsolidations) of sponsored investment funds	(215)	—	(52)
Acquisitions, net of cash acquired, and contingent payments	(267)	—	(23)
Purchases of property and equipment	(150)	(247)	(131)
Other	—	—	1
Cash flows from investing activities	<u>(266)</u>	<u>(204)</u>	<u>(627)</u>
<b>Cash flows from financing activities</b>			
Repayments of short-term borrowings	—	(600)	(2,134)
Proceeds from short-term borrowings	—	600	—
Repayments of convertible debt	—	(67)	(176)
Repayments of long-term borrowings	(500)	—	—
Proceeds from long-term borrowings	1,495	1,496	—
Cash dividends paid	(1,060)	(1,014)	(776)
Proceeds from stock options exercised	47	16	10
Proceeds from issuance of common stock	7	5	6
Repurchases of common stock	(1,645)	(2,885)	(264)
Merrill Lynch cash capital contribution	7	8	10
Net proceeds from (repayments of) borrowings by consolidated VIEs	331	(125)	—
Net (redemptions/distributions paid)/subscriptions received from non-controlling interest holders	300	54	110
Excess tax benefit from stock-based compensation	74	27	44
Cash flows from financing activities	<u>(944)</u>	<u>(2,485)</u>	<u>(3,170)</u>
Effect of exchange rate changes on cash and cash equivalents	70	2	(32)
Net increase (decrease) in cash and cash equivalents	1,100	139	(1,341)
Cash and cash equivalents, beginning of year	3,506	3,367	4,708
Cash and cash equivalents, end of year	<u>\$ 4,606</u>	<u>\$ 3,506</u>	<u>\$ 3,367</u>

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**Table of Contents**

	<b>Year ended December 31,</b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<i>Supplemental disclosure of cash flow information:</i>			
Cash paid for:			
Interest	\$ 201	\$ 167	\$ 146
Interest on borrowings of consolidated VIEs	\$ 75	\$ 60	\$ 53
Income taxes (net of refunds)	\$ 976	\$ 962	\$ 583
<i>Supplemental schedule of non-cash investing and financing transactions:</i>			
Issuance of common stock	\$ 378	\$ 213	\$ 266
PNC preferred stock capital contribution	\$ —	\$ 200	\$ —
Increase (decrease) in non-controlling interests due to net consolidation (deconsolidation) of sponsored investment funds	\$(425)	\$ (4)	\$ (170)
Increase (decrease) in borrowings due to consolidation of VIEs	\$ 406	\$ 412	\$ 1,157
Common stock released from escrow	\$ 1	\$ —	\$ 136

See accompanying notes to consolidated financial statements.

## Table of Contents

### BlackRock, Inc.

#### Notes to the Consolidated Financial Statements

##### 1. Introduction and Basis of Presentation

**Business.** BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") provides diversified investment management services to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*<sup>®</sup> exchange-traded funds ("ETFs"), collective investment trusts and separate accounts. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On May 29, 2012, BlackRock completed a secondary offering of 26,211,335 shares of common stock held by Barclays Bank PLC ("Barclays") at a price of \$160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Convertible Participating Preferred Stock ("Series B Preferred") by a subsidiary of Barclays. Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays at a price of \$156.80 per share (consisting of 6,346,036 shares of Series B Preferred and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters' option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

On December 31, 2012, The PNC Financial Services Group, Inc. ("PNC") held 20.8% of the Company's voting common stock and 21.9% of the Company's capital stock, which includes outstanding common and non-voting preferred stock.

See Note 17, Capital Stock, for more information on the equity ownership of BlackRock.

**Basis of Presentation.** These 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. Non-controlling interests

on the consolidated statements of financial condition include the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Significant 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain items previously reported have been reclassified to conform to the current year presentation.

##### 2. Significant Accounting Policies

**Cash and Cash Equivalents.** Cash and cash equivalents primarily consists of cash, money market funds and short-term, highly liquid investments with original maturities of three months or less in which the Company is exposed to market and credit risk. Cash and cash equivalent balances that are legally restricted from use by the Company are recorded in other assets on the consolidated statements of financial condition. Cash balances maintained by consolidated sponsored investment funds are not considered legally restricted and are included in cash and cash equivalents on the consolidated statements of financial condition. Cash balances maintained by consolidated VIEs are included in assets of consolidated variable interest entities on the consolidated statements of financial condition.

##### Investments

**Investments in Debt and Marketable Equity Securities.** BlackRock holds debt and marketable equity investments, which pursuant to Accounting Standards Codification ("ASC") 320-10, *Investments – Debt and Equity Securities*, are classified as trading, available-for-sale, or held-to-maturity based on the Company's intent to sell the security or, for a debt security, the Company's intent and ability to hold the debt security to maturity.

Trading securities are those investments that are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in non-operating income (expense) on the consolidated statements of income in the period of the change.

## Table of Contents

### 2. Significant Accounting Policies (continued)

Held-to-maturity debt securities are purchased with the positive intent and ability to be held to maturity and are recorded at amortized cost on the consolidated statements of financial condition.

Available-for-sale securities are those securities that are not classified as trading or held-to-maturity. Available-for-sale securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in the accumulated other comprehensive income (loss) component of stockholders' equity in the period of the change. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income (loss) to non-operating income (expense) on the consolidated statements of income.

**Equity Method.** For equity investments where BlackRock does not control the investee, and where it is not the primary beneficiary ("PB") of a VIE, but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*. Under the equity method of accounting, BlackRock's share of the investee's underlying net income or loss is recorded as net gain (loss) on investments within non-operating income (expense) and as other revenue for operating advisory company investments since such companies are considered to be an extension of BlackRock's core business. BlackRock's share of net income of the investee is recorded based upon the most current information available at the time, which may precede the date of the consolidated statement of financial condition. Distributions received from the investment reduce the Company's carrying value of the investee.

**Cost Method.** For non-marketable equity investments where BlackRock neither controls nor has significant influence over the investee, the investments are accounted for using the cost method of accounting. Under the cost method, dividends received from the investment are recorded as dividend income within non-operating income (expense).

**Impairments of Investments.** The Company's management periodically assesses its equity method, available-for-sale, held-to-maturity and cost investments for impairment. If circumstances indicate that impairment may exist, investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Company's carrying value of the investment, an impairment charge is recorded in the consolidated statement of income.

When the fair value of available-for-sale securities is lower than cost, the Company evaluates the securities to determine whether the impairment is considered to be "other-than-temporary."

In making this determination for equity securities, the Company considers, among other factors, the length of time the security has been in a loss position, the extent to which the security's market value is less than cost, the financial condition and near-term prospects of the security's issuer and the Company's ability and intent to hold the security for a length of time sufficient to allow for recovery of such unrealized losses. If the impairment is considered other-than-temporary, an impairment charge is recorded in non-operating income (expense) on the consolidated statements of income.

In making this determination for debt securities, the Company considers whether: (1) it has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery or (3) it expects to recover the entire amortized cost basis of the security. If the Company does not intend to sell a security and it is not more likely than not that it will be required to sell the security, but the security has suffered a credit loss, the credit loss will be bifurcated from the total impairment and recorded in earnings with the remaining portion recorded in accumulated other comprehensive income.

#### **Consolidation**

For investment products in which BlackRock's voting interest is less than 50%, an analysis is performed to determine if the investment product is a VIE or a voting rights entity. Upon the determination that the investment product is a VIE, further analysis, as discussed below, is performed to determine if BlackRock is the PB of the investment product, which would require consolidation.

**Consolidation of Variable Interest Entities.** Pursuant to ASC 810-10, *Consolidation* ("ASC 810-10") certain investment products for which the risks and rewards of ownership are not directly linked to voting interests may be deemed VIEs. BlackRock reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment product is a VIE. BlackRock is required to consolidate a VIE when it is deemed to be the PB, which is evaluated continuously as facts and circumstances change.

Accounting Standards Update ("ASU") 2010-10, *Amendments to Statement 167 for Certain Investment Funds* ("ASU 2010-10") defers the application of Statement of Financial Accounting Standards ("SFAS")

## Table of Contents

### 2. Significant Accounting Policies (continued)

No. 167, *Amendments to FASB Interpretation No. 46(R)*, for certain investment funds, including money market funds.

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

The PB of a VIE that meets the conditions of ASU 2010-10 is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both.

*Consolidation of Voting Rights Entities.* To the extent that BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a 50% or greater voting interest or if partners or members of certain products do not have substantive rights, BlackRock consolidates the investee.

The Company, as general partner or managing member of certain sponsored investment funds, generally is presumed to control funds that are limited partnerships or limited liability companies. Pursuant to ASC 810-20, *Control of Partnerships and Similar Entities* ("ASC 810-20"), the Company reviews such investment vehicles to determine if such a presumption can be overcome by determining whether other non-affiliated partners or members of the limited partnership or limited liability company have the substantive ability to dissolve (liquidate) the investment vehicle, or to otherwise remove BlackRock as the general partner or managing member without cause based on a simple unaffiliated majority vote, or have other substantive participating rights. If the investment vehicle is not a VIE and the presumption of control is not overcome, BlackRock will consolidate the investment vehicle.

*Retention of Specialized Accounting Principles.* Upon consolidation of certain sponsored investment funds, the Company retains the specialized accounting principles of the underlying funds pursuant to ASC 810-10. All of the underlying investments held by such consolidated sponsored investment funds are carried at fair value, with corresponding changes in the investments' fair values reflected in non-operating income (expense) on the consolidated statements of income. When the Company no longer controls these funds due to reduced ownership percentage or other reasons, the funds are deconsolidated and accounted for under another accounting method if the Company still maintains an investment.

**Separate Account Assets and Liabilities.** Separate account assets are maintained by 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 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 consolidated statements of financial condition in accordance with the ASC 944-80, *Financial Services – Separate Accounts*.

The net investment income attributable to separate account assets supporting individual and group pension contracts accrue directly to the contract owner and are not reported on the 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 consolidated statements of income.

**Collateral Assets Held and Liabilities Under Securities Lending Agreements.** The Company facilitates securities lending arrangements whereby securities held by separate account assets maintained by BlackRock's life insurance company are lent to third parties. In exchange, the Company receives collateral with minimums generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. Under the Company's securities lending arrangements, the Company can resell or re-pledge the collateral and the borrower can resell or re-pledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing*.

As a result of the Company's ability to resell or re-pledge the collateral, the Company records on the consolidated statements of financial condition the collateral received under these arrangements (both cash and non-cash) as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. At December 31, 2012 and 2011, the fair value of loaned securities held by separate account assets was approximately \$21.0 billion and \$19.5 billion, respectively, and the collateral held under these securities lending agreements was approximately \$23.0 billion and \$20.9 billion, respectively. During 2012 and 2011, the Company had not sold or re-pledged any of the collateral received under these arrangements.

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## Table of Contents

### 2. Significant Accounting Policies (continued)

**Deferred Sales Commissions.** The Company holds the rights to receive certain cash flows from sponsored mutual funds sold without a front-end sales charge ("back-end load shares"). The carrying value of these deferred mutual fund commissions is being amortized over periods between one and six years. The Company receives distribution fees from these funds and contingent deferred sales commissions ("CDSCs") upon shareholder redemption of certain back-end load shares that are recorded within distribution fees on the consolidated statements of income. Upon receipt of CDSCs, the Company records revenue and the remaining unamortized deferred sales commission is expensed.

The Company periodically reviews the carrying value of deferred commission assets to determine whether a significant decline in the equity or bond markets or other events or circumstances indicate that an impairment may have occurred. If indicators of a potential impairment exist, the Company compares the carrying value of the asset to the estimated future net undiscounted cash flows related to the asset. If such assessments indicate that the estimated future net undiscounted cash flows will not be sufficient to recover the recorded carrying value, the assets are adjusted to their estimated fair value. No such impairments were recorded for 2012, 2011 and 2010.

**Property and Equipment.** Property and equipment are recorded at cost less accumulated depreciation. Depreciation is generally determined by cost less any estimated residual value using the straight-line method over the estimated useful lives of the various classes of property and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life or the remaining lease term.

BlackRock develops a variety of risk management, investment analytic and investment system services for internal use, utilizing proprietary software that is hosted and maintained by BlackRock. In accordance with ASC 350-40, *Internal-Use Software* ("ASC 350-40"), the Company capitalizes certain costs incurred in connection with developing or obtaining software for internal use. Capitalized software costs are included within property and equipment on the consolidated statements of financial condition and are amortized, beginning when the software project is complete and put into production, over the estimated useful life of the software of approximately three years.

**Goodwill and Intangible Assets.** Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In its assessment of goodwill for impairment, the Company considers such factors as the

book value and market capitalization of the Company. On a quarterly basis, the Company considers if triggering events have occurred that may indicate a potential goodwill impairment. If a triggering event has occurred, the Company performs assessments, which include reviews of all significant valuation assumptions, to determine if goodwill may be impaired. The Company performs an impairment assessment of its goodwill at least annually, as of July 31st.

Intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets acquired in a business combination. The value of contracts to manage assets in proprietary open-end funds, closed-end funds and collective trust funds and certain other commingled products without a specified termination date is generally classified as indefinite-lived intangible assets. The assignment of indefinite lives to such contracts primarily is based upon the following: (i) the assumption that there is no foreseeable limit on the contract period to manage these products; (ii) the Company expects to, and has the ability to, continue to operate these products indefinitely; (iii) the products have multiple investors and are not reliant on a single investor or small group of investors for their continued operation; (iv) current competitive factors and economic conditions do not indicate a finite life; and (v) there is a high likelihood of continued renewal based on historical experience. In addition, trade names/trademarks are considered indefinite-lived intangible assets when they are expected to generate cash flows indefinitely.

In accordance with ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), indefinite-lived intangible assets and goodwill are not amortized. The value of contracts for separately managed accounts and certain funds, which have finite lives, are amortized over the expected lives of the management contracts.

The Company performs assessments to determine if any intangible assets are potentially impaired and whether the indefinite-life and finite-life classifications are still appropriate. The carrying value of finite-lived management contracts and their remaining useful lives are reviewed at least annually to determine if circumstances exist which may indicate a potential impairment. The Company performs such impairment assessments of its intangible assets including indefinite-lived management contracts and trade names/trademarks, at least annually, as of July 31<sup>st</sup>. In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than its carrying value, BlackRock assesses various significant factors including assets under management ("AUM"), revenue basis points,

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## Table of Contents

### 2. Significant Accounting Policies (continued)

projected AUM growth rates, operating margins, tax rates and discount rates. In addition, the Company considers other factors including (i) macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics, a change in the market for an entity's services, or regulatory, legal or political developments; and (iii) entity-specific events, such as a change in management or key personnel, overall financial performance and litigation that could affect significant inputs.

If potential impairment circumstances are considered to exist, the Company will perform an impairment test, using an undiscounted cash flow analysis. Actual results could differ from these cash flow estimates, which could materially impact the impairment conclusion. If the asset is determined to be impaired, the difference between the book value of the asset and its current fair value would be recognized as an expense in the period in which the impairment occurs.

**Non-controlling Interests.** According to the requirements within ASC 810-10, the Company reports non-controlling interests as equity, separate from the parent's equity, on the consolidated statements of financial condition. In addition, the Company's consolidated net income on the consolidated statements of income includes the income (loss) attributable to non-controlling interest holders of the Company's consolidated sponsored investment funds and collateralized loan obligations ("CLOs"). Income (loss) attributable to non-controlling interests is not adjusted for income taxes for consolidated sponsored investment funds and CLOs that are treated as pass-through entities for tax purposes.

**Classification and Measurement of Redeemable Securities.** The Company includes redeemable non-controlling interests related to certain consolidated sponsored investment funds in temporary equity on the consolidated statements of financial condition.

**Appropriated Retained Earnings.** Upon adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* ("ASU 2009-17") on January 1, 2010, BlackRock consolidated three CLOs and recorded a cumulative effect adjustment to appropriated retained earnings on the consolidated statement of financial condition equal to the difference

between the fair value of the CLOs' assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders, not BlackRock, ultimately will receive the benefits or absorb the losses associated with the CLOs' assets and liabilities. Subsequent to adoption of ASU 2009-17, the net change in the fair value of the CLOs' assets and liabilities has been recorded as net income (loss) attributable to nonredeemable non-controlling interests and as an adjustment to appropriated retained earnings. In addition, in 2011, BlackRock consolidated additional CLOs, resulting in \$19 million of additional appropriated retained earnings upon the initial consolidation.

**Treasury Stock.** The Company records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock using the average cost method.

#### **Revenue Recognition**

**Investment Advisory, Administration Fees and Securities Lending Revenue.** Investment advisory and administration fees are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM, committed capital, or, in the case of certain real estate clients, net operating income generated by the underlying properties. Investment advisory and administration fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net subscriptions or redemptions. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

The Company contracts with third parties and related parties for various mutual fund distribution and shareholder servicing to be performed on behalf of certain funds the Company manages. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund (primarily international funds) takes on the primary responsibility for payment for services such that the Company bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with ASC 605-45, *Revenue Recognition – Principal Agent Considerations*, and has recorded its management fees net of retrocessions. Retrocessions for 2012, 2011 and 2010 were \$793 million, \$928 million and \$831 million, respectively, and were reflected net in investment advisory, administration fees and securities lending revenue on the consolidated statements of income.



## Table of Contents

### 2. Significant Accounting Policies (continued)

The Company also earns revenue by lending securities as an agent on behalf of clients, primarily to brokerage institutions. Such revenues are accounted for on an accrual basis. The revenue earned is shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed.

**Investment Advisory Performance Fees.** The Company receives investment advisory performance fees or an incentive allocation from certain actively managed investment funds and certain separately managed accounts. These performance fees are earned upon exceeding specified relative and/or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period which varies by product or account.

The Company may receive carried interest from certain alternative investments upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these investments. BlackRock records carried interest subject to such claw-back provisions in investments, or cash on the consolidated statements of financial condition to the extent that it is distributed. Carried interest is realized and recorded as performance fee revenue upon the earlier of the termination of the investment fund or when the likelihood of claw-back is mathematically improbable. The Company records a deferred carried interest liability to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At December 31, 2012 and 2011, the Company had \$97 million and \$33 million, respectively, of deferred carried interest recorded in other liabilities on the consolidated statements of financial condition.

**BlackRock Solutions and Advisory.** BlackRock provides a variety of risk management, investment analytic, enterprise investment system and financial markets advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions*<sup>®</sup> and include a wide array of risk management services, valuation of illiquid securities, disposition and workout assignments (including long-term portfolio liquidation assignments), strategic planning and execution, and enterprise investment system outsourcing to clients. Fees earned for *BlackRock Solutions* and advisory services are recorded as services are performed and are determined using some, or all, of the following methods: (i) percentages of various attributes of advisory AUM or value of positions on the *Aladdin*<sup>®</sup> platform,

(ii) fixed fees and (iii) performance fees if contractual thresholds are met. The fees earned for *BlackRock Solutions* and advisory services are recorded in *BlackRock Solutions* and advisory on the consolidated statements of income.

**Other Revenue.** The Company earns fees for transition management services comprised of commissions from acting as an introducing broker-dealer in buying and selling securities on behalf of the Company's customers. Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur and are reflected in other revenue on the consolidated statements of income.

The Company earns commissions revenue upon the sale of unit trusts and Class A mutual funds. Revenue is recorded at the time of the sale of the product.

Other revenue also includes equity method investment earnings related to operating advisory company investments and marketing fees earned for services to distribute iPath<sup>®</sup> products, which are exchange-traded notes issued by Barclays.

**Stock-based Compensation.** The Company applies ASC 718-10, *Compensation – Stock Compensation* ("ASC 718-10"), which establishes standards for the accounting of transactions in which an entity obtains employee services in share-based payment transactions. Entities are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The compensation cost is recognized over the period during which an employee is required to provide service (usually the vesting period) in exchange for the stock-based award.

The Company measures the grant-date fair value of restricted stock units ("RSUs") using the Company's share price on the date of grant. For employee share options and instruments with market conditions, the Company uses pricing models. If an equity award is modified after the grant date, incremental compensation cost is recognized for an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. Awards under the Company's stock-based compensation plans vest over various periods. Compensation cost is recorded by the Company on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award is, in-substance, multiple awards. Compensation cost is reduced by the number of awards expected to be forfeited prior to vesting. Forfeiture estimates generally are derived using historical forfeiture information, where available, and are reviewed for reasonableness at least quarterly.

## Table of Contents

### 2. Significant Accounting Policies (continued)

The Company amortizes the grant-date fair value of stock-based compensation awards made to retirement-eligible employees over the requisite service period. Upon notification of retirement, the Company accelerates the unamortized portion of the award over the contractually required retirement notification period, if applicable.

**Distribution and Servicing Costs.** Distribution and servicing costs include payments to third parties and related parties, including Bank of America/Merrill Lynch & Co., Inc. ("Merrill Lynch"), PNC and Barclays, primarily associated with distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs are expensed when incurred.

**Direct Fund Expenses.** Direct fund expenses, which are expensed as incurred, primarily consist of third-party non-advisory expenses incurred by BlackRock related to certain funds for the use of certain index trademarks, reference data for certain indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, audit and tax services as well as other fund-related expenses directly attributable to the non-advisory operations of the fund.

