

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2018  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-33099

**BLACKROCK**

**BlackRock, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

32-0174431

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer Identification No.)

**55 East 52nd Street, New York, NY 10055**

(Address of Principal Executive Offices)

(Zip Code)

(212) 810-5300

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes   X   No \_\_\_\_\_

Indicate by check mark whether the registrant has submitted electronically 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   X   No \_\_\_\_\_

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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

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

Yes \_\_\_\_\_ No   X  

As of April 30, 2018, there were 160,169,656 shares of the registrant's common stock outstanding.

**BlackRock, Inc.**  
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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

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

<i>(in millions, except shares and per share data)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,978	\$ 6,894
Accounts receivable	2,677	2,699
Investments	2,050	1,981
Assets of consolidated variable interest entities:		
Cash and cash equivalents	103	144
Investments	1,637	1,493
Other assets	113	66
Separate account assets	142,871	149,937
Separate account collateral held under securities lending agreements	27,247	24,190
Property and equipment (net of accumulated depreciation of \$698 and \$658 at March 31, 2018 and December 31, 2017, respectively)	589	592
Intangible assets (net of accumulated amortization of \$210 and \$219 at March 31, 2018 and December 31, 2017, respectively)	17,378	17,389
Goodwill	13,217	13,220
Other assets	2,157	1,636
Total assets	<u>\$ 216,017</u>	<u>\$ 220,241</u>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 788	\$ 2,153
Accounts payable and accrued liabilities	1,421	1,161
Liabilities of consolidated variable interest entities	425	369
Borrowings	5,036	5,014
Separate account liabilities	142,871	149,937
Separate account collateral liabilities under securities lending agreements	27,247	24,190
Deferred income tax liabilities	3,516	3,527
Other liabilities	2,130	1,626
Total liabilities	<u>183,434</u>	<u>187,977</u>
<b>Commitments and contingencies (Note 12)</b>		
<b>Temporary equity</b>		
Redeemable noncontrolling interests	561	416
<b>Permanent Equity</b>		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2
Shares authorized: 500,000,000 at March 31, 2018 and December 31, 2017;		
Shares issued: 171,252,185 at March 31, 2018 and December 31, 2017;		
Shares outstanding: 160,308,362 and 159,977,115 at March 31, 2018 and December 31, 2017, respectively		
Preferred stock (Note 17)	—	—
Additional paid-in capital	18,856	19,256
Retained earnings	17,529	16,939
Accumulated other comprehensive loss	(301)	(432)
Treasury stock, common, at cost (10,943,823 and 11,275,070 shares held at March 31, 2018 and December 31, 2017, respectively)	(4,108)	(3,967)
Total BlackRock, Inc. stockholders' equity	31,978	31,798
Nonredeemable noncontrolling interests	44	50
Total permanent equity	<u>32,022</u>	<u>31,848</u>
Total liabilities, temporary equity and permanent equity	<u>\$ 216,017</u>	<u>\$ 220,241</u>

See accompanying notes to condensed consolidated financial statements.

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

(in millions, except shares and per share data)

	Three Months Ended March 31,	
	2018	2017
<b>Revenue</b>		
Investment advisory, administration fees and securities lending revenue		
Related parties	\$ 2,112	\$ 1,768
Other third parties	835	755
Total investment advisory, administration fees and securities lending revenue	2,947	2,523
Investment advisory performance fees	70	70
Technology and risk management revenue	184	154
Distribution fees	311	287
Advisory and other revenue	71	58
Total revenue	3,583	3,092
<b>Expense</b>		
Employee compensation and benefits	1,121	1,021
Distribution and servicing costs	432	401
Direct fund expense	261	206
General and administration	383	296
Amortization of intangible assets	11	25
Total expense	2,208	1,949
Operating income	1,375	1,143
<b>Nonoperating income (expense)</b>		
Net gain (loss) on investments	15	51
Interest and dividend income	15	7
Interest expense	(46)	(65)
Total nonoperating income (expense)	(16)	(7)
Income before income taxes	1,359	1,136
Income tax expense	265	268
Net income	1,094	868
Less:		
Net income (loss) attributable to noncontrolling interests	5	9
Net income attributable to BlackRock, Inc.	<u>\$ 1,089</u>	<u>\$ 859</u>
<b>Earnings per share attributable to BlackRock, Inc. common stockholders:</b>		
Basic	\$ 6.75	\$ 5.27
Diluted	\$ 6.68	\$ 5.21
<b>Cash dividends declared and paid per share</b>	\$ 2.88	\$ 2.50
<b>Weighted-average common shares outstanding:</b>		
Basic	161,250,018	163,016,599
Diluted	162,918,961	164,856,183

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

	Three Months Ended March 31,	
	2018	2017
<b>Net income</b>	\$ 1,094	\$ 868
Other comprehensive income:		
Foreign currency translation adjustments <sup>(1)</sup>	137	40
Other	—	(1)
Other comprehensive income (loss)	137	39
Comprehensive income	1,231	907
Less: Comprehensive income (loss) attributable to noncontrolling interests	5	9
<b>Comprehensive income attributable to BlackRock, Inc.</b>	<u>\$ 1,226</u>	<u>\$ 898</u>

<sup>(1)</sup> Amounts for the three months ended March 31, 2018 and 2017 include a loss from a net investment hedge of \$16 million (net of a tax benefit of \$5 million) and \$7 million (net of a tax benefit of \$4 million), respectively.