**Leases.** The Company accounts for its operating leases, which may include escalation clauses, in accordance with ASC 840-10, *Leases*. The Company expenses the lease payments associated with operating leases evenly during the lease term (including rent-free periods) commencing when the Company obtains control over the leased property.

**Foreign Exchange.** Monetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the date of the consolidated statements of financial condition. Non-monetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates during the period. Gains or losses resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive income, a separate component of stockholders' equity, on the consolidated statements of financial condition. Gains or losses resulting from foreign currency transactions are included in general and administration expense on the consolidated statements of income. For 2012, 2011 and 2010, the Company recorded gains (losses) from foreign currency transactions of \$(8) million, \$(1) million and \$6 million, respectively.

**Income Taxes.** The Company accounts for income taxes under the asset and liability method prescribed by ASC

740-10, *Income Taxes* ("ASC 740-10"). Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

Management periodically assesses the recoverability of its deferred income tax assets based upon expected future earnings, taxable income in prior carryback years, future deductibility of the asset, changes in applicable tax laws and other factors. If management determines that it is not more likely than not that the deferred tax asset will be fully recoverable in the future, a valuation allowance will be established for the difference between the asset balance and the amount expected to be recoverable in the future. This allowance will result in additional income tax expense. Further, the Company records its income taxes receivable and payable based upon its estimated income tax position.

Excess tax benefits related to stock-based compensation are recognized as additional paid-in capital and are reflected as financing cash flows on the consolidated statements of cash flows. If the Company does not have additional paid-in capital credits (cumulative tax benefits recorded to additional paid-in capital), the Company will record an expense for any deficit, or shortfall, between the recorded tax benefit and tax return benefit. At December 31, 2012 and 2011, BlackRock had excess additional paid-in capital credits to absorb potential future deficits between recorded tax benefits and tax return benefits.

**Earnings per Share ("EPS").** EPS is calculated pursuant to the two-class method as defined in ASC 260-10, *Earnings per Share* ("ASC 260-10"), which specifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS pursuant to the two-class method. The dilutive effect of outstanding unvested share-based payment awards that are considered non-participating securities are calculated under the treasury stock method.

The Company presents both basic and diluted EPS amounts. Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to shareholders, excluding participating securities, by the

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## Table of Contents

### 2. Significant Accounting Policies (continued)

weighted-average number of shares outstanding. The Company's participating securities consist of its unvested share-based payment awards that contain rights to non-forfeitable dividends or dividend equivalents. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the impact of other potentially dilutive shares outstanding during the period. The dilutive effect of participating securities is calculated under the more dilutive of either the treasury stock method or the two-class method. As of December 31, 2012, there were approximately 0.2 million of participating securities. The majority of these participating securities vested on January 31, 2013.

Due to the similarities in terms among each series of BlackRock's non-voting participating preferred stock and the Company's common stock, the Company considers each series of its non-voting participating preferred stock to be common stock equivalents for purposes of EPS calculations.

**Business Segments.** The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company operates in one business segment as defined in ASC 280-10, *Segment Reporting* ("ASC 280-10").

**Business Combinations.** The Company accounts for business combinations in accordance with the requirements of ASC 805, *Business Combinations* ("ASC 805"). The fundamental requirement of ASC 805 is that the acquisition method of accounting (the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. The provisions of ASC 805 define the acquirer, establish the acquisition date and define transactions that qualify as business combinations.

Additionally, the requirements of ASC 805 provide guidance for measuring the fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree, provide guidance for the measurement of fair value in a step acquisition, provide guidance for recognizing assets acquired and liabilities assumed subject to contingencies, provide guidance on recognition and measurement of contingent consideration and require that acquisition-related costs of the acquirer generally be expensed as incurred. Reversal of valuation allowances related to acquired deferred tax assets and changes to liabilities for unrecognized tax benefits related to tax positions assumed in business combinations subsequent to the adoption of the requirements of ASC 805, will affect the income tax provision in the period of reversal or change.

#### **Fair Value Measurements.**

**Hierarchy of Fair Value Inputs.** The provisions of ASC 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10"), establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

##### **Level 1 Inputs:**

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

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

##### **Level 2 Inputs:**

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

- Level 2 assets may include debt securities, bank loans, short-term floating rate notes and asset-backed securities, securities held within consolidated hedge funds, certain equity method limited partnership interests in hedge funds valued based on NAV (or its equivalent) where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and

## Table of Contents

### 2. Significant Accounting Policies (continued)

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

- Level 3 assets may include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, and funds of hedge funds, direct private equity investments held within consolidated funds, bank loans and bonds.
- Level 3 liabilities include borrowings of consolidated CLOs valued based upon non-binding single-broker quotes.
- Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices.

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

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

As a practical expedient, the Company relies on NAV as the fair value for certain investments. The inputs to value these investments may include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be

adjusted by using the returns of certain market indices. The various partnerships 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, including independent appraisals, from third-party sources. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

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

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

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

## Table of Contents

### 2. Significant Accounting Policies (continued)

separately from those instruments measured using another accounting method.

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

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

Changes in the fair value of the Company's derivative financial instruments are generally recognized in current 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 consolidated statements of income.

#### **Accounting Pronouncements Adopted in 2012**

**Amendments to Fair Value Measurements and Disclosures.** On January 1, 2012, the Company adopted the applicable provisions of ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). Among other things, ASU 2011-04 clarified existing fair value measurement guidance and required enhanced disclosures about fair value measurements. The adoption of ASU 2011-04 did not materially impact the consolidated financial statements.

**Amendments on Testing Indefinite-lived Intangible Assets for Impairment.** On July 27, 2012, the Financial Accounting Standards Board ("FASB") issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02"), which amends the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under ASU 2012-02, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not (i.e., a likelihood of more than 50 percent) impaired, the entity would not need to calculate the fair value of the asset. The Company's adoption of ASU 2012-02 during 2012 did not impact its consolidated financial statements.

#### **Recent Accounting Pronouncements Not Yet Adopted**

**Disclosures About Offsetting Assets and Liabilities.** On December 16, 2011, the FASB issued ASU 2011-11, *Disclosures About Offsetting Assets and Liabilities* ("ASU 2011-11"), which creates new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The provisions of ASU 2011-11 are effective for the Company for reporting periods beginning January 1, 2013 with retrospective application required. On January 31, 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* ("ASU 2013-01") that provides clarification about which instruments and transactions are subject to ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 are not expected to materially impact the consolidated financial statements.

**Comprehensive Income.** On February 5, 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 does not change the current requirement for reporting net income or other comprehensive income but requires additional disclosures about significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-02 is effective prospectively for the Company on January 1, 2013 and is not expected to have a material impact on the consolidated statements.

## Table of Contents

### 3. Investments

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

<i>(Dollar amounts in millions)</i>	December 31, 2012	December 31, 2011
Available-for-sale investments	\$ 158	\$ 52
Held-to-maturity investments	112	105
<b>Trading investments:</b>		
Consolidated sponsored investment funds	123	214
Other equity and debt securities	94	7
Deferred compensation plan mutual funds	53	46
<b>Total trading investments</b>	<b>270</b>	<b>267</b>
<b>Other investments:</b>		
Consolidated sponsored investment funds	401	373
Equity method investments	595	457
Deferred compensation plan hedge fund equity method investments	9	19
Cost method investments <sup>(1)</sup>	120	337
Carried interest	85	21
<b>Total other investments</b>	<b>1,210</b>	<b>1,207</b>
<b>Total investments</b>	<b>\$ 1,750</b>	<b>\$ 1,631</b>

(1) Amounts primarily include Federal Reserve Bank Stock

At December 31, 2012, the Company consolidated \$524 million of investments held by consolidated sponsored investment funds (non-VIEs) of which \$123 million and \$401 million were classified as trading investments and other investments, respectively. At December 31, 2011, the Company consolidated \$587 million of investments held by consolidated sponsored investment funds (non-VIEs) of which \$214 million and \$373 million were classified as trading investments and other investments, respectively.

### Available-for-Sale Investments

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

<i>(Dollar amounts in millions)</i>	<b>Gross Unrealized</b>			<b>Carrying</b>
<b>At December 31, 2012</b>	<b>Cost</b>	<b>Gains</b>	<b>Losses</b>	<b>Value</b>
<b>Equity securities:</b>				
Sponsored investment funds	\$142	\$ 14	\$ (1)	\$ 155
Collateralized debt obligations ("CDOs")	1	—	—	1
<b>Debt securities:</b>				
Asset-backed debt	1	1	—	2
<b>Total available-for-sale investments</b>	<b>\$144</b>	<b>\$ 15</b>	<b>\$ (1)</b>	<b>\$ 158</b>

### At December 31, 2011

<b>Equity securities:</b>				
Sponsored investment funds	\$ 52	\$ —	\$ (2)	\$ 50
CDOs	1	—	—	1
<b>Debt securities:</b>				
Asset-backed debt	1	—	—	1
<b>Total available-for-sale investments</b>	<b>\$ 54</b>	<b>\$ —</b>	<b>\$ (2)</b>	<b>\$ 52</b>

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

A summary of sale activity in available-for-sale securities during 2012, 2011 and 2010 is shown below.

<i>(Dollar amounts in millions)</i>	<b>Year ended</b>		
	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Sales proceeds	\$134	\$ 44	\$ 42
<b>Net realized gain (loss):</b>			
Gross realized gains	\$ 8	\$ 3	\$ 3
Gross realized losses	(1)	(2)	(1)
<b>Net realized gain (loss)</b>	<b>\$ 7</b>	<b>\$ 1</b>	<b>\$ 2</b>

### Held-to-Maturity Investments

The carrying value of held-to-maturity investments was \$112 million and \$105 million at December 31, 2012 and December 31, 2011, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. At

## Table of Contents

### 3. Investments (continued)

December 31, 2012, \$88 million of these investments mature in one year or less, \$10 million mature after one year through five years, and \$14 million mature after 10 years.

#### Trading Investments

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

(Dollar amounts in millions)	December 31, 2012		December 31, 2011	
	Cost	Carrying Value	Cost	Carrying Value
Trading investments:				
Deferred compensation plan mutual funds	\$ 46	\$ 53	\$ 45	\$ 46
Equity/Multi-asset class mutual funds	154	162	174	169
Debt securities:				
Corporate debt	44	44	39	40
U.S. government debt	11	11	—	—
Foreign debt	—	—	12	12
Total trading investments	<u>\$ 255</u>	<u>\$ 270</u>	<u>\$ 270</u>	<u>\$ 267</u>

At December 31, 2012, trading investments included \$73 million of equity securities and \$50 million of debt securities held by consolidated sponsored investment funds, \$53 million of certain deferred compensation plan mutual fund investments and \$94 million of equity and debt securities held in separate investment accounts for the purpose of establishing an investment history in various investment strategies before being marketed to investors.

#### Other Investments

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

(Dollar amounts in millions)	December 31, 2012		December 31, 2011	
	Cost	Carrying Value	Cost	Carrying Value
Other investments:				
Consolidated sponsored investment funds	\$ 378	\$ 401	\$ 345	\$ 373
Equity method	541	595	487	457
Deferred compensation plan hedge fund equity method investments	15	9	17	19
Cost method investments:				
Federal Reserve Bank stock	89	89	328	328
Other	31	31	9	9
Total cost method investments	120	120	337	337
Carried interest	—	85	—	21
Total other investments	<u>\$ 1,054</u>	<u>\$ 1,210</u>	<u>\$ 1,186</u>	<u>\$ 1,207</u>

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

Equity method investments primarily include BlackRock's direct investment in certain BlackRock sponsored investment funds.

Cost method investments include non-marketable securities, including Federal Reserve Bank ("FRB") stock, which is held for regulatory purposes and is restricted from sale. At December 31, 2012 and 2011, there were no indicators of impairment on these investments. The decrease in cost method investments from December 31, 2011 was primarily due to a lower holding requirement of FRB stock held by a wholly owned subsidiary of the Company.

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

## Table of Contents

### 4. Consolidated Sponsored Investment Funds

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

<i>(Dollar amounts in millions)</i>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Cash and cash equivalents	\$ 133	\$ 196
Investments:		
Trading investments	123	214
Other investments	401	373
Other assets	25	5
Other liabilities	(65)	(37)
Non-controlling interests	<u>(187)</u>	<u>(276)</u>
BlackRock's net interests in consolidated investment funds	<u>\$ 430</u>	<u>\$ 475</u>

BlackRock's total exposure to consolidated sponsored investment funds of \$430 million and \$475 million at

December 31, 2012 and 2011, respectively, represents the value of the Company's economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in non-operating income (expense) and partially offset in net income (loss) attributable to non-controlling interests for the portion not attributable to BlackRock.

In addition, at December 31, 2012 and 2011, several consolidated CLOs and one investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the consolidated statements of financial condition. See Note 6, Variable Interest Entities, for further discussion on these consolidated funds.

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



## Table of Contents

### 5. Fair Value Disclosures

#### Fair Value Hierarchy

December 31, 2012

Assets measured at fair value on a recurring basis and other assets not held at fair value were as follows:

	Assets measured at fair value on a recurring basis				December 31, 2012
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value (1)	
<i>(Dollar amounts in millions)</i>					
<b>Assets:</b>					
<b>Investments</b>					
Available-for-sale:					
Equity securities (funds and CDOs)	\$ 155	\$ —	\$ 1	\$ —	\$ 156
Debt securities	—	2	—	—	2
Total available-for-sale	155	2	1	—	158
Held-to-maturity:					
Debt securities	—	—	—	112	112
Trading:					
Deferred compensation plan mutual funds	53	—	—	—	53
Equity/Multi-asset class mutual funds	159	3	—	—	162
Debt securities	5	50	—	—	55
Total trading	217	53	—	—	270
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	3	39	73	—	115
Private / public equity <sup>(2)</sup>	10	10	266	—	286
Total consolidated sponsored investment funds	13	49	339	—	401
Equity method:					
Hedge funds / Funds of hedge funds	—	61	161	39	261
Private equity investments	—	—	90	—	90
Real estate funds	—	19	88	15	122
Fixed income mutual funds	46	—	—	—	46
Equity/Multi-asset class, alternative mutual funds	76	—	—	—	76
Total equity method	122	80	339	54	595
Deferred compensation plan hedge fund equity method investments	—	9	—	—	9
Cost method investments	—	—	—	120	120
Carried interest	—	—	—	85	85
Total investments	507	193	679	371	1,750
<b>Separate account assets:</b>					
Equity securities	92,979	—	2	—	92,981
Debt securities	—	36,954	—	—	36,954
Derivatives	—	95	—	—	95
Money market funds	2,535	—	—	—	2,535
Other	—	1,343	—	860	2,203
Total separate account assets	95,514	38,392	2	860	134,768
<b>Collateral held under securities lending agreements:</b>					
Equity securities	21,273	—	—	—	21,273
Debt securities	—	1,748	—	—	1,748
Total collateral held under securities lending agreements	21,273	1,748	—	—	23,021
<b>Other assets<sup>(3)</sup></b>					
—	—	12	—	—	12
<b>Assets of consolidated VIEs:</b>					
Bank loans	—	2,004	106	—	2,110
Bonds	—	78	46	—	124
Private / public equity <sup>(4)</sup>	2	6	22	—	30
Total assets of consolidated VIEs	2	2,088	174	—	2,264
<b>Total</b>	<b>\$117,296</b>	<b>\$ 42,433</b>	<b>\$ 855</b>	<b>\$ 1,231</b>	<b>\$ 161,815</b>

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

(2) Amount within Level 3 included \$212 million and \$54 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Amount includes company-owned and split-dollar life insurance policies.

(4) Amounts within Level 3 included \$20 million and \$2 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

[Table of Contents](#)

5. Fair Value Disclosures (continued)

Liabilities measured at fair value on a recurring basis at December 31, 2012 were as follows:

<i>(Dollar amounts in millions)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2012
<b>Liabilities:</b>				
Borrowings of consolidated VIEs	\$ —	\$ —	\$ 2,402	\$ 2,402
Collateral liabilities under securities lending agreements	21,273	1,748	—	23,021
Other liabilities <sup>(1)</sup>	15	5	—	20
<b>Total liabilities measured at fair value</b>	<b>\$ 21,288</b>	<b>\$ 1,753</b>	<b>\$ 2,402</b>	<b>\$ 25,443</b>

<sup>(1)</sup> Amount included credit default swap (see Note 7, Derivatives and Hedging, for more information) and securities sold short within consolidated sponsored investment funds recorded within other liabilities on the consolidated statements of financial condition.

December 31, 2011

Assets measured at fair value on a recurring basis and other assets not held at fair value were as follows:

<i>(Dollar amounts in millions)</i>	Assets measured at fair value on a recurring basis				December 31, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value <sup>(1)</sup>	
<b>Assets:</b>					
<b>Investments</b>					
<b>Available-for-sale:</b>					
Equity securities (funds and CDOs)	\$ 50	\$ —	\$ 1	\$ —	\$ 51
Debt securities	—	1	—	—	1
Total available-for-sale	50	1	1	—	52
<b>Held-to-maturity:</b>					
Debt securities	—	—	—	105	105
<b>Trading:</b>					
Deferred compensation plan mutual funds	46	—	—	—	46
Equity securities	163	6	—	—	169
Debt securities	—	52	—	—	52
Total trading	209	58	—	—	267
<b>Other investments:</b>					
<b>Consolidated sponsored investment funds:</b>					
Hedge funds / Funds of funds	—	20	22	—	42
Private / public equity	18	—	313	—	331
Total consolidated sponsored investment funds	18	20	335	—	373
<b>Equity method:</b>					
Hedge funds / Funds of hedge funds	—	33	193	14	240
Private equity investments	—	—	85	21	106
Real estate funds	—	—	88	20	108
Equity mutual funds	3	—	—	—	3
Total equity method	3	33	366	55	457
<b>Deferred compensation plan hedge fund equity method investments</b>	—	19	—	—	19
Cost method investments	—	—	—	337	337
Carried interest	—	—	—	21	21
<b>Total investments</b>	<b>280</b>	<b>131</b>	<b>702</b>	<b>518</b>	<b>1,631</b>

[Table of Contents](#)

5. Fair Value Disclosures (continued)

	Assets measured at fair value on a recurring basis				December 31, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value <sup>(1)</sup>	
<i>(Dollar amounts in millions)</i>					
<b>Separate account assets:</b>					
Equity securities	74,088	—	3	—	74,091
Debt securities	—	38,596	7	—	38,603
Derivatives	8	1,487	—	—	1,495
Money market funds	2,845	—	—	—	2,845
Other	—	920	—	917	1,837
<b>Total separate account assets</b>	<b>76,941</b>	<b>41,003</b>	<b>10</b>	<b>917</b>	<b>118,871</b>
<b>Collateral held under securities lending agreements:</b>					
Equity securities	14,092	—	—	—	14,092
Debt securities	—	6,826	—	—	6,826
<b>Total collateral held under securities lending agreements</b>	<b>14,092</b>	<b>6,826</b>	<b>—</b>	<b>—</b>	<b>20,918</b>
Other assets <sup>(2)</sup>	—	11	—	—	11
<b>Assets of consolidated VIEs:</b>					
Bank loans	—	1,376	83	—	1,459
Bonds	—	105	40	—	145
Private / public equity	4	4	27	—	35
<b>Total assets of consolidated VIEs</b>	<b>4</b>	<b>1,485</b>	<b>150</b>	<b>—</b>	<b>1,639</b>
<b>Total</b>	<b>\$ 91,317</b>	<b>\$ 49,456</b>	<b>\$ 862</b>	<b>\$ 1,435</b>	<b>\$ 143,070</b>

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

(2) Amount includes company-owned and split-dollar life insurance policies.

Liabilities measured at fair value on a recurring basis at December 31, 2011 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2011
<i>(Dollar amounts in millions)</i>				
<b>Liabilities:</b>				
Borrowings of consolidated VIEs	\$ —	\$ —	\$ 1,574	\$ 1,574
Collateral liabilities under securities lending agreements	14,092	6,826	—	20,918
Other liabilities <sup>(1)</sup>	15	11	—	26
<b>Total liabilities measured at fair value</b>	<b>\$ 14,107</b>	<b>\$ 6,837</b>	<b>\$ 1,574</b>	<b>\$ 22,518</b>

(1) Amount included credit default swap (see Note 7, Derivatives and Hedging, for more information) and securities sold short within consolidated sponsored investment funds recorded within other liabilities on the consolidated statements of financial condition.

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## Table of Contents

### 5. Fair Value Disclosures (continued)

*Level 3 Assets.* Level 3 assets recorded within investments of \$679 million at December 31, 2012 primarily related to equity method investments and consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal as well as third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled \$56 million at December 31, 2012. 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 are evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples. Under the income approach, fair value may be determined by discounting the cash flows to a single present amount using current market 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 securities utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For securities utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

Level 3 assets recorded within separate account assets include single-broker non-binding quotes for fixed income securities and equity securities that have unobservable inputs due to certain corporate actions.

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

*Level 3 Liabilities.* Level 3 liabilities recorded as borrowings of consolidated VIEs include CLO borrowings valued based upon single-broker non-binding quotes.