See accompanying notes to condensed consolidated financial statements.

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

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

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

See accompanying notes to condensed consolidated financial statements.

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

<i>(in millions)</i>	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2016	\$ 19,339	\$ 13,650	\$ (716)	\$ (3,185)	\$ 29,088	\$ 52	\$ 29,140	\$ 194
Net income	—	859	—	—	859	1	860	8
Dividends paid	—	(447)	—	—	(447)	—	(447)	—
Stock-based compensation	162	—	—	—	162	—	162	—
PNC preferred stock capital contribution	193	—	—	—	193	—	193	—
Retirement of preferred stock	(193)	—	—	—	(193)	—	(193)	—
Issuance of common shares related to employee stock transactions	(573)	—	—	576	3	—	3	—
Employee tax withholdings related to employee stock transactions	—	—	—	(287)	(287)	—	(287)	—
Shares repurchased	—	—	—	(275)	(275)	—	(275)	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	(3)	(3)	135
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(28)
Other comprehensive income (loss)	—	—	39	—	39	—	39	—
Adoption of new accounting pronouncement	3	(2)	—	—	1	—	1	—
<b>March 31, 2017</b>	<b>\$ 18,931</b>	<b>\$ 14,060</b>	<b>\$ (677)</b>	<b>\$ (3,171)</b>	<b>\$ 29,143</b>	<b>\$ 50</b>	<b>\$ 29,193</b>	<b>\$ 309</b>

<sup>(1)</sup> Amounts include \$2 million of common stock at both March 31, 2017 and December 31, 2016.

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

	Three Months Ended	
	March 31,	
	2018	2017
<b>Cash flows from operating activities</b>		
Net income	\$ 1,094	\$ 868
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	53	63
Stock-based compensation	175	162
Deferred income tax expense (benefit)	10	198
Net (gains) losses within consolidated VIEs	(2)	(33)
Net (purchases) proceeds within consolidated VIEs	(342)	(96)
(Earnings) losses from equity method investees	(33)	(32)
Distributions of earnings from equity method investees	10	5
Changes in operating assets and liabilities:		
Accounts receivable	35	5
Investments, trading	(21)	(188)
Other assets	(474)	(975)
Accrued compensation and benefits	(1,362)	(1,110)
Accounts payable and accrued liabilities	268	59
Other liabilities	448	910
Cash flows from operating activities	<u>(141)</u>	<u>(164)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(94)	(61)
Proceeds from sales and maturities of investments	122	21
Distributions of capital from equity method investees	5	10
Net consolidations (deconsolidations) of sponsored investment funds (VIEs/VREs)	(53)	—
Purchases of property and equipment	(33)	(19)
Cash flows from investing activities	<u>(53)</u>	<u>(49)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	—	697
Cash dividends paid	(505)	(447)
Repurchases of common stock	(719)	(562)
Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders	347	132
Other financing activities	3	—
Cash flows from financing activities	<u>(874)</u>	<u>(180)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	115	32
Net increase (decrease) in cash, cash equivalents and restricted cash	(953)	(361)
Cash, cash equivalents and restricted cash, beginning of period	7,096	6,192
Cash, cash equivalents and restricted cash, end of period	<u>\$ 6,143</u>	<u>\$ 5,831</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	\$ 29	\$ 40
Income taxes (net of refunds)	\$ 74	\$ 82
<b>Supplemental schedule of noncash investing and financing transactions:</b>		
Issuance of common stock	\$ 575	\$ 573
PNC preferred stock capital contribution	\$ 58	\$ 193
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	\$ (213)	\$ (28)

See accompanying notes to condensed consolidated financial statements.



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

**1. Business Overview**

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm providing a broad range of investment and risk management services to institutional and retail clients worldwide.

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

At March 31, 2018, The PNC Financial Services Group, Inc. (“PNC”) held 21.2% of the Company’s voting common stock and 21.7% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

**2. Significant Accounting Policies**

**Basis of Presentation.** These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include the accounts of the Company and its controlled subsidiaries. Noncontrolling interests on the condensed consolidated statements of financial condition represents the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Accounts and transactions between consolidated entities have been eliminated.