**Table of Contents**

**5. Fair Value Disclosures (continued)**

*Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2012*

<i>(Dollar amounts in millions)</i>	December 31, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements (1)	Transfers into Level 3	Transfers out of Level 3	December 31, 2012	Total net unrealized gains (losses) included in earnings(2)
<b>Assets:</b>									
<b>Investments:</b>									
Available-for-sale:									
Equity securities (CDOs)	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —
<b>Consolidated sponsored investment funds:</b>									
Hedge funds / Funds of hedge funds	22	—	37	(6)	—	25	(5)	73	(1)
Private equity	313	27	32	(85)	(15)	—	(6)	266	24
<b>Equity method:</b>									
Hedge funds / Funds of hedge funds	193	38	—	—	(70)	—	—	161	32
Private equity investments	85	6	11	—	(12)	—	—	90	6
Real estate funds	88	12	21	(7)	(7)	—	(19)	88	12
<b>Total Level 3 investments</b>	<b>702</b>	<b>83</b>	<b>101</b>	<b>(98)</b>	<b>(104)</b>	<b>25</b>	<b>(30)</b>	<b>679</b>	<b>73</b>
<b>Separate account assets:</b>									
Equity securities	3	5	8	(53)	—	48	(9)	2	
Debt securities	7	—	3	(9)	—	—	(1)	—	
<b>Total Level 3 separate account assets</b>	<b>10</b>	<b>5</b>	<b>11</b>	<b>(62)</b>	<b>—</b>	<b>48</b>	<b>(10)</b>	<b>2</b>	n/a(3)
<b>Assets of consolidated VIEs:</b>									
Bank loans	83	4	68	(44)	7	101	(113)	106	
Bonds	40	4	2	—	—	—	—	46	
Private equity	27	4	—	(9)	—	—	—	22	
<b>Total Level 3 assets of consolidated VIEs</b>	<b>150</b>	<b>12</b>	<b>70</b>	<b>(53)</b>	<b>7</b>	<b>101</b>	<b>(113)</b>	<b>174</b>	n/a(4)
<b>Total Level 3 assets</b>	<b>\$ 862</b>	<b>\$ 100</b>	<b>\$ 182</b>	<b>\$ (213)</b>	<b>\$ (97)</b>	<b>\$ 174</b>	<b>\$ (153)</b>	<b>\$ 855</b>	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$ 1,574	\$ (93)	\$ —	\$ —	\$ 735	\$ —	\$ —	\$ 2,402	n/a(4)

*n/a – not applicable*

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

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

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

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

## Table of Contents

### 5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2011

(Dollar amounts in millions)	December 31, 2010	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements (1)	Transfers into Level 3	Transfers out of Level 3	December 31, 2011	Total net unrealized gains (losses) included in earnings(2)
<b>Assets:</b>									
<b>Investments:</b>									
Available-for-sale:									
Equity securities (CDOs)	\$ 2	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ 1	\$ —
<b>Consolidated sponsored investment funds:</b>									
Hedge funds / Funds of hedge funds	19	(1)	6	(2)	—	—	—	22	—
Private equity	299	42	17	(47)	—	2	—	313	35
<b>Equity method:</b>									
Hedge funds / Funds of hedge funds	226	(5)	5	(1)	(32)	—	—	193	(5)
Private equity investments	68	13	7	—	(3)	—	—	85	13
Real estate funds	36	9	38	—	(3)	8	—	88	9
<b>Total Level 3 investments</b>	<b>650</b>	<b>58</b>	<b>73</b>	<b>(50)</b>	<b>(39)</b>	<b>10</b>	<b>—</b>	<b>702</b>	<b>52</b>
<b>Separate account assets:</b>									
Equity securities	4	(4)	16	(42)	—	38	(9)	3	
Debt securities	170	(4)	96	(168)	—	—	(87)	7	
<b>Total Level 3 separate account assets</b>	<b>174</b>	<b>(8)</b>	<b>112</b>	<b>(210)</b>	<b>—</b>	<b>38</b>	<b>(96)</b>	<b>10</b>	n/a(3)
<b>Assets of consolidated VIEs:</b>									
Bank loans	32	(2)	32	(29)	16	85	(51)	83	
Bonds	—	1	—	—	—	39	—	40	
Private equity	30	4	—	(7)	—	—	—	27	
<b>Total Level 3 assets of consolidated VIEs</b>	<b>62</b>	<b>3</b>	<b>32</b>	<b>(36)</b>	<b>16</b>	<b>124</b>	<b>(51)</b>	<b>150</b>	n/a(4)
<b>Total Level 3 assets</b>	<b>\$ 886</b>	<b>\$ 53</b>	<b>\$ 217</b>	<b>\$ (296)</b>	<b>\$ (23)</b>	<b>\$ 172</b>	<b>\$ (147)</b>	<b>\$ 862</b>	
<b>Liabilities:</b>									
Borrowings of consolidated VIEs	\$ 1,278	\$ (9)	\$ —	\$ —	\$ 287	\$ —	\$ —	\$ 1,574	n/a(4)

n/a – not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

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

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

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## Table of Contents

### 5. Fair Value Disclosures (continued)

*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 non-operating income (expense) on the consolidated statements of income. A portion of net income (loss) for consolidated investments and all of the net income (loss) for consolidated VIEs are allocated to non-controlling interests to reflect net income (loss) not attributable to the Company.

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

*Separate Account Assets.* In 2012, there were \$48 million of transfers of equity securities from Level 1 into Level 3. These transfers into Level 3 were primarily due to market inputs no longer being considered observable.

In 2012, there were \$9 million of transfers out of Level 3 to Level 1 related to equity securities held within separate accounts. The transfers out of Level 3 were due to availability of observable market inputs.

In 2011, there were \$87 million of transfers out of Level 3 to Level 2 related to debt securities held within separate account assets. In addition, there were \$9 million of transfers out of Level 3 to Level 1 related to equity securities. The transfers in and out of levels were primarily due to availability/ unavailability of market inputs, including inputs from pricing vendors and brokers.

In 2011, there were \$38 million of transfers of equity securities into Level 3 from Level 1. The transfers into Level 3 were primarily due to market inputs no longer being considered observable.

*Assets of Consolidated VIEs.* In 2012, there were \$113 million of transfers out of Level 3 to Level 2 related to bank loans. In addition, in 2012, there were \$101 million of transfers into Level 3 from Level 2 related to bank loans. The transfers in and out of levels were primarily due to availability/ unavailability of observable market inputs, including inputs from pricing vendors and brokers.

In 2011, there were \$51 million of transfers out of Level 3 to Level 2 related to loans. In addition, in 2011, there were \$85 million and \$39 million of transfers into Level 3 from Level 2 related to loans and bonds, respectively. The transfers in and out of levels were primarily due to availability/ unavailability of observable market inputs, including inputs from pricing vendors and brokers.

*Significant Other Settlements.* For 2012 and 2011, there were \$89 million and \$38 million of distributions from equity method investees categorized in Level 3, respectively.

During 2012, other settlements included \$1,011 million of proceeds from borrowings of consolidated CLOs.

During 2011, other settlements included \$412 million of borrowings of consolidated VIEs related to the consolidation of one additional CLO.

## Table of Contents

### 5. Fair Value Disclosures (continued)

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At December 31, 2012 and December 31, 2011, the fair value of the financial instruments not held at fair value are categorized in the table below:

	December 31, 2012		December 31, 2011		Fair Value Hierarchy
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
<i>(Dollars in millions)</i>					
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 4,606	\$ 4,606	\$ 3,506	\$ 3,506	Level 1 <sup>(1)</sup>
Accounts receivable	2,250	2,250	1,960	1,960	Level 1 <sup>(2)</sup>
Due from related parties	77	77	142	142	Level 1 <sup>(2)</sup>
Cash and cash equivalents of consolidated VIEs	297	297	54	54	Level 1 <sup>(1)</sup>
<b>Financial Liabilities:</b>					
Accounts payable and accrued liabilities	1,055	1,055	923	923	Level 1 <sup>(2)</sup>
Due to related parties	14	14	22	22	Level 1 <sup>(2)</sup>
Short-term borrowings	100	100	100	100	Level 1 <sup>(2)</sup>
Long-term borrowings	5,687	6,275	4,690	5,057	Level 2 <sup>(3)</sup>

(1) Cash and cash equivalents are carried at either cost or amortized cost that approximates fair value due to their short-term maturities. At December 31, 2012 and December 31, 2011, approximately \$133 million and \$196 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds. Money market funds are valued through the use of quoted market prices, or \$1.00, which generally is the NAV of the fund. At December 31, 2012 and December 31, 2011, approximately \$98 million and \$123 million, respectively, of money market funds were recorded within cash and cash equivalents on the consolidated statements of financial condition.

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

(3) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of December 2012 and December 2011, respectively. See Note 11, Borrowings, for the fair value of the Company's long-term borrowings.

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

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



[Table of Contents](#)

5. Fair Value Disclosures (continued)

December 31, 2012

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Trading:</b>					
Equity	(a)	\$ 3	\$ —	Daily (100%)	none
<b>Consolidated sponsored investment funds:</b>					
Private equity funds of funds	(b)	212	32	n/r	n/r
Other funds of hedge funds	(c)	98	—	Monthly/Daily (22%) Quarterly (11%) n/r (67%)	1– 90 days
<b>Equity method:<sup>(1)</sup></b>					
Hedge funds/funds of hedge funds	(d)	222	42	Monthly (2%) Quarterly (28%) n/r (70%)	15 –90 days
Private equity funds	(e)	90	135	n/r	n/r
Real estate funds	(f)	107	15	Quarterly (18%) n/r (82%)	60 days
Deferred compensation plan hedge fund investments	(g)	9	—	Monthly (33%) Quarterly (67%)	60 –90 days
<b>Consolidated VIE:</b>					
Private equity funds	(h)	20	1	n/r	n/r
<b>Total</b>		<u>\$761</u>	<u>\$225</u>		

n/r – not redeemable

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

Investments in Certain Entities that Calculate Net Asset Value Per Share

December 31, 2011

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Trading:</b>					
Equity	(a)	\$ 2	\$—	Daily (100%)	none
<b>Consolidated sponsored investment funds:</b>					
Private equity funds of funds	(b)	258	44	n/r	n/r
Other funds of hedge funds	(c)	24	—	Monthly (25%) Quarterly (54%) n/r (21%)	30 – 90 days
<b>Equity method:<sup>(1)</sup></b>					
Hedge funds/funds of hedge funds	(d)	226	4	Monthly (2%) Quarterly (15%) n/r (83%)	15 – 90 days
Private equity funds	(e)	85	48	n/r	n/r
Real estate funds	(f)	88	17	n/r	n/r
Deferred compensation plan hedge fund investments	(g)	19	—	Monthly (16%) Quarterly (84%)	60 – 90 days
<b>Consolidated VIE:</b>					
Private equity funds	(h)	27	2	n/r	n/r
<b>Total</b>		<u>\$729</u>	<u>\$115</u>		

n/r – not redeemable

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

(a) This category includes consolidated offshore feeder funds that invest in master funds with multiple equity strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of master offshore funds held by the feeder funds. Investments in this category can be redeemed at any time, as long as there are no restrictions in place by the underlying master funds.

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## Table of Contents

### 5. Fair Value Disclosures (continued)

- (b) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately seven and eight years at December 31, 2012 and December 31, 2011, respectively. The total remaining unfunded commitments to other third-party funds were \$32 million and \$44 million at December 31, 2012 and December 31, 2011, respectively. The Company was contractually obligated to fund \$30 million and \$33 million at December 31, 2012 and December 31, 2011 to the consolidated funds, while the remaining unfunded balances in the tables above are required to be funded by capital contributions from non-controlling interest holders.
- (c) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments have been estimated using the NAV of the fund's ownership interest in partners' capital of each fund in the portfolio. The majority of the underlying funds can be redeemed as long as there are no restrictions in place. At December 31, 2012, the underlying funds that are currently restricted from redemptions within one year will be redeemable in approximately 12 to 24 months. This category also includes a consolidated offshore feeder fund that invests in a master fund with multiple alternative investment strategies. The fair value of this investment in this category has been estimated using the NAV of the master offshore fund held by the feeder fund. The investment is currently subject to restrictions in place by the underlying master fund.
- (d) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately five and six years at December 31, 2012 and December 31, 2011, respectively.
- (e) This category includes several private equity funds that initially invest in non-marketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately five and six years at December 31, 2012 and December 31, 2011, respectively.
- (f) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The majority of the Company's investments are not subject to redemption or is not currently redeemable and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It was estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately eight and seven years at December 31, 2012 and December 31, 2011, respectively.
- (g) This category includes investments in certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in partners' capital as well as performance inputs. The investments in these funds will be liquidated upon settlement of certain deferred compensation liabilities.
- (h) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately three and four years at December 31, 2012 and December 31, 2011, respectively. Total remaining unfunded commitments to other third-party funds were \$1 million and \$2 million at December 31, 2012 and December 31, 2011, respectively, which commitments are required to be funded by capital contributions from non-controlling interest holders.

## Table of Contents

### 5. Fair Value Disclosures (continued)

**Fair Value Option.** Upon initial consolidation of CLOs, the Company elects to adopt the fair value option provisions for eligible assets and liabilities, including bank loans and borrowings of the CLOs to mitigate accounting mismatches between the carrying value of the assets and liabilities and to achieve operational simplification. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference will be reflected as net income (loss) attributable to nonredeemable non-controlling interests on the consolidated statements of income and offset by a change in appropriated retained earnings on the consolidated statements of financial condition.

The following table summarizes information related to those assets and liabilities selected for fair value accounting as of December 31, 2012 and 2011:

<i>(Dollar amounts in millions)</i>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>CLO Bank Loans:</b>		
Aggregate principal amounts outstanding	\$ 2,124	\$ 1,522
Fair value	\$ 2,110	\$ 1,459
Aggregate unpaid principal balance in excess of fair value	\$ 14	\$ 63
Unpaid principal balance of loans more than 90 days past due	\$ 4	\$ 4
Aggregate fair value of loans more than 90 days past due	\$ —	\$ —
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	\$ 4	\$ 4
<b>CLO Borrowings:</b>		
Aggregate principal amounts outstanding	\$ 2,535	\$ 1,781
Fair value	\$ 2,402	\$ 1,574

At December 31, 2012, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2025.

During 2012, 2011 and 2010, the change in fair value of the bank loans and bonds held by the CLOs resulted in a \$154 million gain, a \$57 million gain and a \$148 million gain, respectively, which were offset by a \$166 million loss, a \$68 million loss and a \$175 million loss, respectively, from the change in fair value of the CLO borrowings.

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

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

### 6. Variable Interest Entities

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

In order to determine whether the Company is the PB of a VIE, management must make significant estimates and assumptions of projected future cash flows of the VIEs. Assumptions made in such analyses may include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, pre-payments, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes. See Note 2 for more information.

[Table of Contents](#)

6. Variable Interest Entities (continued)

**Consolidated VIEs.** Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund, which absorbed the majority of the variability due to its de-facto third-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At December 31, 2012 and 2011, the following balances related to VIEs were consolidated on the consolidated statements of financial condition:

<i>(Dollar amounts in millions)</i>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Assets of consolidated VIEs:</b>		
Cash and cash equivalents	\$ 297	\$ 54
Bank loans	2,110	1,459
Bonds	124	145
Other investments	30	35
Total bank loans, bonds and other investments	2,264	1,639
<b>Liabilities of consolidated VIEs:</b>		
Borrowings	(2,402)	(1,574)
Other liabilities	(103)	(9)
Appropriated retained earnings	(29)	(72)
Non-controlling interests of consolidated VIEs	(27)	(38)
Total BlackRock net interests in consolidated VIEs	<u>\$ —</u>	<u>\$ —</u>

During 2012, the Company recorded a \$38 million non-operating loss offset by a \$38 million net loss attributable to nonredeemable non-controlling interests on the consolidated statements of income. During 2011, the Company recorded an \$18 million non-operating loss offset by an \$18 million net loss attributable to nonredeemable non-controlling interests on the consolidated statements of income. During 2010, the Company recorded a \$35 million non-operating loss offset by a \$35 million net loss attributable to nonredeemable non-controlling interests on the consolidated statements of income.

At December 31, 2012 and 2011, the weighted-average maturity of the bank loans and bonds was approximately 4.5 years and 4.2 years, respectively.

## Table of Contents

### 6. Variable Interest Entities (continued)

**Non-Consolidated VIEs.** At December 31, 2012 and 2011, the Company's carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it is the sponsor or in which it holds a variable interest but for which it was not the PB, were as follows:

(Dollar amounts in millions)  
At December 31, 2012

	Variable Interests on the Consolidated Statement of Financial Condition			Maximum Risk of Loss <sup>(1)</sup>
	Investments	Advisory Fee Receivables	Other Net Assets (Liabilities)	
CDOs/CLOs	\$ 1	\$ 1	\$ (5)	\$ 19
Other sponsored investment funds:				
Collective trusts	—	248	—	248
Other	17	61	(3)	77
Total	\$ 18	\$ 310	\$ (8)	\$ 344
<b>At December 31, 2011</b>				
CDOs/CLOs	\$ 1	\$ 2	\$ (3)	\$ 20
Other sponsored investment funds:				
Collective trusts	—	184	—	184
Other	18	54	(5)	72
Total	\$ 19	\$ 240	\$ (8)	\$ 276

<sup>(1)</sup> At both December 31, 2012 and December 31, 2011, BlackRock's maximum risk of loss associated with these VIEs primarily related to: (i) advisory fee receivables; (ii) BlackRock's investments; and (iii) \$17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

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

#### CDOs/CLOs

(Dollar amounts in billions)	December 31, 2012	December 31, 2011
Assets at fair value	\$ 4	\$ 5
Liabilities <sup>(1)</sup>	5	7
Net assets	\$ (1)	\$ (2)

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

**Other sponsored investment funds.** Net assets of other sponsored investment funds that are non-consolidated VIEs approximated \$1.5 trillion to \$1.6 trillion at December 31, 2012 and \$1.2 trillion to \$1.3 trillion at December 31, 2011. Net assets included \$1.3 trillion and \$1.0 trillion of collective trusts at December 31, 2012 and December 31, 2011, respectively. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

### 7. Derivatives and Hedging

In May 2011, the Company entered into a designated cash flow hedge consisting of a \$750 million interest rate swap maturing in 2013 to hedge future cash flows on the Company's floating rate notes due in 2013. Interest on this swap is at a fixed rate of 1.03% payable semi-annually on May 24 and November 24 of each year and commenced November 24, 2011. See Note 11, Borrowings, for more information. The fair value of the interest rate swap as of December 31, 2012 and 2011 was not material.

The Company maintains a program to enter into total return swaps to hedge against market price exposures with respect to certain seed investments in sponsored investment products. At December 31, 2012 and 2011, the Company had 21 and six outstanding total return swaps, respectively, with an aggregate notional value of approximately \$206 million and \$43 million, respectively. The fair value of the outstanding total return swaps as of December 31, 2012 and 2011 was not material.

Market risk from forward foreign currency exchange contracts is the effect on the value of a financial instrument that results from a change in currency exchange rates. The Company manages certain exposure to market risk associated with foreign currency exchange contracts by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. At December 31, 2012, the Company had outstanding forward foreign currency exchange contracts

[Table of Contents](#)

**7. Derivatives and Hedging (continued)**

with an aggregate notional value of approximately \$79 million. The fair value of the forward foreign currency exchange contracts as of December 31, 2012 was not material. At December 31, 2011, the Company did not have any outstanding forward foreign currency exchange contracts.

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

On behalf of clients of the Company's registered life insurance company, which maintains separate accounts representing segregated funds held for the purpose of funding individual and group pension contracts, the Company invests in various derivative instruments, which may include futures, forward foreign currency exchange contracts, interest rate swaps and inflation rate swaps. Net realized and unrealized gains and losses attributable to derivatives held by separate account assets accrue directly to the contract owners and are not reported in the consolidated statements of income.

The following table presents the carrying value as of December 31, 2012 and 2011 of derivative instruments not designated as hedging instruments:

<i>(Dollar amounts in millions)</i>	<b>December 31, 2012</b>		<b>December 31, 2011</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Credit default swap				
Other liabilities	\$ —	\$ 5	\$ —	\$ 3
Separate account derivatives				
Separate account assets	95	—	1,495	—
Separate account liabilities	—	95	—	1,495
Total	<u>\$ 95</u>	<u>\$ 100</u>	<u>\$ 1,495</u>	<u>\$ 1,498</u>

The fair value of the derivatives held by separate account assets is equal and offset by a separate account liability.

Gains (losses) on total return swaps are recorded in non-operating income (expense) on the consolidated statements of income and were \$(23) million, \$4 million and \$(2) million for 2012, 2011 and 2010, respectively.

Gains (losses) on the interest rate swap entered into in 2011 were not material for 2012 and 2011. Gains (losses) on the forward foreign currency exchange contracts were not material for 2012 and 2011, and were \$5 million for 2010. Gains (losses) on the credit default swap were not material for 2012, 2011 and 2010.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the fund's investment strategy. The fair value of such derivatives at December 31, 2012 and 2011 was not material. The change in fair value of such derivatives, which is recorded in non-operating income (expense), was not material for 2012, 2011 and 2010.

## Table of Contents

### 8. Property and Equipment

Property and equipment consists of the following:

<i>(Dollar amounts in millions)</i>	Estimated useful life-in years	December 31,	
		2012	2011
Property and equipment:			
Land	N/A	\$ 4	\$ 4
Building	39	17	17
Building improvements	15	13	13
Leasehold improvements	1-15	482	452
Equipment and computer software	3	465	443
Other transportation equipment	10	56	—
Furniture and fixtures	7	91	90
Construction in progress	N/A	1	1
Total		1,129	1,020
Less: accumulated depreciation and amortization		572	483
Property and equipment, net		<u>\$ 557</u>	<u>\$ 537</u>

N/A – Not Applicable

Qualifying software costs of approximately \$36 million, \$37 million and \$39 million have been capitalized within equipment and computer software for 2012, 2011 and 2010, respectively, and are being amortized over an estimated useful life of three years.

Depreciation and amortization expense was \$129 million, \$138 million and \$145 million for 2012, 2011 and 2010, respectively.

### 9. Goodwill

Goodwill activity during 2012 and 2011 was as follows:

*(Dollar amounts in millions)*

	2012	2011
Beginning of year balance	\$12,792	\$12,805
Claymore Investments, Inc. <sup>(1)</sup>	106	—
Swiss Re Private Equity Partners <sup>(2)</sup>	25	—
Goodwill adjustments related to Quellos <sup>(3)</sup>	(13)	(13)
End of year balance	<u>\$12,910</u>	<u>\$12,792</u>

<sup>(1)</sup> Amount represents goodwill resulting from the Company's acquisition of the Canadian exchange-traded products ("ETP") provider, Claymore Investments, Inc. (the "Claymore Transaction") on March 7, 2012 for approximately \$212 million.

<sup>(2)</sup> Amount represents goodwill resulting from the Company's acquisition of the European private equity and infrastructure funds of funds of Swiss Re Private Equity Partners (the "SRPEP Transaction") on September 4, 2012.

<sup>(3)</sup> The decrease in goodwill during 2012 and 2011 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 (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 \$324 million and \$355 million as of December 31, 2012 and 2011, respectively. In 2012, the decrease in Quellos goodwill was partially offset by a \$10 million increase related to the release of the remaining common shares held in escrow in connection with the Quellos Transaction.

The impairment tests performed for goodwill as of July 31, 2012, 2011 and 2010 indicated that no impairment charges were required. The Company continuously monitors its book value per share as compared with

closing prices of its common stock for potential indicators of impairment. As of December 31, 2012 the Company's common stock closed at \$206.71, which exceeded its book value per share of approximately \$148.20 after excluding appropriated retained earnings.

## Table of Contents

### 10. Intangible Assets

Intangible assets at December 31, 2012 and 2011 consisted of the following:

<i>(Dollar amounts in millions)</i>	<b>Remaining Weighted- Average Estimated Useful Life</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
<b>At December 31, 2012</b>				
<b>Indefinite-lived intangible assets:</b>				
Management contracts	N/A	\$ 15,351	\$ —	\$ 15,351
Trade names / trademarks	N/A	1,403	—	1,403
License	N/A	6	—	6
Total indefinite-lived intangible assets		<u>16,760</u>	<u>—</u>	<u>16,760</u>
<b>Finite-lived intangible assets:</b>				
Management contracts	4.9	1,535	896	639
Other <sup>(1)</sup>	5.6	6	3	3
Total finite-lived intangible assets	4.9	<u>1,541</u>	<u>899</u>	<u>642</u>
Total intangible assets		<u>\$ 18,301</u>	<u>\$ 899</u>	<u>\$ 17,402</u>
<b>At December 31, 2011</b>				
<b>Indefinite-lived intangible assets:</b>				
Management contracts	N/A	\$ 15,188	\$ —	\$ 15,188
Trade names / trademarks	N/A	1,403	—	1,403
License	N/A	6	—	6
Total indefinite-lived intangible assets		<u>16,597</u>	<u>—</u>	<u>16,597</u>
<b>Finite-lived intangible assets:</b>				
Management contracts	5.4	1,504	749	755
Other <sup>(1)</sup>	6.6	6	2	4
Total finite-lived intangible assets	5.4	<u>1,510</u>	<u>751</u>	<u>759</u>
Total intangible assets		<u>\$ 18,107</u>	<u>\$ 751</u>	<u>\$ 17,356</u>

N/A— Not Applicable

<sup>(1)</sup> Other represents intellectual property.

The impairment tests performed for intangible assets as of July 31, 2012, 2011 and 2010 indicated no impairment charges were required.

Estimated amortization expense for finite-lived intangible assets for each of the five succeeding years is as follows:

<i>(Dollar amounts in millions)</i>	<b>Amount</b>
<b>Year</b>	
2013	\$ 159
2014	152
2015	123
2016	87
2017	70

#### **Indefinite-Lived Acquired Management Contracts**

In March 2012, in connection with the Claymore Transaction, the Company acquired \$163 million of indefinite-lived ETP management contracts.

#### **Finite-Lived Acquired Management Contracts**

In September 2012, in connection with the SRPEP Transaction, the Company acquired \$40 million of finite-lived management contracts with a weighted-average estimated useful life of approximately 10 years.



## Table of Contents

### 11. Borrowings

#### **Short-Term Borrowings**

The carrying value of short-term borrowings at December 31, 2012 and 2011, included \$100 million under the 2012 revolving credit facility and \$100 million under the 2011 revolving credit facility, respectively.

**2012 Revolving Credit Facility.** In March 2011, the Company entered into a five-year \$3.5 billion unsecured revolving credit facility (the "2011 credit facility"). In March 2012, the 2011 credit facility was amended to extend the maturity date by one year to March 2017 and in April 2012 the amount of the aggregate commitment was increased to \$3.785 billion (the "2012 credit facility"). The 2012 credit facility permits the Company to request an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2012 credit facility to an aggregate principal amount not to exceed \$4.785 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2012 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to EBITDA, 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 December 31, 2012.

The 2012 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At December 31, 2012, the Company had \$100 million outstanding under this facility with an interest rate of 1.085% and a maturity during January 2013. During January 2013, the Company rolled over the \$100 million in borrowings at an interest rate of 1.085% and a maturity during February 2013. During February 2013, the Company rolled over the \$100 million in borrowings at an interest rate of 1.075% and a maturity during March 2013.

**Commercial Paper Program.** On October 14, 2009, BlackRock established a commercial paper program (the "CP Program") under which the Company could issue unsecured commercial paper notes (the "CP Notes") on a private placement basis up to a maximum aggregate amount outstanding at any time of \$3.0 billion. On May 13, 2011, BlackRock increased the maximum aggregate amount that may be borrowed under the CP Program to \$3.5 billion. On May 17, 2012, BlackRock increased the maximum aggregate amount to \$3.785 billion. The CP Program is currently supported by the 2012 credit facility. As of December 31, 2012 and December 31, 2011, BlackRock had no CP Notes outstanding.

#### **Long-Term Borrowings**

The carrying value and fair value of long-term borrowings estimated using market prices at December 31, 2012 included the following:

<i>(Dollar amounts in millions)</i>	<b>Maturity Amount</b>	<b>Unamortized Discount</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Floating Rate Notes due 2013	\$ 750	\$ —	\$ 750	\$ 750
3.50% Notes due 2014	1,000	—	1,000	1,058
1.375% Notes due 2015	750	—	750	762
6.25% Notes due 2017	700	(3)	697	853
5.00% Notes due 2019	1,000	(2)	998	1,195
4.25% Notes due 2021	750	(4)	746	856
3.375% Notes due 2022	750	(4)	746	801
<b>Total Long-term Borrowings</b>	<b>\$ 5,700</b>	<b>\$ (13)</b>	<b>\$ 5,687</b>	<b>\$ 6,275</b>

## Table of Contents

### 11. Borrowings (continued)

Long-term borrowings at December 31, 2011 had a carrying value of \$4,690 million and a fair value of \$5,057 million. During 2012, \$500 million of 2.25% Notes were repaid.

*2015 and 2022 Notes.* In May 2012, the Company issued \$1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including \$750 million of 1.375% notes maturing in June 2015 (the "2015 Notes") and \$750 million of 3.375% notes maturing in June 2022 (the "2022 Notes"). Net proceeds were used to fund the repurchase of BlackRock's common stock and Series B Preferred from Barclays and affiliates and for general corporate purposes. Interest on the 2015 Notes and the 2022 Notes of approximately \$10 million and \$25 million per year, respectively, is payable semi-annually on June 1 and December 1 of each year, which commenced December 1, 2012. The 2015 Notes and 2022 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The "make-whole" redemption price represents a price, subject to the specific terms of the 2015 and 2022 Notes and related indenture, that is the greater of (a) par value and (b) the present value of future payments that will not be paid because of an early redemption, which is discounted at a fixed spread over a comparable Treasury security. The 2015 Notes and 2022 Notes were issued at a discount of \$5 million that is being amortized over the term of the notes. The Company incurred approximately \$7 million of debt issuance costs, which are being amortized over the respective terms of the 2015 Notes and 2022 Notes. As of December 31, 2012, \$6 million of unamortized debt issuance costs were included in other assets on the consolidated statement of financial condition.

*2013 and 2021 Notes.* In May 2011, the Company issued \$1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including \$750 million of 4.25% notes and \$750 million of floating rate notes maturing in May 2021 and 2013, respectively. Net proceeds of this offering were used to fund the repurchase of BlackRock's Series B Preferred from affiliates of Merrill Lynch. Interest on the 4.25% notes due in 2021 ("2021 Notes") is payable semi-annually on May 24 and November 24 of each year, which commenced November 24, 2011, and is approximately \$32 million per year. Interest on the floating rate notes due in 2013 ("2013 Floating Rate Notes") is payable quarterly on February 24, May 24, August 24 and November 24 of each year. The 2021 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company

at a "make-whole" redemption price. The 2013 Floating Rate Notes may not be redeemed at the Company's option before maturity. The 2021 Notes were issued at a discount of \$4 million that is being amortized over the term of the notes. The Company incurred approximately \$7 million of debt issuance costs for the \$1.5 billion note issuances, which are being amortized over the respective terms of the notes. As of December 31, 2012, \$4 million of unamortized debt issuance costs were included in other assets on the consolidated statement of financial condition.

In May 2011, in conjunction with the issuance of the 2013 Floating Rate Notes, the Company entered into a \$750 million notional interest rate swap maturing in 2013 to hedge the future cash flows of its obligation at a fixed rate of 1.03% payable semi-annually on May 24 and November 24 of each year, which commenced on November 24, 2011. The interest rate swap effectively converts the 2013 Floating Rate Notes to a fixed rate obligation.

*2017 Notes.* In September 2007, the Company issued \$700 million in aggregate principal amount of 6.25% senior unsecured and unsubordinated notes maturing on September 15, 2017 (the "2017 Notes"). Interest is payable semi-annually in arrears on March 15 and September 15 of each year, or approximately \$44 million per year. The 2017 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The 2017 Notes were issued at a discount of \$6 million, which is being amortized over their ten-year term. The Company incurred approximately \$4 million of debt issuance costs, which are being amortized over ten years. As of December 31, 2012, \$2 million of unamortized debt issuance costs were included in other assets on the consolidated statement of financial condition.

*2012, 2014 and 2019 Notes.* In December 2009, the Company issued \$2.5 billion in aggregate principal amount of unsecured and unsubordinated obligations. These notes were issued as three separate series of senior debt securities including \$0.5 billion of 2.25% notes, which were repaid in December 2012, and \$1.0 billion of 3.50% notes and \$1.0 billion of 5.0% notes maturing in December 2014 and 2019, respectively. Net proceeds of this offering were used to repay borrowings under the CP Program, which was used to finance a portion of the acquisition of Barclays Global Investors ("BGI") from Barclays on December 1, 2009 (the "BGI Transaction"), and for general corporate purposes. In 2012, approximately \$96 million of interest was paid. Interest on the 2014 Notes and 2019 Notes of approximately \$35 million and \$50 million per

## Table of Contents

### 11. Borrowings (continued)

year, respectively, is payable semi-annually in arrears on June 10 and December 10 of each year. These notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. These notes were issued collectively at a discount of \$5 million, which is being amortized over the respective terms of the notes. The Company incurred approximately \$13 million of debt issuance costs, which are being amortized over the respective terms of these notes. As of December 31, 2012, \$6 million of unamortized debt issuance costs were included in other assets on the consolidated statement of financial condition.

### 12. Commitments and Contingencies

#### **Operating Lease Commitments**

The Company leases its primary office space under agreements which expire through 2035. Future minimum commitments under these operating leases are as follows:

(Dollar amounts in millions)

<b>Year</b>	<b>Amount</b>
2013	\$ 134
2014	122
2015	113
2016	104
2017	105
Thereafter	784
	<u>\$ 1,362</u>

Rent expense and certain office equipment expense under agreements amounted to \$133 million, \$154 million and \$158 million in 2012, 2011 and 2010, respectively.

**Investment Commitments.** At December 31, 2012, the Company had \$235 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party non-controlling 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 consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

#### **Contingencies**

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

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

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

**Indemnifications.** In the ordinary course of business, 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.

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. As part of the BGI

## Table of Contents

### 12. Commitments and Contingencies (continued)

acquisition, Barclays was contractually obligated to continue providing counterparty default indemnification to several BlackRock securities lending clients through December 1, 2012. BlackRock assumed these indemnification obligations prior to or upon the expiration of Barclays' indemnification obligation. As of December 31, 2012, the Company indemnified certain of its clients for loan balances of approximately \$99.5 billion. The fair value of these indemnifications was not material to the consolidated statements of financial condition as of December 31, 2012. The Company expects indemnified balances to continue to increase over time.

Under the transaction agreement in the BGI Transaction, the Company agreed to indemnify Barclays for losses it may incur arising from (1) breach by the Company of certain representations, (2) breach by the Company of any covenant in the agreement, (3) liabilities of the entities acquired in the transaction other than liabilities assumed by Barclays or for which it is providing indemnification, and (4) certain taxes.

Management believes that the likelihood of any liability arising under the BGI Transaction indemnification provisions is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of BlackRock. Consequently, no liability has been recorded on the consolidated statements of financial condition.

### 13. Stock-Based Compensation

The components of stock-based compensation expense are as follows:

	Year ended December 31,		
	2012	2011	2010
<i>(Dollar amounts in millions)</i>			
Stock-based compensation:			
Restricted stock and RSUs	\$429	\$444	\$375
Market performance-based RSUs to be funded by PNC	15	—	—
Long-term incentive plans to be funded by PNC	7	44	58
Stock options	—	9	12
Total stock-based compensation	<u>\$451</u>	<u>\$497</u>	<u>\$445</u>

**Stock Award and Incentive Plan.** Pursuant to the BlackRock, Inc. 1999 Stock Award and Incentive Plan (the "Award Plan"), options to purchase shares of the Company's common stock at an exercise price not less than the market value of BlackRock's common stock on

the date of grant in the form of stock options, restricted stock or RSUs may be granted to employees and non-employee directors. A maximum of 27,000,000 shares of common stock were authorized for issuance under the Award Plan. Of this amount, 5,447,427 shares remain available for future awards at December 31, 2012. Upon exercise of employee stock options, the issuance of restricted stock or the vesting of RSUs, the Company issues shares out of treasury to the extent available.

**Restricted Stock and RSUs.** Pursuant to the Award Plan, restricted stock grants and RSUs may be granted to certain employees. Substantially all restricted stock and RSUs vest over periods ranging from one to five years and are expensed using the straight-line method over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Prior to 2009, the Company awarded restricted stock and RSUs with nonforfeitable dividend equivalent rights. Restricted stock and RSUs awarded beginning in 2009 are not considered participating securities for purposes of calculating EPS as the dividend equivalents are subject to forfeiture prior to vesting of the award.

Restricted stock and RSU activity for 2012 is summarized below:

Outstanding at	Restricted Stock and Units	Weighted Average Grant Date Fair Value
December 31, 2011	5,528,781	\$ 196.44
Granted	1,895,118	\$ 183.47
Converted	(1,681,241)	\$ 176.61
Forfeited	(121,823)	\$ 201.85
December 31, 2012 <sup>(1)</sup>	<u>5,620,835</u>	<u>\$ 197.90</u>

<sup>(1)</sup> At December 31, 2012, approximately 4.9 million awards are expected to vest and 0.6 million awards have vested but have not been converted.

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total fair market value of RSUs granted to employees during 2010 and 2011 was \$751 million and \$477 million, respectively. The total fair market value of RSUs converted to common stock during 2012, 2011 and 2010 was \$297 million, \$553 million and \$219 million, respectively.

At December 31, 2012, the intrinsic value of outstanding RSUs was \$1.2 billion.

[Table of Contents](#)

**13. Stock-Based Compensation (continued)**

The awards granted under the Award Plan primarily related to the following:

**2010**

- 846,884 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant;
- 455,288 RSUs to employees that cliff vested on January 31, 2012, the end of the service condition, as BlackRock had actual GAAP EPS in excess of \$6.13 in 2010. The RSUs may not be sold before the one-year anniversary of the vesting date;
- 1,497,222 RSUs to employees that vest 50% on both January 31, 2013 and 2014, the end of the service condition, as BlackRock had actual GAAP EPS in excess of \$6.13 in 2010; and
- 124,575 shares of restricted common stock to employees that vested in tranches on January 31, 2010, 2011 and 2012. The restricted common stock may not be sold before the one-year anniversary of each vesting date.

**2011**

- 1,594,259 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 609,733 RSUs to employees that cliff vest 100% on January 31, 2014.

**2012**

- 1,365,691 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 418,038 RSUs to employees that cliff vest 100% on January 31, 2015.

At December 31, 2012, there was \$291 million in total unrecognized stock-based compensation expense related to unvested RSUs. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 0.9 years.

**2013**

In January 2013, the Company granted the following awards under the Award Plan:

- 1,172,381 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 370,812 RSUs to employees that cliff vest 100% on January 31, 2016.

**Market Performance-based RSUs.** Pursuant to the Award Plan, market performance-based RSUs may be granted to certain employees. The market performance-based RSUs require that separate 15%, 25% and 35% share price appreciation targets be achieved during the six-year term of the awards. The awards are split into three tranches and each tranche may vest if the specified target increase in share price is met. Eligible delivery dates for each tranche are the fourth, fifth or sixth anniversaries of the grant date and the awards are generally forfeited if the employee leaves BlackRock before the vesting date. These awards are amortized over a service period of four years, which is the longer of the explicit service period or the period in which the market target is expected to be met. Market performance-based RSUs are not considered participating securities as the dividend equivalents are subject to forfeiture prior to vesting of the award. In 2012, the Company granted 616,117 market performance-based RSUs, which will primarily be funded by shares currently held by PNC (see *Long-Term Incentive Plans Funded by PNC* below).

Market performance-based RSU activity for 2012 is summarized below:

<b>Outstanding at</b>	<b>Market Performance- Based RSUs</b>	<b>Weighted Average Grant Date Fair Value</b>
December 31, 2011	—	\$ —
Granted	616,117	\$ 115.03
Forfeited	(40,585)	\$ 115.03
December 31, 2012 <sup>(1)</sup>	<u>575,532</u>	<u>\$ 115.03</u>

<sup>(1)</sup> At December 31, 2012, approximately 0.56 million awards are expected to vest and no awards have vested and converted.

At December 31, 2012, there was \$51 million in total unrecognized stock-based compensation expense related to unvested market performance-based awards. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 3.1 years.

The fair value of the market-performance-based awards at the grant date was calculated using a Monte Carlo simulation and the following assumptions:

<b>Grant Year</b>	<b>Risk-Free Interest Rate</b>	<b>Performance Period</b>	<b>Expected Stock Volatility</b>	<b>Expected Dividend Yield</b>
2012	1.21%	6	33.63%	2.99%

## Table of Contents

### 13. Stock-Based Compensation (continued)

The Company's expected stock volatility assumption was based upon an average of the historical stock price fluctuations of BlackRock's common stock and an implied volatility at the grant date. The dividend yield assumption was derived using estimated dividends over the expected term and the stock price at the date of grant. The risk-free interest rate is based on the U.S. Treasury yield at date of grant.

In January 2013, the Company granted 556,581 market performance-based RSUs under the Award Plan, which will primarily be funded by shares currently held by PNC (see *Long-Term Incentive Plans Funded by PNC* below).

**Long-Term Incentive Plans Funded by PNC.** Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans ("LTIP"). The current share surrender agreement commits PNC to provide BlackRock series C non-voting participating preferred stock to fund the remaining committed shares. During 2007 through 2011, approximately 2.5 million shares were surrendered by PNC.

At December 31, 2012, the remaining shares committed by PNC of approximately 1.5 million were available to fund future long-term incentive awards, including approximately 1.2 million RSU's with market conditions granted in January 2012 and January 2013.

In January 2013, approximately 0.2 million shares, which were committed as of December 31, 2012, vested and were funded by PNC.

**Stock Options.** Stock option grants were made to certain employees pursuant to the Award Plan in 1999 through 2007. Options granted have a ten-year life, vested ratably over periods ranging from two to five years and became exercisable upon vesting. The Company has not granted any stock options subsequent to the January 2007 grant, which vested on September 29, 2011. Stock option activity for 2012 is summarized below:

	Shares under option	Weighted average exercise price
<b>Outstanding at</b>		
December 31, 2011	2,190,907	\$ 105.33
Exercised	(1,090,998)	\$ 42.39
December 31, 2012 <sup>(1)</sup>	<u>1,099,909</u>	<u>\$ 167.76</u>

<sup>(1)</sup> At December 31, 2012, all options were vested. The aggregate intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was \$157 million, \$13 million and \$46 million, respectively.

Stock options outstanding and exercisable at December 31, 2012 were as follows:

Options Outstanding and Exercisable				
Exercise Prices	Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Aggregate Intrinsic Value of Exercisable Shares (Dollar amounts in millions)
\$167.76	1,099,909	4.08	\$ 167.76	\$ 43

As of December 31, 2012, the Company had no remaining unrecognized stock-based compensation expense related to unvested stock options.

**Employee Stock Purchase Plan ("ESPP").** The ESPP allows eligible employees to purchase the Company's common stock at 95% of the fair market value on the last day of each three-month offering period. In accordance with ASC 718-10, *Compensation—Stock Compensation*, the Company does not record compensation expense related to employees purchasing shares under the ESPP.

### 14. Employee Benefit Plans

#### Deferred Compensation Plans

**Voluntary Deferred Compensation Plan.** The Company adopted a Voluntary Deferred Compensation Plan ("VDCP") that allows participants to elect to defer between 1% and 100% of their annual cash incentive compensation. The participants must specify a deferral period of one, three, five or ten years. The Company funds the obligation through the establishment of a rabbi trust on behalf of the plan's participants.

**Rabbi Trust.** The rabbi trust established for the VDCP, with assets totaling \$59 million as of both December 31, 2012 and 2011, is reflected in investments on the consolidated statements of financial condition. Such investments are classified as trading and other investments. The corresponding liability balance of \$60 million and \$59 million as of December 31, 2012 and 2011, respectively, is reflected on the consolidated statements of financial condition as accrued compensation and benefits. Earnings in the rabbi trust, including unrealized appreciation or depreciation, are reflected as non-operating income (expense) and changes in the corresponding liability are reflected as employee compensation and benefits expense on the consolidated statements of income.

**Other Deferred Compensation Plans.** The Company has additional compensation plans for the purpose of

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## Table of Contents

### 14. Employee Benefit Plans (continued)

providing deferred compensation and retention incentives to certain employees. For these plans, the final value of the deferred amount to be distributed in cash upon vesting is associated with investment returns of certain investment funds. The liabilities for these plans were \$77 million and \$34 million as of December 31, 2012 and 2011, respectively, and are reflected in the consolidated statements of financial condition as accrued compensation and benefits. In January 2013, the Company granted approximately \$66 million of additional deferred compensation that will fluctuate with investment returns and will vest ratably over three years from the date of grant.

#### **Defined Contribution Plans**

**BlackRock Retirement Savings Plan.** Certain of the Company's employees participate in the BlackRock Retirement Savings Plan ("BRSP"). Two predecessor plans assumed in connection with the BGI Transaction were merged with the BRSP on January 1, 2011.

Employee contributions of up to 8% of eligible compensation, as defined by the plan and subject to Internal Revenue Code ("IRC") limitations, are matched by the Company at 50%. In addition, the Company will continue to make an annual retirement contribution to eligible participants equal to 3-5% of eligible compensation.

Prior to January 1, 2011, employee contributions of up to 6% of eligible compensation, as defined by the plan and subject to IRC limitations, were matched by the Company at 50%. As part of the BRSP, the Company also made an annual retirement contribution on behalf of each eligible participant equal to no less than 3% of eligible compensation, plus an additional amount, determined at the discretion of the Company, not to exceed 2% of eligible compensation for a total contribution of no more than 5% of eligible compensation. Contributions to the BRSP are made in cash and no new investments in BlackRock stock or matching contributions of stock are available in the BRSP.

In 2012, 2011 and 2010, the Company's expense related to the BRSP was \$59 million, \$43 million and \$35 million, respectively. In addition, the Company's expense related to the two predecessor plans was \$25 million in 2010.

**BlackRock Group Personal Pension Plan.** BlackRock Investment Management (UK) Limited ("BIM"), a wholly owned subsidiary of the Company, contributes to the BlackRock Group Personal Pension Plan, a defined contribution plan for all employees of BIM. BIM contributes between 6% and 15% of each employee's eligible compensation. The expense for this plan was \$27 million, \$26 million and \$22 million for 2012, 2011 and 2010, respectively.

**Defined Benefit Plans.** The Company has several defined benefit pension plans in Japan and Germany. All accrued benefits under these defined benefit plans are currently frozen and the plans are closed to new participants. The participant benefits under the plans will not change with salary increases or additional years of service.

In conjunction with the BGI Transaction, the Company assumed defined benefit pension plans in Japan and Germany, which are closed to new participants. During 2010, these plans merged into the legacy BlackRock plans in Japan (the "Japan Plan") and Germany. At December 31, 2012 and 2011, the plan assets for these plans were approximately \$21 million for both periods and the unfunded obligations were less than \$3 million for both periods, which were recorded in accrued compensation and benefits on the consolidated statements of financial condition. Benefit payments for the next five years and in aggregate for the five years thereafter are not expected to be material.

Defined benefit plan assets for the Japan Plan of approximately \$18 million are invested using a total return investment approach whereby a mix of equity securities, debt securities and other investments are used to preserve asset values, diversify risk and achieve the target investment return benchmark. Investment strategies and asset allocations are based on consideration of plan liabilities and the funded status of the plan. Investment performance and asset allocation are measured and monitored on an ongoing basis. The current target allocations for the plan assets are 45-50% for U.S. and international equity securities, 50-55% for U.S. and international fixed income securities and 0-5% for cash and cash equivalents.

**Table of Contents**

**14. Employee Benefit Plans (continued)**

The table below provides the fair value of the defined benefit Japan Plan assets at December 31, 2012 and 2011 by asset category. The table also identifies the level of inputs used to determine the fair value of assets in each category.

<i>(Dollar amounts in millions)</i>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Total</b>
<b>At December 31, 2012</b>			
Equity securities	\$ 9	—	\$ 9
Fixed income securities	—	9	9
Fair value of plan assets	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 18</u>
<b>At December 31, 2011</b>			
Cash and cash equivalents	\$ 1	\$ —	\$ 1
Equity securities	9	—	9
Fixed income securities	—	8	8
Fair value of plan assets	<u>\$ 10</u>	<u>\$ 8</u>	<u>\$ 18</u>

**Post-retirement Benefit Plans**

The Company provides post-retirement medical benefits to a closed population of employees in the United Kingdom and the United States. The accumulated benefit obligation for each of these unfunded plans was immaterial at December 31, 2012 and 2011, respectively, and was included in accrued compensation and benefits on the consolidated statements of financial condition. For 2012, 2011 and 2010, expenses for these benefits were not material.

**15. Related Party Transactions**

***Determination of Related Parties***

*PNC.* The Company considers PNC, along with its affiliates, to be related parties based on the level of its ownership of BlackRock capital stock. At December 31, 2012, PNC owned approximately 20.8% of the Company's voting common stock and held approximately 21.9% of the total capital stock.

*Registered Investment Companies and Equity Method Investments.* The Company considers the registered investment companies that it manages, which include mutual funds and exchanged-traded funds, to be related parties as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties in accordance with ASC 850-10, *Related Party Disclosures* ("ASC 850-10"), due to the Company's influence over the financial and operating policies of the investee.

*Barclays.* The Company considered Barclays, along with its affiliates, to be related parties in accordance with ASC 850-10, based on its level of capital stock ownership prior to the secondary offering in May 2012 by Barclays of shares of the Company's stock. At December 31, 2012, Barclays did not own any of the Company's capital stock and is no longer considered a related party.

*Merrill Lynch / Bank of America.* As a result of the MLIM Transaction in 2006, the Company considered Merrill Lynch (a subsidiary of Bank of America), along with its affiliates, to be related parties based on its level of ownership. Subsequent to the secondary offering in November 2010 by Bank of America of shares of the Company's stock, Merrill Lynch and Bank of America were no longer considered related parties. At December 31, 2012, Bank of America did not own any of the Company's capital stock.



## Table of Contents

### 15. Related Party Transactions (continued)

#### Revenue from Related Parties

Revenues for services provided by the Company to these and other related parties are as follows:

	Year ended December 31,		
	2012	2011	2010
<i>(Dollar amounts in millions)</i>			
Investment advisory, administration fees and securities lending revenue:			
Bank of America and affiliates	\$ —	\$ —	\$ 37
PNC and affiliates	4	4	4
Barclays and affiliates	5	14	14
Registered investment companies/equity method investees	5,283	5,282	4,833
Other	—	3	5
Total investment advisory and administration fees	5,292	5,303	4,893
Investment advisory performance fees	120	54	39
<b>BlackRock Solutions and advisory:</b>			
Bank of America and affiliates	—	—	1
PNC and affiliates	7	6	9
Equity method investees	13	15	17
Other	3	—	—
Total <b>BlackRock Solutions</b> and advisory	23	21	27
Other revenue:			
Bank of America and affiliates	—	—	4
PNC and affiliates	3	3	4
Barclays and affiliates	11	35	35
Equity method investees	52	15	22
Other	—	—	1
Total other revenue	66	53	66
Total revenue from related parties	<u>\$5,501</u>	<u>\$5,431</u>	<u>\$5,025</u>

The Company provides investment advisory and administration services to its open- and closed-end funds and other commingled or pooled funds and separate accounts in which related parties invest. In addition, the Company provides investment advisory and administration services to Bank of America/Merrill Lynch, Barclays and PNC and its affiliates for fees based on AUM. Further, the Company provides risk management services to PNC and Bank of America/Merrill Lynch. The Company contracts with Bank of America/Merrill Lynch for various mutual fund distribution and shareholder servicing to be performed on behalf of certain non-U.S. funds managed by the Company. The Company records its investment advisory and administration fees net of retrocessions.

Such retrocession arrangements paid to Bank of America and affiliates during 2010 (prior to the secondary offering) was \$88 million.

#### Aggregate Expenses for Transactions with Related Parties

Aggregate expenses included in the consolidated statements of income for transactions with related parties are as follows:

	Year ended December 31,		
	2012	2011	2010
<i>(Dollar amounts in millions)</i>			
Expenses with related parties:			
Distribution and servicing costs			
Bank of America and affiliates	\$—	\$—	\$214
PNC and affiliates	3	3	11
Barclays and affiliates	1	2	1
Total distribution and servicing costs	4	5	226
Direct fund expenses			
Bank of America and affiliates	—	—	10
Barclays and affiliates	4	8	6
Total direct fund expenses	4	8	16
General and administration expenses			
Bank of America and affiliates	—	—	11
Barclays and affiliates	5	15	14
Anthracite Capital, Inc.	—	—	14
Other registered investment companies	49	42	33
Other <sup>(1)</sup>	33	3	—
Total general and administration expenses	87	60	72
Total expenses with related parties	<u>\$ 95</u>	<u>\$ 73</u>	<u>\$314</u>

<sup>(1)</sup> Amount in 2012 included a one-time pre-tax charge of \$30 million related to a contribution to certain of the Company's bank managed short-term investment funds ("STIFs")

#### Certain Agreements and Arrangements with Barclays

In connection with the completion of its acquisition of BGI, BlackRock entered into a Stockholder Agreement, dated as of December 1, 2009 (the "Barclays Stockholder Agreement"), with Barclays and Barclays BR Holdings S.à.r.l. ("BR Holdings", and together with Barclays, the "Barclays Parties"). Pursuant to the terms of the Barclays Stockholder Agreement, the Barclays Parties agreed, among other things, to certain transfer and voting restrictions with respect to shares of BlackRock common stock and preferred stock owned by them and their affiliates, to limits on the ability of the Barclays Parties

## Table of Contents

### 15. Related Party Transactions (continued)

and their affiliates to acquire additional shares of BlackRock common stock and preferred stock and to certain other restrictions. The Barclays Stockholder Agreement was terminated on May 29, 2012.

In addition, Barclays and certain of its affiliates have been engaged by the Company to provide the use of certain indices for certain BlackRock investment funds and for a fee to provide indemnification to clients related to potential losses in connection with lending of client securities. For the five months ended May 31, 2012, and the full years ended December 31, 2011 and 2010, fees incurred for these agreements were \$9 million, \$18 million and \$14 million and were recorded within direct fund expenses and general and administration expenses, respectively.

#### **Certain Agreements and Arrangements with PNC and Merrill Lynch**

*PNC.* On February 27, 2009, BlackRock entered into an amended and restated implementation and stockholder agreement with PNC, and a third amendment to the share surrender agreement with PNC. See Note 17, Capital Stock, for further discussion.

The changes contained in the amended and restated stockholder agreement with PNC, in relation to the prior agreement, among other things, (i) revised the definitions of "Fair Market Value," "Ownership Cap," "Ownership Percentage," "Ownership Threshold" and "Significant Stockholder"; and (ii) amended or supplemented certain other provisions therein to incorporate series B preferred stock and series C preferred stock, respectively.

The amendment to the share surrender agreement with PNC provided for the substitution of series C preferred stock for the shares of common stock subject to the share surrender agreement.

In June 2009, in connection with the BGI Transaction, certain additional amendments were made to the amended and restated stockholder agreement with PNC.

The amended and restated stockholder agreement with PNC was changed to, among other things, (i) revise the definitions of "Ownership Cap" and "Ownership Threshold," (ii) amend or supplement certain other definitions and provisions therein to incorporate series D participating preferred stock, (iii) provide that none of the transfer restriction provisions set forth in the amended and restated stockholder agreement with PNC apply to the shares purchased by PNC as part of the financing for the BGI Transaction, (iv) amend the provision relating to the

composition of BlackRock's Board of Directors and (v) provide that the amended and restated stockholder agreement with PNC shall terminate upon the later of (A) the five year anniversary of the amended and restated stockholder agreement with PNC and (B) the first date on which PNC and its affiliates beneficially own less than 5% of the outstanding BlackRock capital stock, subject to certain other conditions specified therein.

*Merrill Lynch.* In November 2010, in connection with the secondary offering by Bank of America of shares of BlackRock's common stock, the Company entered into an amended and restated stockholder agreement and an amended and restated global distribution agreement with Merrill Lynch.

The changes to the stockholder agreement with Merrill Lynch provide, among other things, for the following: (i) a reduction in the number of directors Merrill Lynch is entitled to designate upon its holding falling below 10% and 5% thresholds, (ii) a reduction of the cap on total ownership of BlackRock capital stock, (iii) restrictions on Merrill Lynch transferring any shares until November 15, 2011 and (iv) the setting of a termination date of the agreement to July 31, 2013.

The global distribution agreement provides a framework under which Merrill Lynch provides distribution and servicing of client investments in certain BlackRock investment advisory products. The amendment to the global distribution agreement clarifies certain economic arrangements with respect to revenue neutrality across BlackRock products distributed by Merrill Lynch.

During 2010, the total amount of related party transactions expensed by BlackRock through November 2010 related to Merrill Lynch distribution and servicing of products covered by the global distribution agreement, including mutual funds, separate accounts, liquidity funds, alternative investments and insurance products, was approximately \$210 million.

In addition, in connection with the MLIM Transaction, Merrill Lynch agreed that it will provide reimbursement to BlackRock for employee incentive awards issued to former MLIM employees who became BlackRock employees subsequent to the MLIM Transaction. Reimbursements amounted to 50% of the total amount of awards to former MLIM employees between \$100 million and \$200 million. The Company invoiced Merrill Lynch following its determination of the portion of awards entitled to reimbursement for a given calendar year. Through January 2007, the Company had issued total eligible incentive compensation to qualified employees in excess of \$200 million. In 2012, 2011 and 2010, Merrill Lynch

## Table of Contents

### 15. Related Party Transactions (continued)

reimbursed \$7 million, \$8 million and \$10 million, respectively, to BlackRock for employee incentive awards issued to former MLIM employees who became BlackRock employees subsequent to the MLIM Transaction. Upon receipt, the reimbursements were recorded as capital contributions.

Merrill Lynch and certain of its affiliates have been engaged by the Company to provide recordkeeping, administration and trustee services to the BRSP. The compensation to Merrill Lynch and its affiliates for these services paid by the Company was not material.

**Receivables and Payables with Related Parties.** Due from related parties was \$77 million and \$142 million at December 31, 2012 and 2011, respectively, and primarily represented receivables for investment advisory and administration services provided by BlackRock, and other receivables from certain investment products managed by BlackRock. Due from related parties at December 31, 2012 included \$68 million due from certain funds. Due from related parties at December 31, 2011 included \$56 million due from certain funds and \$69 million of a tax indemnification asset due from Barclays.

Accounts receivable at December 31, 2012 and 2011 included \$629 million and \$540 million, respectively, related to receivables from BlackRock mutual funds, including *iShares*, for investment advisory and administration services.

Due to related parties was \$14 million at December 31, 2012 and primarily represented payables to certain investment products managed by BlackRock. Due to related parties at December 31, 2011 included \$13 million and \$9 million payable to certain investment products managed by BlackRock and Barclays, respectively.

### 16. Net Capital Requirements

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

**Banking Regulatory Requirements.** BlackRock Institutional Trust Company, N.A. ("BTC"), a wholly owned subsidiary of the Company, is chartered as a national bank whose powers are limited to trust activities. BTC is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, BTC must meet specific capital guidelines that invoke quantitative measures of BTC's assets, liabilities, and certain off-balance sheet items as calculated under the regulatory accounting practices. BTC's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require BTC to maintain a minimum Tier 1 capital and Tier 1 leverage ratio, as well as Tier 1 and total risk-based capital ratios. Based on BTC's calculations as of December 31, 2012 and 2011, it exceeded the applicable capital adequacy requirements.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollar amounts in millions)</i>						
<b>December 31, 2012</b>						
Total capital (to risk weighted assets)	\$ 633	99.1%	\$ 51	8.0%	\$ 64	10.0%
Tier 1 capital (to risk weighted assets)	\$ 633	99.1%	\$ 26	4.0%	\$ 38	6.0%
Tier 1 capital (to average assets)	\$ 633	49.7%	\$ 51	4.0%	\$ 64	5.0%
<b>December 31, 2011</b>						
Total capital (to risk weighted assets)	\$ 720	104.1%	\$ 55	8.0%	\$ 69	10.0%
Tier 1 capital (to risk weighted assets)	\$ 720	104.1%	\$ 28	4.0%	\$ 42	6.0%
Tier 1 capital (to average assets)	\$ 720	45.1%	\$ 64	4.0%	\$ 80	5.0%

**Broker-dealers.** BlackRock Investments, LLC, BlackRock Capital Markets, LLC and BlackRock Execution Services are registered broker-dealers and wholly owned subsidiaries of BlackRock that are subject to the Uniform Net Capital requirements under the Securities Exchange Act of 1934, which requires maintenance of certain minimum net capital levels.

## Table of Contents

### 16. Net Capital Requirements (continued)

**Capital Requirements.** At December 31, 2012, the Company was required to maintain approximately \$1,209 million in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Services Authority ("FSA") in the United Kingdom, and the broker-dealers and was in compliance with all applicable regulatory minimum net capital requirements.

### 17. Capital Stock

**Capital Stock Authorized.** BlackRock's authorized common stock, \$0.01 par value, was 500,000,000 shares at December 31, 2012 and 2011. At December 31, 2012 and 2011, BlackRock had 20,000,000 series A non-voting participating preferred shares ("Series A Preferred"), \$0.01 par value, authorized. At December 31, 2012 and 2011, BlackRock had 150,000,000 series B non-voting participating preferred shares ("Series B Preferred"), \$0.01 par value, authorized. At December 31, 2012 and 2011, BlackRock had 6,000,000 series C non-voting participating preferred shares ("Series C Preferred"), \$0.01 par value, authorized. At December 31, 2012 and 2011, BlackRock had 20,000,000 series D non-voting participating preferred shares ("Series D Preferred"), \$0.01 par value, authorized.

**Common Shares Held in Escrow.** On October 1, 2007, the Company acquired the fund of funds business of Quellos. The Company issued 1,191,785 shares of BlackRock common stock that were placed into an escrow account. As of December 31, 2011, 1,188,182 common shares had been released to Quellos in accordance with the Quellos asset purchase agreement, which resulted in an adjustment to the recognized purchase price and had a dilutive effect subsequent to the release. During 2012, the remaining 3,603 shares were released from the escrow account.

**January 2010 Capital Exchange.** In January 2010, 600,000 common shares were exchanged for Series B Preferred and all 11,203,442 Series D Preferred outstanding at December 31, 2009 were exchanged for Series B Preferred.

**November 2010 Capital Exchanges.** On November 15, 2010, the Company announced the closing of the secondary offerings by Bank of America and PNC of 58,737,122 shares of BlackRock's common stock, which included 56,407,040 shares of common stock issued upon the conversion of BlackRock's Series B Preferred. Concurrently with the secondary offerings, BlackRock issued 11,105,000 shares of common stock to PNC in exchange for an equal number of shares of Series B Preferred.

**May 2011 Barclays Sale and Conversion.** In May 2011, 2,356,750 shares of Series B Preferred owned by Barclays were automatically converted to shares of common stock upon their disposition.

**June 2011 Bank of America Stock Repurchase Agreement.** On June 1, 2011, BlackRock completed its repurchase of Bank of America's remaining ownership interest of 13,562,878 Series B Preferred for \$2.545 billion, or \$187.65 per share.

**September 2011 Institutional Investor Capital Exchange.** In September 2011, an institutional investor exchanged 2,860,188 shares of Series B Preferred for common shares.

**September 2011 PNC Capital Contribution.** In September 2011, PNC surrendered to BlackRock approximately 1.3 million shares of BlackRock Series C Preferred to fund certain LTIP awards in accordance with the share surrender agreement between PNC and BlackRock.

**May 2012 Barclays Sale and Capital Exchange.** BlackRock completed the secondary offering of 26,211,335 shares of common stock held by Barclays at a price of \$160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Preferred by a subsidiary of Barclays.

Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays outside the publicly announced share repurchase program at a price of \$156.80 per share (consisting of 6,346,036 of Series B Preferred and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters' option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

**May 2012 PNC Capital Exchange.** In May 2012, PNC exchanged 2,000,000 shares of Series B Preferred for an equal number of shares of common stock.

**Other Changes.** In September and October 2012, 593,786 and 2,594,070 shares of Series B Preferred, respectively, converted into an equal number of shares of common stock.

**Cash Dividends for Common and Preferred Shares / RSUs.** During 2012, 2011 and 2010, the Company paid cash dividends of \$6.00 per share (or \$1,060 million), \$5.50 per share (or \$1,014 million) and \$4.00 per share (or \$776 million), respectively.

**Table of Contents**

**17. Capital Stock (continued)**

The Company's common and preferred shares issued and outstanding and related activity consist of the following:

	Shares Issued						Shares Outstanding			
	Common Shares	Escrow Common Shares	Treasury Common Shares	Series B Preferred	Series C Preferred	Series D Preferred	Common Shares	Series B Preferred	Series C Preferred	Series D Preferred
December 31, 2009	62,776,777	(868,940)	(11,601)	112,817,151	2,889,467	11,203,442	61,896,236	112,817,151	2,889,467	11,203,442
Release of common stock	—	865,337	—	—	—	—	865,337	—	—	—
Shares repurchased	—	—	(896,102)	—	—	—	(896,102)	—	—	—
Exchange of common stock for Series B Preferred	—	—	(600,000)	600,000	—	—	(600,000)	600,000	—	—
Net issuance of common shares related to employee stock transactions and convertible debt conversions	1,634,807	—	804,243	—	—	—	2,439,050	—	—	—
Exchange of Series D Preferred for Series B Preferred	—	—	—	11,203,442	—	(11,203,442)	—	11,203,442	—	(11,203,442)
Exchange of Series B Preferred for common shares	67,512,040	—	—	(67,512,040)	—	—	67,512,040	(67,512,040)	—	—
PNC LTIP capital contribution	—	—	—	—	(23,028)	—	—	—	(23,028)	—
December 31, 2010	131,923,624	(3,603)	(703,460)	57,108,553	2,866,439	—	131,216,561	57,108,553	2,866,439	—
Exchange of Series B Preferred for common shares	5,216,938	—	—	(5,216,938)	—	—	5,216,938	(5,216,938)	—	—
Shares repurchased	—	—	(618,000)	(13,562,878)	—	—	(618,000)	(13,562,878)	—	—
Net issuance of common shares related to employee stock transactions and convertible debt conversions	2,739,818	—	(92,182)	—	—	—	2,647,636	—	—	—
PNC LTIP capital contribution	—	—	—	—	(1,349,202)	—	—	—	(1,349,202)	—
December 31, 2011	139,880,380	(3,603)	(1,413,642)	38,328,737	1,517,237	—	138,463,135	38,328,737	1,517,237	—
Exchange of Series B Preferred for common shares	31,159,513	—	—	(31,159,513)	—	—	31,159,513	(31,159,513)	—	—
Shares repurchased	(31,516)	—	(2,726,600)	(6,346,036)	—	—	(2,758,116)	(6,346,036)	—	—
Net issuance of common shares related to employee stock transactions	247,411	—	1,763,361	—	—	—	2,010,772	—	—	—
Release of common shares from escrow	(3,603)	3,603	—	—	—	—	—	—	—	—
December 31, 2012	171,252,185	—	(2,376,881)	823,188	1,517,237	—	168,875,304	823,188	1,517,237	—

## Table of Contents

### 18. Restructuring Charges

During the fourth quarter of 2011, the Company reduced its workforce globally by approximately 3.4%. This action was the result of a cost cutting initiative designed to streamline operations, enhance competitiveness and better position the Company in the asset management marketplace. The Company recorded a pre-tax restructuring charge of approximately \$32 million (\$22 million after-tax) during 2011. This charge was comprised of \$24 million of severance and associated outplacement costs and \$8 million of expenses related to the accelerated amortization of previously granted equity-based compensation awards.

The following table presents a rollforward of the Company's restructuring liability, which is included within other liabilities on the consolidated statements of financial condition:

<i>(Dollar amounts in millions)</i>	
Liability as of December 31, 2010 <sup>(1)</sup>	\$ 2
Additions	32
Cash payments	(8)
Accelerated amortization of equity-based awards	(8)
Liability as of December 31, 2011	<u>\$ 18</u>
Cash payments	(17)
Liability as of December 31, 2012	<u>\$ 1</u>

<sup>(1)</sup> Liability amount as of December 31, 2010 related to a pre-tax restructuring charge of \$22 million recorded during 2009.

### 19. Income Taxes

The components of income tax expense for 2012, 2011 and 2010, are as follows:

<i>(Dollar amounts in millions)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current income tax expense:			
Federal	\$ 856	\$ 693	\$708
State and local	49	54	60
Foreign	186	186	200
Total net current income tax expense	<u>1,091</u>	<u>933</u>	<u>968</u>
Deferred income tax expense (benefit):			
Federal	4	52	28
State and local	13	(112)	10
Foreign	(78)	(77)	(35)
Total net deferred income tax expense (benefit)	<u>(61)</u>	<u>(137)</u>	<u>3</u>
Total income tax expense	<u>\$1,030</u>	<u>\$ 796</u>	<u>\$971</u>

Income tax expense has been based on the following components of income before taxes, less net income (loss) attributable to non-controlling interests:

<i>(Dollar amounts in millions)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Domestic	\$2,690	\$2,397	\$2,258
Foreign	798	736	776
Total	<u>\$3,488</u>	<u>\$3,133</u>	<u>\$3,034</u>

The foreign income before taxes includes countries that have statutory tax rates that are lower than the U.S. federal statutory tax rate of 35%, such as the United Kingdom, Luxembourg, Canada and the Netherlands.

## Table of Contents

### 19. Income Taxes (continued)

A reconciliation of income tax expense with expected federal income tax expense computed at the applicable federal income tax rate of 35% is as follows:

<i>(Dollar amounts in millions)</i>	<b>2012</b>	<b>%</b>	<b>2011</b>	<b>%</b>	<b>2010</b>	<b>%</b>
Statutory income tax expense	\$1,221	35%	\$1,097	35%	\$1,062	35%
Increase (decrease) in income taxes resulting from:						
State and local taxes (net of federal benefit)	49	2	59	2	53	2
Impact of foreign, state, and local tax rate changes on deferred taxes	(50)	(2)	(188)	(6)	(27)	(1)
Effect of foreign tax rates	(221)	(5)	(197)	(6)	(145)	(4)
Other	—	—	—	—	—	—
	<u>31</u>	<u>—</u>	<u>25</u>	<u>—</u>	<u>28</u>	<u>—</u>
Income tax expense	<u>\$1,030</u>	<u>30%</u>	<u>\$ 796</u>	<u>25%</u>	<u>\$ 971</u>	<u>32%</u>

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. These temporary differences result in taxable or deductible amounts in future years.

The components of deferred income tax assets and liabilities are shown below:

<i>(Dollar amounts in millions)</i>	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Deferred income tax assets:</b>		
Compensation and benefits	\$ 355	\$ 304
Unrealized investment losses	71	110
Loss carryforwards	81	87
Other	222	229
Gross deferred tax assets	729	730
Less: deferred tax valuation allowances	(95)	(95)
Deferred tax assets net of valuation allowances	<u>634</u>	<u>635</u>
<b>Deferred income tax liabilities:</b>		
Goodwill and acquired indefinite-lived intangibles	5,656	5,675
Acquired finite-lived intangibles	158	208
Other	109	69
Gross deferred tax liabilities	<u>5,923</u>	<u>5,952</u>
Net deferred tax (liabilities)	<u>\$(5,289)</u>	<u>\$(5,317)</u>

Deferred income tax assets and liabilities are recorded net when related to the same tax jurisdiction. At December 31, 2012, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of \$4 million and \$5,293 million, respectively. At December 31, 2011, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of \$6 million and \$5,323 million, respectively.

During 2012, tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure primarily resulted in a \$50 million net non-cash benefit related to the revaluation of certain deferred income tax liabilities.

In 2011, an enacted state tax law and a state tax election went into effect, which resulted in a revaluation of certain net deferred income tax liabilities primarily related to acquired intangible assets, which resulted in a \$52 million and \$91 million tax benefit, respectively. In addition, the United Kingdom and Japan enacted legislation reducing corporate income tax rates, which resulted in a revaluation of certain net deferred income tax liabilities primarily related to acquired intangible assets, which resulted in a \$60 million and \$13 million tax benefit, respectively.

The Company had a deferred income tax asset related to unrealized investment losses of approximately \$71 million and \$110 million as of December 31, 2012 and 2011, respectively, reflecting the Company's conclusion that based on the weight of available evidence, it is more likely than not that the deferred tax asset will be realized. Realized capital losses may be carried back three years and carried forward five years and offset against realized capital gains for federal income tax purposes. The Company expects to hold certain fixed income securities over a period sufficient for them to recover their unrealized losses, and to generate future capital gains sufficient to offset the unrealized capital losses.

At December 31, 2012 and 2011, the Company had available state net operating loss carryforwards of \$842 million and \$388 million, respectively, which will expire on or before 2032. At December 31, 2012, the Company had foreign net operating loss carryforwards of \$152 million of which \$36 million expires on or before 2021 and the balance will carry forward indefinitely. In addition, at December 31, 2012 and 2011, the Company had U.S.

## Table of Contents

### 19. Income Taxes (continued)

capital loss carryforwards of \$69 million and \$90 million, which were acquired in the BGI Transaction and will expire on or before 2013.

At December 31, 2012 and 2011, the Company had \$95 million and \$95 million of valuation allowances for deferred income tax assets, respectively, recorded on the consolidated statements of financial condition. The year-over-year increase in the valuation allowance primarily related to certain foreign deferred income tax assets.

Goodwill recorded in connection with the Quellos Transaction has been reduced during the period by the amount of tax benefit realized from tax-deductible goodwill. See Note 9, Goodwill, for further discussion.

Current income taxes are recorded net in the consolidated statements of financial condition when related to the same tax jurisdiction. As of December 31, 2012, the Company had current income taxes receivable and payable of \$102 million and \$121 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively. As of December 31, 2011, the Company had current income taxes receivable and payable of \$108 million and \$102 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively.

The Company does not provide deferred taxes on the excess of the financial reporting over tax basis on its investments in foreign subsidiaries that are essentially permanent in duration. The excess totaled \$2,125 million and \$1,516 million as of December 31, 2012 and 2011, respectively. The determination of the additional deferred income taxes on the excess has not been provided because it is not practicable due to the complexities associated with its hypothetical calculation.

The following tabular reconciliation presents the total amounts of gross unrecognized tax benefits:

<i>(Dollar amounts in millions)</i>	Year ended		
	December 31,		
	2012	2011	2010
Balance at January 1	\$349	\$307	\$285
Additions for tax positions of prior years	4	22	10
Reductions for tax positions of prior years	(1)	(1)	(17)
Additions based on tax positions related to current year	69	46	35
Lapse of statute of limitations	—	—	(8)
Settlements	(29)	(25)	(2)
Positions assumed in acquisitions	12	—	4
Balance at December 31	<u>\$404</u>	<u>\$349</u>	<u>\$307</u>

Included in the balance of unrecognized tax benefits at December 31, 2012, 2011 and 2010, respectively, are \$250 million, \$226 million and \$194 million of tax benefits that, if recognized, would affect the effective tax rate.

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company accrued interest and penalties of \$3 million during 2012 and in total, as of December 31, 2012, had recognized a liability for interest and penalties of \$69 million. The Company accrued interest and penalties of \$10 million during 2011 and in total, as of December 31, 2011, had recognized a liability for interest and penalties of \$66 million. The Company accrued interest and penalties of \$8 million during 2010 and in total, as of December 31, 2010, had recognized a liability for interest and penalties of \$56 million. Pursuant to the Amended and Restated Stock Purchase Agreement, the Company has been indemnified by Barclays for \$73 million and Guggenheim for \$6 million of unrecognized tax benefits.

BlackRock is subject to U.S. federal income tax, state and local income tax, and foreign income tax in multiple jurisdictions. Tax years after 2007 remain open to U.S. federal income tax examination, tax years after 2005 remain open to state and local income tax examination, and tax years after 2006 remain open to income tax examination in the United Kingdom. With few exceptions, as of December 31, 2012, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2006.

The Internal Revenue Service ("IRS") completed its examination of BlackRock's 2006 and 2007 tax years in March 2011. In November 2011, the IRS commenced its examination of BlackRock's 2008 and 2009 tax years, and while the impact on the consolidated financial statements is undetermined, it is not expected to be material.

In July 2011, the IRS commenced its federal income tax audit of the BGI group, which BlackRock acquired in December 2009. The tax years under examination are 2007 through December 1, 2009, and while the impact on the consolidated financial statements is undetermined, it is not expected to be material.

The Company is currently under audit in several state and local jurisdictions. The significant state and local income tax examinations are in California for tax years 2004 through 2006, New York City for tax years 2007 through 2008, and New Jersey for tax years 2003 through 2009. No state and local income tax audits cover years earlier than 2007 except for California, New Jersey and New York City. No state and local income tax audits are expected to result in an assessment material to the consolidated financial statements.



## Table of Contents

### 19. Income Taxes (continued)

In December 2009, Her Majesty's Revenue and Customs ("HMRC") commenced its United Kingdom income tax audit of BlackRock's 2007 through 2010 tax years. While the impact on the consolidated financial statements is undetermined, it is not expected to be material.

As of December 31, 2012, it is reasonably possible the total amounts of unrecognized tax benefits will increase or

decrease within the next twelve months due to completion of tax authorities' exams or the expiration of statutes of limitations. Management estimates that the existing liability for uncertain tax positions could decrease by approximately \$5 million to \$15 million within the next twelve months. The Company does not anticipate that any possible adjustments resulting from these audits would result in a material change to its consolidated financial statements.

### 20. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS"):

<i>(Dollar amounts in millions, except per share data)</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Basic EPS:</b>			
Net income attributable to BlackRock	\$ 2,458	\$ 2,337	\$ 2,063
Less:			
Dividends distributed to common shares	1,059	1,004	764
Dividends distributed to participating RSUs	1	10	12
Undistributed net income attributable to BlackRock.	1,398	1,323	1,287
Percentage of undistributed net income allocated to common shares <sup>(a)</sup>	99.9%	99.1%	98.6%
Undistributed net income allocated to common shares	1,396	1,311	1,269
Plus:			
Common share dividends	1,059	1,004	764
Net income attributable to common shares	\$ 2,455	\$ 2,315	\$ 2,033
Weighted-average shares outstanding	174,961,018	184,265,367	190,554,510
Earnings per basic share attributable to BlackRock common stockholders	\$ 14.03	\$ 12.56	\$ 10.67
<b>Diluted EPS:</b>			
Net income attributable to common shares	\$ 2,455	\$ 2,315	\$ 2,033
Weighted-average shares outstanding	174,961,018	184,265,367	190,554,510
Dilutive effect of:			
Non-participating RSUs	2,810,312	2,139,100	1,008,682
Stock options	246,349	687,192	742,805
Convertible debt	—	24,751	386,050
Total diluted weighted-average shares outstanding	178,017,679	187,116,410	192,692,047
Earnings per dilutive share attributable to BlackRock common stockholders	\$ 13.79	\$ 12.37	\$ 10.55

<sup>(a)</sup> Allocation to common stockholders is based on the total of common and participating security stockholders (which represent unvested RSUs that contain nonforfeitable rights to dividends). For 2012, 2011 and 2010, average outstanding participating securities were 0.2 million, 1.8 million and 2.8 million, respectively.

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

For 2012, 2011 and 2010, 449, 5,125 and 1,198,856 RSUs, respectively, were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. In addition, there were no anti-dilutive stock options for 2012, 2011 and 2010.

## Table of Contents

### 21. Segment Information

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions* and advisory, distribution fees and other revenue for 2012, 2011 and 2010.

<i>(Dollar amounts in millions)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Equity	\$4,334	\$4,447	\$4,055
Fixed income	1,900	1,659	1,531
Multi-asset class	972	914	773
Alternatives	968	864	961
Cash management	361	383	510
Total investment advisory, administration fees, securities lending revenue and performance fees	8,535	8,267	7,830
<i>BlackRock Solutions</i> and advisory	518	510	460
Distribution fees	71	100	116
Other revenue	213	204	206
Total revenue	<u>\$9,337</u>	<u>\$9,081</u>	<u>\$8,612</u>

The following table illustrates the Company's total revenue for 2012, 2011 and 2010 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

<i>(Dollar amounts in millions)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>			
Americas	\$6,429	\$6,064	\$5,824
Europe	2,460	2,517	2,300
Asia-Pacific	448	500	488
Total revenue	<u>\$9,337</u>	<u>\$9,081</u>	<u>\$8,612</u>

The following table illustrates the Company's long-lived assets, including goodwill and property and equipment at December 31, 2012, 2011 and 2010 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

<i>(Dollar amounts in millions)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Long-lived Assets</b>			
Americas	\$13,238	\$13,133	\$13,092
Europe	166	123	42
Asia-Pacific	63	73	99
Total long-lived assets	<u>\$13,467</u>	<u>\$13,329</u>	<u>\$13,233</u>

Americas primarily comprises the United States, Canada, Brazil and Mexico, while Europe primarily comprises the United Kingdom. Asia-Pacific primarily comprises Japan, Australia and Hong Kong.

## Table of Contents

### 22. Selected Quarterly Financial Data (unaudited)

(Dollar amounts in millions, except per share data)

<b>2012</b>	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter<sup>(1)</sup></b>	<b>4<sup>th</sup> Quarter<sup>(2)</sup></b>
Revenue	\$ 2,249	\$ 2,229	\$ 2,320	\$ 2,539
Operating income	\$ 815	\$ 829	\$ 875	\$ 1,005
Net income	\$ 575	\$ 560	\$ 655	\$ 650
Net income attributable to BlackRock	\$ 572	\$ 554	\$ 642	\$ 690
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	\$ 3.19	\$ 3.13	\$ 3.72	\$ 4.02
Diluted	\$ 3.14	\$ 3.08	\$ 3.65	\$ 3.93
Weighted-average common shares outstanding:				
Basic	179,022,840	177,010,239	172,359,141	171,518,278
Diluted	181,917,864	179,590,702	175,450,532	175,176,037
Dividend declared per share	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Common stock price per share:				
High	\$ 205.60	\$ 206.57	\$ 183.00	\$ 209.29
Low	\$ 179.13	\$ 163.37	\$ 164.06	\$ 177.17
Close	\$ 204.90	\$ 169.82	\$ 178.30	\$ 206.71
<b>2011</b>	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter<sup>(3)</sup></b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter<sup>(4)</sup></b>
Revenue	\$ 2,282	\$ 2,347	\$ 2,225	\$ 2,227
Operating income	\$ 798	\$ 866	\$ 777	\$ 808
Net income	\$ 564	\$ 622	\$ 570	\$ 583
Net income attributable to BlackRock	\$ 568	\$ 619	\$ 595	\$ 555
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	\$ 2.92	\$ 3.26	\$ 3.28	\$ 3.10
Diluted	\$ 2.89	\$ 3.21	\$ 3.23	\$ 3.05
Weighted-average common shares outstanding:				
Basic	191,797,365	187,870,001	179,034,837	178,562,187
Diluted	194,296,504	190,579,963	181,825,329	181,987,669
Dividend declared per share	\$ 1.375	\$ 1.375	\$ 1.375	\$ 1.375
Common stock price per share:				
High	\$ 209.77	\$ 207.42	\$ 199.10	\$ 179.77
Low	\$ 179.52	\$ 183.51	\$ 140.22	\$ 137.00
Close	\$ 201.01	\$ 191.81	\$ 148.01	\$ 178.24

(1) The third quarter 2012 included a \$30 million net non-cash tax benefit related to the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure.

(2) The fourth quarter 2012 included a one-time pre-tax \$30 million charge related to a contribution to certain of the Company's STIFs and \$20 million of non-cash tax benefits primarily associated with revaluation of certain deferred tax liabilities.

(3) The second quarter 2011 included a \$52 million non-cash tax benefit due to enacted state legislation.

(4) The fourth quarter 2011 included \$32 million of pre-tax restructuring charges, while third quarter 2011 included \$63 million of pre-tax U.K. lease exit costs related to the Company's exit from two London locations. The fourth quarter 2011 included a \$20 million non-cash tax benefit primarily due to tax legislation enacted in Japan, while the third quarter 2011 included a \$129 million non-cash tax benefit due to tax legislation enacted in the United Kingdom and a state tax election.

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## Table of Contents

### **23. Subsequent Events**

**Share Repurchase Approvals.** In January 2013, the Board of Directors ("the "Board") approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock.

**Dividend Approval.** On January 16, 2013, the Board approved BlackRock's quarterly dividend of \$1.68 to be paid on March 25, 2013 to stockholders of record on March 7, 2013.

**Acquisitions.** In January 2013, BlackRock announced that it agreed to acquire the Credit Suisse ETF franchise, the European ETF platform with products domiciled in Switzerland, Ireland and Luxembourg, subject to customary closing conditions.

**The Taxpayer Relief Act of 2012.** The Taxpayer Relief Act of 2012, signed into law on January 2, 2013, brought about significant tax changes, including, but not limited to, the retroactive extension of several temporary tax incentives for businesses. The business tax incentives extended through 2013 include research and development credit and look-through treatment of payments between related controlled foreign corporations. The effects of the change in tax law will be recognized in the three months ended March 31, 2013, the period that the law was enacted. The Company does not expect the impact to be material to the consolidated financial statements.

**Additional Subsequent Event Review.** In addition to the subsequent events included in the notes to the consolidated financial statements, the Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or additional disclosures.

## Table of Contents

As used in this exhibit list, "BlackRock" refers to BlackRock, Inc. (formerly named New BlackRock, Inc. and previously, New Boise, Inc.) (Commission File No. 001-33099) and "Old BlackRock" refers to BlackRock Holdco 2, Inc. (formerly named BlackRock, Inc.) (Commission File No. 001-15305), which is the predecessor of BlackRock. The following exhibits are filed as part of this Annual Report on Form 10-K:

### EXHIBIT INDEX

Please note that the agreements included as exhibits to this Form 10-K are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about BlackRock or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

<u>Exhibit No.</u>	<u>Description</u>
3.1(1)	Amended and Restated Certificate of Incorporation of BlackRock.
3.2(2)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of BlackRock, Inc.
3.3	Amended and Restated Bylaws of BlackRock.
3.4(1)	Certificate of Designations of Series A Convertible Participating Preferred Stock of BlackRock.
3.5(3)	Certificate of Designations of Series B Convertible Participating Preferred Stock of BlackRock.
3.6(3)	Certificate of Designations of Series C Convertible Participating Preferred Stock of BlackRock.
3.7(4)	Certificate of Designations of Series D Convertible Participating Preferred Stock of BlackRock.
4.1(5)	Specimen of Common Stock Certificate.
4.2(6)	Indenture, dated September 17, 2007, between BlackRock and The Bank of New York, as trustee, relating to senior debt securities.
4.3(7)	Form of 6.25% Notes due 2017.
4.4(8)	Form of 3.50% Notes due 2014.
4.5(8)	Form of 5.00% Notes due 2019.
4.6(9)	Form of Floating Rate Notes due 2013.
4.7(9)	Form of 4.25% Notes due 2021.
4.8(10)	Form of 1.375% Notes due 2015.
4.9(10)	Form of 3.375% Notes due 2022.
10.1(11)	BlackRock, Inc. Amended and Restated 1999 Stock Award and Incentive Plan. +
10.2(12)	Amended and Restated BlackRock, Inc. 1999 Annual Incentive Performance Plan. +
10.3(13)	Amendment No. 1 to the BlackRock, Inc. Amended and Restated 1999 Annual Incentive Performance Plan.+
10.4(5)	BlackRock, Inc. Voluntary Deferred Compensation Plan, as amended and restated as of January 1, 2005.+
10.5(1)	Form of Stock Option Agreement expected to be used in connection with future grants of Stock Options under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.6(1)	Form of Restricted Stock Agreement expected to be used in connection with future grants of Restricted Stock under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.7(14)	Form of Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.8(14)	Form of Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units for long-term incentive awards under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.9(1)	Form of Directors' Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.10(5)	Registration Rights Agreement, dated as of September 29, 2006, among BlackRock, Merrill Lynch & Co., Inc. and the PNC Financial Service Group, Inc.
10.11(15)	Share Surrender Agreement, dated October 10, 2002 (the "Share Surrender Agreement"), among Old BlackRock, PNC Asset Management, Inc. and The PNC Financial Services Group, Inc.+
10.12(16)	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement.+
10.13(17)	Second Amendment, dated as of June 11, 2007, to the Share Surrender Agreement.+
10.14(3)	Third Amendment, dated as of February 27, 2009, to the Share Surrender Agreement.+
10.15(18)	Fourth Amendment, dated as of August 7, 2012, to the Share Surrender Agreement.+

## Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
10.16(19)	Five-Year Revolving Credit Agreement, dated as of March 10, 2011, by and among BlackRock, Inc., certain of its subsidiaries, Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender and L/C agent, Sumitomo Mitsui Banking Corporation, as Japanese Yen lender, a group of lenders, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, J.P. Morgan Securities LLC and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Citibank, N.A., as syndication agent and Bank of America, N.A., Barclays Bank PLC, JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc., as documentation agents.
10.17(20)	Amendment No. 1, dated as of March 30, 2012, by and among BlackRock, Inc., certain of its subsidiaries, Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender, L/C agent and a lender, and the banks and other financial institutions referred to therein.
10.18(21)†	Second Amended and Restated Global Distribution Agreement, dated as of November 15, 2010, among BlackRock and Merrill Lynch & Co., Inc.
10.19(3)	Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between The PNC Financial Services Group, Inc. and BlackRock.
10.20(22)	Amendment No. 1, dated as of June 11, 2009, to the Amended and Restated Implementation and Stockholder Agreement between The PNC Financial Services Group, Inc. and BlackRock.
10.21(23)	Third Amended and Restated Stockholder Agreement, dated as of November 15, 2010, among BlackRock, Merrill Lynch & Co., Inc. and Merrill Lynch Group, Inc.
10.22(24)	Commercial Paper Dealer Agreement between BlackRock and Barclays Capital Inc., dated as of October 14, 2009.
10.23(25)	Lease Agreement, dated as of February 17, 2010, among BlackRock Investment Management (UK) Limited and Maurant & Co Trustees Limited and Maurant Property Trustees Limited as Trustees of the Drapers Gardens Unit Trust for the lease of Drapers Gardens, 12 Throgmorton Avenue, London, EC2, United Kingdom.
10.24(26)	Stock Repurchase Agreement, dated as of May 21, 2012, between Barclays Bank PLC and BlackRock.
10.25(26)	Exchange Agreement, dated as of May 21, 2012, between Barclays Bank PLC and BlackRock.
10.26(26)	Exchange Agreement, dated as of May 21, 2012, among PNC Bancorp, Inc., The PNC Financial Services Group, Inc. and BlackRock.
10.27(27)	Letter Agreement, dated November 20, 2012, between Susan L. Wagner and BlackRock. +
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of Registrant.
23.1	Deloitte & Touche LLP Consent.
31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on October 5, 2006.

(2) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 25, 2012.

(3) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on February 27, 2009.

(4) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on December 3, 2009.

(5) Incorporated by reference to BlackRock's Registration Statement on Form S-8 (Registration No. 333-137708) filed on September 29, 2006.

(6) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2007.

(7) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on September 17, 2007.

(8) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on December 10, 2009.

(9) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 25, 2011.

(10) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 31, 2012.

(11) Incorporated by reference to BlackRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

## [Table of Contents](#)

- (12) Incorporated by reference to Old BlackRock's Annual Report on Form 10-K for the year ended December 31, 2002.
- (13) Incorporated by reference to Old BlackRock's Current Report on Form 8-K filed on May 24, 2006.
- (14) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2008.
- (15) Incorporated by reference to Old BlackRock's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
- (16) Incorporated by reference to Old BlackRock's Current Report on Form 8-K filed on February 22, 2006.
- (17) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on June 15, 2007.
- (18) Incorporated by reference to BlackRock's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.
- (19) Incorporated by reference to BlackRock's Current Report on Form 8-K/A filed on August 24, 2012.
- (20) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on April 4, 2012.
- (21) Incorporated by reference to BlackRock's Current Report on Form 8-K/A filed on August 24, 2012.
- (22) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on June 17, 2009.
- (23) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on November 17, 2010.
- (24) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on October 20, 2009.
- (25) Incorporated by reference to BlackRock's Annual Report on Form 10-K for the year ended December 31, 2009.
- (26) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 23, 2012.
- (27) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on November 27, 2012.

+ Denotes compensatory plans or arrangements

† Confidential treatment has been granted for certain portions of this exhibit, which portions have been omitted and filed separately with the Securities and Exchange Commission.

[\(Back To Top\)](#)

## Section 2: EX-3.3 (AMENDED AND RESTATED BYLAWS OF BLACKROCK)

**Exhibit 3.3**

**AMENDED AND RESTATED  
BYLAWS OF  
BLACKROCK, INC.**  
a Delaware Corporation  
(As amended through May 24, 2012)

**ARTICLE I  
OFFICES**

**Section 1.1 Registered Office.**

The registered office of BlackRock, Inc. (hereinafter called the "Corporation")<sup>1</sup> within the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801, and the name of the registered agent of the Corporation at such address shall be The Corporation Trust Company.

**Section 1.2 Other Offices.**

The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors from time to time shall determine or the business of the Corporation may require.

**Section 1.3 Books and Records.**

The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors or officers.

**Section 1.4 Certain Definitions.**

Except where otherwise explicitly provided, all references herein to the "Certificate of Incorporation" shall mean the certificate of incorporation of the Corporation as from time to time amended or restated and in effect including any certificates of designation (each a "Preferred Stock Designation") filed under section 151(g) (or any successor provision) of the General Corporation Law of the State of Delaware, as amended and in effect from time to time (the "DGCL"). In the event of any amendment of these Bylaws that does not involve a complete restatement thereof, any reference herein to "the Bylaws" or "these Bylaws" or "herein" or "hereof" or a like reference shall refer to these Bylaws as so amended. Defined terms used herein and not otherwise defined shall have the meanings ascribed to them in the Certificate of Incorporation.

**ARTICLE II  
MEETINGS OF STOCKHOLDERS**

**Section 2.1 Place of Meetings.**

All meetings of the stockholders shall be held at any such place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver thereof.

**Section 2.2 Annual Meeting.**

The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held at such time and place as shall be determined by the Board of Directors and stated in the notice of the meeting. Only such business may be conducted as has been brought before an annual meeting of stockholders by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice to the Secretary of the Corporation of such stockholder's intention to bring such business before the meeting pursuant to Section 2.10 of these Bylaws.

<sup>1</sup> On September 29, 2006, the Corporation's name changed from "New BlackRock, Inc." to "BlackRock, Inc.".

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**Section 2.3 Special Meetings.**

Special meetings may be called in accordance with the Certificate of Incorporation. The power of any stockholder to call a special meeting is specifically denied. The only business which may be conducted at a special meeting, other than procedural matters and matters relating to the conduct of the meeting, shall be the matter or matters described in the notice of such meeting.

**Section 2.4 Adjournments.**

Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**Section 2.5 Notice of Meetings.**

Notice of meetings of stockholders shall be given by the Corporation as required by applicable law not less than ten days nor more than sixty days before such meeting (unless a different time is specified by law) to every stockholder entitled by law to notice of such meeting. Notice of any such meeting need not be given to any stockholder who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting, except when he shall attend for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Section 2.6 List of Stockholders.**

A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares of each class of capital stock of the Corporation registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, for at least ten days before the meeting and at the place of the meeting during the whole time of the meeting. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger and the list required by this Section 2.6 or to vote in person or by proxy at any meeting of stockholders.

**Section 2.7 Quorum.**

Unless otherwise required by law or the Certificate of Incorporation, a majority in voting power of the outstanding shares of the Corporation entitled to vote on the matters at issue, present in person or represented by proxy, shall constitute a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 2.4, until a quorum shall be present or represented. A quorum, once established, shall not be broken by the subsequent withdrawal of enough votes to leave less than a quorum. At any such adjourned meeting at which there is a quorum, any business may be transacted that might have been transacted at the meeting originally called.

**Section 2.8 Conduct of Meetings.**

The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of the stockholders as it shall deem appropriate. At every meeting of stockholders, the Chairman of the Board of Directors, or in his absence or inability to act, the Chief Executive Officer, or, in his absence or inability to act, the person whom the Vice Chairman shall appoint, shall act as chairman of, and preside at, the meeting. The Secretary or, in his absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof. Except to the extent inconsistent with such rules and regulations



as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (c) rules and procedures for maintaining order at the meeting and the safety of those present; (d) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (e) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (f) limitations on the time allotted to questions or comments by participants.

**Section 2.9 Nomination of Directors.**

(a) Only persons who are nominated in accordance with the procedures in this Section 2.9 shall be eligible for election as directors of the Corporation, subject to the rights of the holders of Preferred Stock. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (ii) by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.9 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 2.9.

(b) In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation, except as provided in a Stockholder Agreement.

(c) Except as provided in a Stockholder Agreement, to be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary of the mailing date of the Corporation's proxy materials for the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after the anniversary date of such meeting, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed to stockholders or public disclosure of the date of the annual meeting was made, whichever first occurs.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth: (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended ("Exchange Act") and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and record address of such stockholder, (B) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (D) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) If the chairman of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

(f) The Corporation's Nominating and Governance Committee (or, if there is no such committee, the Board of Directors or any other duly authorized committee thereof) shall nominate for election to the Board of Directors (i) any person that is

designated as a nominee for the Board of Directors pursuant to any Stockholder Agreement. Notwithstanding any other provision contained herein, no stockholder may make any nominations pursuant to Section 2.9(a)-(d) if such stockholder designated any person or persons for nomination pursuant to any Stockholder Agreement and, pursuant to this Section 2.9(f), the Nominating and Governance Committee (or, if there is no such committee, the Board of Directors or any other duly authorized committee thereof) shall have nominated such person or persons.

**Section 2.10 Business at Annual Meetings.**

(a) No business may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (iii) otherwise properly brought before the annual meeting by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.10 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 2.10.

(b) In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

(c) To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary of the mailing date of the Corporation's proxy materials for the immediately preceding annual meeting of stockholders; provided, however that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after the anniversary date of such meeting, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed to stockholders or public disclosure of the date of the annual meeting was made, whichever first occurs.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

(e) Once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.10 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

**Section 2.11 Voting.**

Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the votes of shares of capital stock represented and entitled to vote thereat, voting as a single class. Every reference in these Bylaws to a majority or other proportion of shares, or a majority or other proportion of the votes of shares, of capital stock shall refer to such majority or other proportion of the votes to which such shares of capital stock are entitled as provided in the Certificate of Incorporation. Votes of stockholders entitled to vote at a meeting of stockholders may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the chairman of the meeting of stockholders, in such chairman's discretion, may require that any votes cast at such meeting shall be cast by written ballot. Abstentions shall not be considered to be votes cast.

**ARTICLE III  
BOARD OF DIRECTORS**

**Section 3.1 General Powers.**

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon them by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

**Section 3.2 Number, Qualifications, Election and Term of Office.**

(a) The Board of Directors shall consist initially of seventeen (17) directors. Subject to the rights of the holders of Preferred Stock and the terms of any Stockholder Agreement, and with the consent of any Significant Stockholder that is a party to a Stockholder Agreement, the number of directors on the Board of Directors may be increased or decreased from time to time exclusively pursuant to a resolution adopted by: the affirmative vote of a majority of the entire Board of Directors then in office. No reduction in the number of directors shall have the effect of shortening the term of any director in office at the time such reduction becomes effective.

(b) The retirement age of and other restrictions and qualifications for directors constituting the Board of Directors shall be as authorized from time to time by the affirmative vote of 66 2/3% of the members of the Board of Directors then in office. Members of the Board of Directors need not be residents of the State of Delaware and need not be stockholders of the Corporation.

(c) The directors shall hold office in accordance with the provisions as set forth in the Certificate of Incorporation.<sup>2</sup>

(d) Notwithstanding any provision in these Bylaws to the contrary (other than in connection with filling vacancies on the Board of Directors), a nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which the Secretary of the Corporation determines that the number of nominees exceeds the number of directors to be elected as of the date seven days prior to the scheduled mailing date of the proxy statement for such meeting.<sup>3</sup>

**Section 3.3 Vacancies.**

Unless otherwise required by law, by any Stockholder Agreement or by the Certificate of Incorporation, vacancies arising through death, resignation, removal, an increase in the number of directors or otherwise may be filled by a majority of the directors then in office, even though less than a quorum, or by a sole remaining director, or by the stockholders if such vacancy resulted from the action of stockholders (in which event such vacancy may not be filled by the directors or a majority thereof), and in any event the directors so chosen shall hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

<sup>2</sup> On February 23, 2012, the Board of Directors (the "Board") of the Corporation adopted Amendment No. 1 to the Amended and Restated Bylaws of the Corporation (the "Bylaws") to make conforming changes to the Bylaws in connection with the Board's approval of an amendment to the Amended and Restated Certificate of Incorporation of the Corporation (the "Charter Amendment"), relating to the elimination of the Corporation's classified board structure. Amendment No. 1 to the Bylaws became effective upon the approval of the Charter Amendment by the Corporation's stockholders at the 2012 Annual Meeting of Stockholders and the filing of the Charter Amendment with the office of the Secretary of State of the State of Delaware on May 24, 2012. The text of Sections 3.2(c), 3.3 and 3.4 of the Bylaws contained herein have been updated to reflect the terms of Amendment No. 1 to the Bylaws.

<sup>3</sup> On February 23, 2012 and effective on that date, the Board adopted Amendment No. 2 to the Bylaws to change the voting standard for the election of directors in uncontested elections from a plurality to a majority of the votes cast. In a contested election (where there are more nominees for election than Board positions to be filled), the directors will be elected by a plurality of the votes cast. Section 3.2 of the Bylaws contained herein has been updated by adding a new paragraph (d) to reflect the terms of Amendment No. 2 to the Bylaws.

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**Section 3.4 Removal.**

Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the votes of capital stock then entitled to vote in the election of directors at a meeting of stockholders called for that purpose, except that Continuing Classified Directors (as defined in the Certificate of Incorporation) and any director appointed to fill a vacancy of any Continuing Classified Director may be removed only for cause. "Cause" for removal of a director shall be deemed to exist only if: (i) the director whose removal is proposed has been convicted, or when a director is granted immunity to testify when another has been convicted, of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (ii) such director has been found by the affirmative vote of a majority of the Directors then in office at any regular or special meeting of the Board of Directors called for that purpose, or by a court of competent jurisdiction, to have been guilty of willful misconduct in the performance of his duties to the Corporation in a matter of substantial importance to the Corporation; (iii) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his ability as a director of the Corporation; or (iv) the entry of any order against such director by any governmental body having regulatory authority with respect to the Corporation's business. Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock are entitled to elect directors of the Corporation pursuant to the provisions applicable in the case of arrearages in the payment of dividends or other defaults contained in the resolution or resolutions of the Board of Directors providing for the establishment of any such series, any such director of the Corporation so elected may be removed in accordance with the provisions of such resolution or resolutions.

**Section 3.5 Place of Meetings.**

Meetings of the Board of Directors shall be held at such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be specified in the notice of any such meeting. Each regular meeting of the Board of Directors shall be held at the location specified in the notice with respect to such meeting or, if no such notice is provided or no location is specified therein, at the principal executive offices of the Corporation.

**Section 3.6 Regular Meetings.**

Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by applicable law or these Bylaws.

**Section 3.7 Special Meetings.**

Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or at the request of twenty percent (20%) of the directors. The person or persons authorized to call a special meeting of the Board of Directors may fix the place, date and time of the meeting. Upon request by the person or persons authorized to call such meetings, the Secretary of the Corporation shall give any requisite notice for the meeting.

**Section 3.8 Notice of Meetings.**

Notice of each special meeting of the Board of Directors (and of each regular meeting for which notice shall be required) shall be given by the Secretary as hereinafter provided in this Section 3.8, in which notice shall be stated the date, time and place of the meeting. Notice of a special meeting shall state the general purpose of the meeting, but other routine business may be conducted at a special meeting without such matter being stated in the notice. Notice of each meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of such meeting, by telephone or telegram on twenty-four (24) hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under the circumstances. Notice of any meeting need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting, except when he shall attend for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Section 3.9 Quorum: Required Vote.**

Except as otherwise provided by law, the Certificate of Incorporation, any Stockholder Agreement and Section 3.3 of these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum

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shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting from time to time to another time and place. Notice of the time and place of any such adjourned meeting shall be given to all of the directors unless such time and place were announced at the meeting at which the adjournment was taken, in which case such notice shall only be given to the directors who were not present thereat. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

**Section 3.10 Organization.**

At each meeting of the Board of Directors, the Chairman of the Board of Directors or, in his absence, the Vice Chairman or another director chosen by a majority of the directors present, shall act as chairman of the meeting and preside thereat. The Secretary or, in his absence, any person appointed by the chairman, shall act as secretary of the meeting and keep the minutes thereof.

**Section 3.11 Resignations.**

Any director of the Corporation may resign at any time by giving written notice of his resignation to the Chairman of the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 3.12 Compensation.**

Directors shall receive such compensation, including fees and reimbursement of expenses, for their services as the Board of Directors may determine from time to time. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation thereof.

**Section 3.13 Action by Written Consent.**

Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be.

**Section 3.14 Telephonic Meeting.**

Unless otherwise provided by the Certificate of Incorporation, any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at a meeting.

**Section 3.15 Board Committees.**

(a) The Board of Directors may by resolution designate one or more committees (in addition to the mandatory Standing Committees as set forth in Section 3.15(e) below) consisting of one or more directors of the Corporation which, to the extent authorized in any resolution of the Board of Directors or these Bylaws and permissible under the DGCL, the Certificate of Incorporation and any Stockholder Agreement, shall have and may exercise any or all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, except that no committee (including any Standing Committee) shall have the power to take any action which requires, pursuant to these Bylaws or any Stockholder Agreement, the affirmative vote of at least a majority or any greater proportion of the entire Board of Directors then in office.

(b) Except as provided in any Stockholder Agreement, with respect to all committees designated in accordance with this Section 3.15, the Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. With respect to all Board committees designated in accordance with this Section 3.15, in the absence or disqualification of a member of a

committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee may authorize the seal of the Corporation to be affixed to all papers which may require it.

(c) A majority of the members of any committee may determine such committee's procedures for the conduct of business and may fix the time and place of its meetings, unless the Board of Directors shall by resolution otherwise provide. Notice of such meetings shall be given to each member of the committee in the same manner as provided for meetings of the Board of Directors by these Bylaws. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board of Directors when required. Except as otherwise provided by resolution of the Board of Directors or of such committee, a quorum for the transaction of business by a committee at a meeting thereof shall be a majority of the members and the affirmative vote of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

(d) Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of one or more officers, employees or persons who are not directors of the Corporation to conduct any part of the business or affairs of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

(e) Standing Committees.

The standing committees which, subject to Section 3.15(a), shall be appointed from time to time by the Board of Directors shall be: the Executive Committee, the Audit Committee, the Nominating and Governance Committee and the Management Development and Compensation Committee. Subject to the terms of any Stockholder Agreement:

(i) Executive Committee.

the Executive Committee shall consist of the Chairman and Chief Executive Officer and not less than four other directors who shall from time to time be appointed by the Board of Directors. The Executive Committee shall have and exercise in the intervals between the meetings of the Board of Directors all the powers of the Board of Directors, except as prohibited by applicable law. All acts done and powers conferred by the Executive Committee from time to time shall be deemed to be, and may be certified as being, done and conferred under authority of the Board of Directors.

(ii) Audit Committee.

the Board of Directors shall appoint annually the Audit Committee consisting of not less than three directors, all of whom shall be Independent Directors. The Audit Committee will select and oversee the Corporation's auditors, with whom the Audit Committee will, among other things, review the scope of audit and non-audit assignments and related fees, accounting principles used by the Corporation in financial reporting, internal auditing procedures and the adequacy of the Corporation's risk management, compliance and internal control procedures.

(iii) Nominating and Governance Committee.

the Board of Directors shall appoint annually the members of the Nominating and Governance Committee, consisting of not less than three directors, all of whom shall be Independent Directors. The Nominating and Governance Committee will review the qualifications of potential candidates for the Board of Directors, report its findings to the Board of Directors and propose to the Board of Directors nominations for board memberships for approval by the Board of Directors and, if appropriate, submission by the Board of Directors to the stockholders of the Corporation for election. The Nominating and Governance Committee will also recommend to the Board of Directors (for adoption by the Board of Directors) the Corporate Governance Guidelines applicable to the Corporation, lead the Board of Directors in its annual review of the performance of the Board of Directors and management and recommend to the Board of Directors director nominees for each committee.

(iv) Management Development and Compensation Committee.

the Board of Directors shall appoint annually the members of the Management Development and Compensation Committee, consisting of not less than three directors, all of whom shall be Independent Directors. The Management

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Development and Compensation Committee will administer such compensation plans as the Board of Directors may determine from time to time, and will establish the compensation for the Corporation's executive officers. The Management Development and Compensation Committee may by resolution designate a subcommittee to administer the Corporation's compensation plans.

(f) For purposes of this Section 3.15, "Independent Director" means any Director who (i) is or would be an "independent director" with respect to New BlackRock pursuant to Section 303A.02 of the New York Stock Exchange Listed Company Manual and Section 10A of the Exchange Act (or any successor provisions) and (ii) was not nominated or proposed for nomination by or on behalf of a Significant Stockholder or any Affiliates or Designated Directors of a Significant Stockholder.

#### **ARTICLE IV OFFICERS**

##### **Section 4.1 Designation.**

The officers of the Corporation shall be elected by the Board of Directors and shall include a Chief Executive Officer, President, Chief Financial Officer, Treasurer and Secretary. The Board of Directors of the Corporation, in its discretion, may also elect a Chairman of the Board of Directors (who must be a director), one or more Vice Chairmen (who need not be a director) and one or more Managing Directors, Directors, Vice Presidents, Assistant Treasurers, Assistant Secretaries and other officers.

##### **Section 4.2 Election and Tenure.**

Officers and assistant officers of the Corporation may, but need not, also be members of the Board of Directors or stockholders of the Corporation. At its first meeting after each annual meeting of the stockholders, the Board of Directors shall elect the officers or provide for the appointment thereof. Unless otherwise provided by the Certificate of Incorporation, the term of each officer elected by the Board of Directors shall be until the first meeting of the Board of Directors following the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier death, resignation or removal in the manner specified in this Section 4.2. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors at any time with or without cause by the majority vote of the members of the Board of Directors then in office. Any officer or assistant officer appointed by another officer may be removed from office with or without cause by such officer. The removal of an officer shall be without prejudice to his contract rights, if any. The election or appointment of an officer shall not of itself create contract rights. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Chairman of the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Should any vacancy occur among the officers, the position shall be filled for the unexpired portion of the term by appointment made by the Board of Directors or, in the case of offices held by officers who may be appointed by other officers, by any officer authorized to appoint such officer. Any individual may be elected to, and may hold, more than one office of the Corporation.

##### **Section 4.3 Duties.**

Except as set forth in Section 4.5, the powers and duties of the several officers shall be as provided from time to time by resolution or other directive of the Board of Directors. In the absence of such provisions, the respective officers shall have the powers and shall discharge the duties customarily and usually held and performed by like officers of corporations similar in organization and business purposes to the Corporation.

##### **Section 4.4 Compensation.**

Officers may be paid such reasonable compensation as the Board of Directors may from time to time authorize and direct. The Board of Directors may delegate its authority to determine compensation to a committee.

##### **Section 4.5 Responsibilities of the Chief Executive Officer.**

Subject to the direction of the Board of Directors, the Chief Executive Officer shall have the general supervision of the policies, business and operations of the Corporation, and of the other officers, agents and employees of the Corporation

and, except as otherwise provided in these Bylaws or by the Board of Directors, shall have all the other powers and duties as are usually incident to the Chief Executive Officer of a corporation. In the absence of the Chief Executive Officer, his rights and duties shall be performed by such other officer or officers as shall be designated by the Board of Directors. To the extent not specifically appointed to a Committee, the Chief Executive Officer of the Corporation shall be ex officio a member of all Committees except the Audit Committee, the Nominating and Governance Committee and the Management Development and Compensation Committee.

## ARTICLE V STOCK CERTIFICATES AND THEIR TRANSFER

### **Section 5.1 Uncertificated and Certificated Shares: Form of Certificates.**

Effective at such time as the President or any Vice President or the Treasurer of the Corporation designates in writing to the Corporate Secretary and any transfer agents of the Corporation with respect to any class of stock of the Corporation, the shares of such class shall be uncertificated shares, provided that the foregoing shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation and provided further that upon request every holder of uncertificated shares shall be entitled, to the extent provided in Section 158 of the DGCL, to have a certificate signed in the name of the Corporation (i) by the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

### **Section 5.2 Record Owners.**

A record of the name and address of the holder of each certificate, the number of shares represented thereby and the date of issue thereof shall be made on the Corporation's books. The Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments a person registered on its records as the owner of shares of stock, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

### **Section 5.3 Transfers of Stock.**

Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named as the holder thereof on the stock records of the Corporation, by such person's attorney lawfully constituted in writing, and in the case of shares represented by a certificate upon the surrender of the certificate thereof, which shall be cancelled before a new certificate shall be issued. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred. To the extent designated by the President or any Vice President or the Treasurer of the Corporation, the Corporation may recognize the transfer of fractional uncertificated shares, but shall not otherwise be required to recognize the transfer of fractional shares.

### **Section 5.4 Transfer Agents and Registrars.**

The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars. If any certificate is countersigned (a) by a transfer agent other than the Corporation or its employee, or (b) by a registrar other than the Corporation or its employee, any signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

### **Section 5.5 Regulations.**

The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.



**Section 5.6 Fixing the Record Date.**

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolutions taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**Section 5.7 Lost Certificates.**

The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or the owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

**ARTICLE VI  
INDEMNIFICATION AND INSURANCE**

**Section 6.1 Right to Indemnification.**

Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director or officer of another company, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be

indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 6.2 hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 6.1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the DGCL requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 6.1 or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

**Section 6.2 Right of Claimant to Bring Suit.**

If a claim under Section 6.1 is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

**Section 6.3 Non-Exclusivity of Rights.**

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

**Section 6.4 Insurance.**

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

**ARTICLE VII  
GENERAL PROVISIONS**

**Section 7.1 Seal.**

The seal of the Corporation shall be in such form as shall be approved by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise, as may be prescribed by law or custom or by the Board of Directors.

**Section 7.2 Fiscal Year.**

The fiscal year of the Corporation shall begin on January 1 and end on December 31 of each year.

**Section 7.3 Checks, Notes, Drafts, Etc.**

All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the Corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

**Section 7.4 Voting of Stock in Other Persons.**

Unless otherwise provided by resolution of the Board of Directors, the Chief Executive Officer, from time to time, may (or may appoint one or more attorneys or agents to) cast the votes that the Corporation may be entitled to cast as a stockholder or otherwise in any other Person, any of whose shares or securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation, or consent in writing to any action by any such other corporation. In the event one or more attorneys or agents are appointed, the Chief Executive Officer may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent. The Chief Executive Officer may, or may instruct the attorneys or agents appointed to, execute or cause to be executed in the name and on behalf of the Corporation and under its seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the circumstances relating to securities owned by the Corporation.

**Section 7.5 Dividends.**

Subject to the provisions of the DGCL and the Certificate of Incorporation, dividends upon the shares of capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting in accordance with the voting requirements set forth in Section 3.10 if applicable. Dividends may be paid in cash, in property or in shares of stock of the Corporation, unless otherwise provided by the DGCL or the Certificate of Incorporation.

**ARTICLE VIII  
AMENDMENTS**

Except as otherwise provided in any Stockholder Agreement, these Bylaws may be amended, altered, changed, adopted and repealed or new bylaws adopted by the affirmative vote of at least a majority of the members of the Board of Directors then in office; provided that any adoption, alteration or repeal of any Bylaw by the Board of Directors, if such adoption, alteration or repeal would be inconsistent with the provisions of any Stockholder Agreement, shall require such approval, if any, as shall be required by the terms of such Stockholder Agreement.

13

[\(Back To Top\)](#)

## Section 3: EX-12.1 (COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES)

Exhibit 12.1

**RATIO OF EARNINGS TO FIXED CHARGES  
(unaudited)  
(Dollar amounts in millions)**

	Year ended December 31,				
	2012	2011	2010	2009	2008
Income before income taxes	\$3,470	\$3,135	\$3,021	\$1,272	\$1,016
Less: Net income (loss) attributable to non-controlling interests <sup>(1)</sup>	(18)	2	(13)	22	(155)
Pre-tax income attributable to BlackRock, Inc.	3,488	3,133	3,034	1,250	1,171
Add: Fixed charges	261	236	209	104	102
Distributions of earnings from equity method investees	42	30	14	18	28
Less: (Losses) earnings from equity method investees	175	23	141	30	(294)
Pre-tax income before fixed charges	<u>\$3,616</u>	<u>\$3,376</u>	<u>\$3,116</u>	<u>\$1,342</u>	<u>\$1,595</u>
Fixed charges:					
Interest expense	\$ 215	\$ 176	\$ 150	\$ 68	\$ 69
Interest expense on uncertain tax positions <sup>(2)</sup>	3	10	8	8	5
Portion of rent representative of interest	43	50	51	28	28
Total fixed charges	<u>\$ 261</u>	<u>\$ 236</u>	<u>\$ 209</u>	<u>\$ 104</u>	<u>\$ 102</u>
Ratio of earnings to fixed charges	<u>13.9x</u>	<u>14.3x</u>	<u>14.9x</u>	<u>12.9x</u>	<u>15.6x</u>

<sup>(1)</sup> Amount includes redeemable and nonredeemable non-controlling interests.

<sup>(2)</sup> Interest expense on uncertain tax positions, in accordance with ASC 740-10, *Income Taxes*, has been recorded within income tax expense on the consolidated statements of income.

[\(Back To Top\)](#)

## Section 4: EX-21.1 (SUBSIDIARIES OF REGISTRANT)

Exhibit 21.1

**SUBSIDIARIES OF REGISTRANT**

The following table lists the direct and indirect subsidiaries of BlackRock, Inc. as of December 31, 2012\*.

Name of Subsidiary	Jurisdiction/State of Incorporation
BAA Holdings, LLC	Delaware
BlackRock Advisors, LLC	Delaware
BlackRock Advisors Holdings, Inc.	Pennsylvania
BlackRock Advisors Singapore Pte. Limited	Singapore
BlackRock Advisors (UK) Limited	United Kingdom
BlackRock Asset Management (Schweiz) AG	Switzerland
BlackRock Asset Management Australia Limited	Australia

BlackRock Asset Management Australia Services Limited	Australia
BlackRock Asset Management Canada Limited	Canada
BlackRock Asset Management Deutschland AG	Germany
BlackRock Asset Management Guernsey Limited	Guernsey
BlackRock Asset Management International Inc.	Delaware
BlackRock Asset Management Investors Services Limited	United Kingdom
BlackRock Asset Management Ireland Limited	Ireland
BlackRock Asset Management North Asia Limited	Hong Kong
BlackRock Asset Management UK Limited	United Kingdom
BlackRock Australia Holdco Pty. Ltd.	Australia
BlackRock Australia Holdings Pty Limited	Australia
BlackRock Brasil Gestora de Investimentos Ltda.	Brazil
BlackRock Cal 1 Investor, LLC	Delaware
BlackRock Canada Holdings LP	Canada
BlackRock Canada Holdings, ULC	Canada
BlackRock Capital Holdings, Inc.	Delaware
BlackRock Capital Management, Inc.	Delaware
BlackRock Capital Markets, LLC	Delaware
BlackRock Cayco Limited	Cayman Islands
BlackRock Cayman Finco Limited	Cayman Islands
BlackRock Cayman Capital Holdings Limited	Cayman Islands
BlackRock (Channel Islands) Limited	Jersey
BlackRock Colombia Holdco, LLC	Delaware
BlackRock Colombia Holdco SAS	Colombia
BlackRock Corporation US Inc.	California
BlackRock Delaware Holdings Inc.	Delaware
BlackRock Execution Services	California
BlackRock Executor & Trustee Co. Limited	United Kingdom
BlackRock Finance Europe Limited	United Kingdom

Name of Subsidiary	Jurisdiction/State of Incorporation
BlackRock Financial Management, Inc.	Delaware
BlackRock Finco UK Ltd.	United Kingdom
BlackRock Finco, LLC	Delaware
BlackRock First Partner Limited	Jersey
BlackRock Fund Advisors	California
BlackRock Fund Management Company S.A.	Luxembourg
BlackRock Fund Managers (Isle of Man) Limited	Isle of Man
BlackRock Fund Managers Limited	United Kingdom
BlackRock Funding International, Ltd.	Cayman Islands
BlackRock Funding, Inc.	Delaware
BlackRock Group Limited	United Kingdom
BlackRock HK Holdco Limited	Hong Kong
BlackRock Holdco 2, Inc.	Delaware
BlackRock Holdco 3, LLC	Delaware
BlackRock Holdco 4, LLC	Delaware
BlackRock Holdco 5, LLC	Delaware
BlackRock Holdco 6, LLC	Delaware
BlackRock Holdings Deutschland GmbH	Germany
BlackRock (Hong Kong) Limited	Hong Kong
BlackRock India Private Ltd.	India
BlackRock Institutional Services, Inc.	Delaware
BlackRock Institutional Trust Company, National Association	United States
BlackRock International Holdings, Inc.	Delaware
BlackRock International Limited	Scotland
BlackRock Investment Management (Australia) Limited	Australia
BlackRock Investment Management (Dublin) Limited	Ireland
BlackRock Investment Management (Korea) Limited	Korea
BlackRock Investment Management (Taiwan) Limited	Taiwan
BlackRock Investment Management (UK) Limited	United Kingdom
BlackRock Investment Management Ireland Holdings Limited	Ireland
BlackRock Investment Management, LLC	Delaware
BlackRock Investments, LLC	Delaware
BlackRock (Isle of Man) Holdings Limited	Isle of Man
BlackRock (Isle of Man) Limited	Isle of Man
BlackRock Japan Co., Ltd.	Japan
BlackRock Japan Holdings GK	Japan
BlackRock Kelso Capital Advisors LLC	Delaware
BlackRock Life Limited	United Kingdom
BlackRock Lux Finco S.à r.l.	Luxembourg
BlackRock Luxembourg Holdco S.à r.l.	Luxembourg
BlackRock (Luxembourg) S.A.	Luxembourg

Name of Subsidiary	Jurisdiction/State of Incorporation
BlackRock Mexican Holdco, LLC	Delaware
BlackRock Mortgage Ventures, LLC	Delaware
BlackRock (Netherlands) B.V.	Netherlands
BlackRock Operations (Luxembourg) S.à r.l.	Luxembourg
BlackRock Pensions Limited	United Kingdom
BlackRock Pensions Nominees Limited	United Kingdom
BlackRock Realty Advisors, Inc.	Delaware
BlackRock Second Partner Limited	Jersey
BlackRock Services India Private Limited	India
BlackRock (Singapore) Limited	Singapore
BlackRock (Singapore) Holdco Pte. Limited	Singapore
BlackRock Slovakia s.r.o.	Slovakia
BlackRock Trident Holding Company Limited	Ireland
BlackRock UK 1 LP	United Kingdom
BlackRock UK 2 LP	United Kingdom
BlackRock UK 3 LP	United Kingdom
BlackRock UK 4 LP	United Kingdom
BlackRock UK Holdco Limited	United Kingdom
BR Acquisition Mexico S.A. de C.V.	Mexico
BR Jersey International Holdings L.P.	Jersey
Grosvenor Alternate Partner Limited	United Kingdom
Grosvenor Ventures Limited	United Kingdom
HLX Financial Holdings, LLC	Delaware
Impulsora y Promotora BlackRock Mexico, S.A. de C.V.	Mexico
iShares (DE) I Investmentaktiengesellschaft mit Teilvermögen	Germany
iShares Chile Holdings Inversiones Limitada	Chile
iShares Chile Asesorias Limitada	Chile
iShares Delaware Trust Sponsor LLC	Delaware
Mercury Carry Company Ltd.	Isle of Man
Mercury Private Equity MUST 3 (Jersey) Limited	Jersey
Portfolio Administration & Management Ltd.	Cayman Islands
Prestadora de Servicios Integrales BlackRock Mexico, S.A. de C.V.	Mexico
St. Albans House Nominees (Jersey) Ltd.	Jersey
Trident Merger, LLC	Delaware
Wimco Nominees Ltd.	United Kingdom

\* Certain subsidiaries that are not significant have been omitted.

[\(Back To Top\)](#)

## Section 5: EX-23.1 (DELOITTE & TOUCHE LLP CONSENT)

Exhibit 23.1

### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-169328 on Form S-3 and Registration Statement Nos. 333-137708 and 333-169329 on Form S-8 of BlackRock, Inc. of our reports dated February 28, 2013, relating to the consolidated financial statements of BlackRock, Inc., and the effectiveness of BlackRock, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of BlackRock, Inc. for the year ended December 31, 2012.

/s/ Deloitte & Touche LLP

New York, New York  
February 28, 2013

[\(Back To Top\)](#)

## Section 6: EX-31.1 (SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER)

Exhibit 31.1

CEO CERTIFICATION

I, Laurence D. Fink, certify that:

1. I have reviewed this Annual Report on Form 10-K, for the fiscal year ended December 31, 2012 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: February 28, 2013

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

[\(Back To Top\)](#)

## Section 7: EX-31.2 (SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER)

**Exhibit 31.2**

### CFO CERTIFICATION

I, Ann Marie Petach, certify that:

1. I have reviewed this Annual Report on Form 10-K, for the fiscal year ended December 31, 2012 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: February 28, 2013

By: /s/ Ann Marie Petach  
Ann Marie Petach  
Senior Managing Director &  
Chief Financial Officer

[\(Back To Top\)](#)

## Section 8: EX-32.1 (SECTION 906 CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER)

**Exhibit 32.1**

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

In connection with the Annual Report on Form 10-K of BlackRock, Inc. (the "Company") for the annual period ending December 31, 2012 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 Ann Marie Petach, 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

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Name: Laurence D. Fink  
Title: Chairman & Chief Executive Officer  
Date: February 28, 2013

/s/ Ann Marie Petach

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Name: Ann Marie Petach  
Title: Senior Managing Director & Chief Financial Officer  
Date: February 28, 2013

[\(Back To Top\)](#)