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission (“SEC”) on February 28, 2018 (“2017 Form 10-K”).

The interim financial information at March 31, 2018 and for the three months ended March 31, 2018 and 2017 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company’s results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

**Accounting Pronouncements Adopted in the Three Months Ended March 31, 2018.**

**Revenue from Contracts with Customers.** The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, and several amendments (collectively, “ASU 2014-09”). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most previous revenue recognition guidance, including industry-specific guidance. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.

The Company adopted ASU 2014-09 effective January 1, 2018 on a full retrospective basis, which required the Company to recast 2016 and 2017 previously reported amounts. The key impact of the standard relates to the Company's presentation of certain revenue contracts and associated contract costs. The most significant of these changes relates to the presentation of certain distribution costs, which were previously presented net against revenue (contra-revenue) and are now presented as an expense on a gross basis. Revenue recognition related to investment advisory, administration fees and securities lending revenue as well as performance fees remained unchanged, which represents a substantial portion of the Company's revenue. However, under ASU 2014-09, the Company may recognize certain performance fees, including carried interest, earlier than under the prior revenue recognition guidance. The impact to the condensed consolidated statement of financial condition upon adoption was related to a change in timing of recognition for certain technology and risk management revenue and related costs that resulted in an increase to other assets and other liabilities of \$19 million and \$25 million, respectively. The cumulative adjustment to retained earnings as of January 1, 2016 was a net decrease of \$6 million.

The following table presents the impact of the adoption to the condensed consolidated statement of income for the three months ended March 31, 2017.

	Three Months Ended March 31, 2017		
	Previously Reported	Adoption of the New Revenue Standard Adjustment	Recast
<i>(in millions, except shares and per share data)</i>			
Total revenue	\$ 2,824	\$ 268	\$ 3,092
Total expense	1,677	272	1,949
Operating income	\$ 1,147	\$ (4)	\$ 1,143
Income tax expense	\$ 269	\$ (1)	\$ 268
Net income	\$ 871	\$ (3)	\$ 868
Net income attributable to BlackRock, Inc.	\$ 862	\$ (3)	\$ 859
<b>Earnings per share attributable to BlackRock, Inc.</b>			
<b>common stockholders:</b>			
Basic	\$ 5.29	\$ (0.02)	\$ 5.27
Diluted	\$ 5.23	\$ (0.02)	\$ 5.21

*Recognition and Measurement of Financial Instruments.* In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 amends guidance on the classification and measurement of financial instruments, including requiring an entity to measure substantially all equity securities (other than those accounted for under the equity method of accounting) at fair value through earnings. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. The Company adopted ASU 2016-01 using a modified retrospective approach on January 1, 2018. The reclassification of unrealized gains (losses) on equity securities within accumulated other comprehensive income to retained earnings was not material upon adoption.

*Cash Flow Classification.* In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which amends and clarifies the current guidance to reduce diversity in practice of the classification of certain cash receipts and payments in the consolidated statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018 retrospectively to all periods presented. The adoption of ASU 2016-15 did not have a material impact on the condensed consolidated statement of cash flows.

*Restricted Cash.* In November 2016, the FASB issued 2016-18, *Restricted Cash*, which clarifies the classification and presentation of restricted cash in the statement of cash flows ("ASU 2016-18"). The Company adopted ASU 2016-18 on January 1, 2018 retrospectively to all periods presented. The adoption of ASU 2016-18 did not have a material impact on the condensed consolidated statement of cash flows. See Note 3, *Cash, Cash Equivalents and Restricted Cash*, for additional disclosure requirements related to restricted cash.

*Reclassifications from Accumulated Other Comprehensive Income.* In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”). ASU 2018-02 allows reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted ASU 2018-02 prospectively on January 1, 2018. The adoption of ASU 2018-02 did not have a material impact on the condensed consolidated statement of financial condition.

### ***Revenue Recognition.***

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the “transaction price”). The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct. Consideration for the Company’s services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside of the Company’s influence. The Company includes variable consideration as part of its transaction price when it is no longer probable of significant reversal, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company has discretion to involve a third party in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

*Investment Advisory, Administration Fees and Securities Lending Revenue.* Investment advisory and administration fees are recognized as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, assets under management (“AUM”) or committed capital. These fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. 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. In addition, the Company may contract with third parties to provide sub-advisory services on its behalf. The Company presents the investment advisory fees and associated costs to such advisors on a gross basis in the condensed consolidated statements of income where it is deemed to be the principal.

The Company earns revenue by lending securities on behalf of clients, primarily to highly rated banks and broker-dealers. Revenue is recognized over time as services are performed. Generally, the securities lending fees are 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 / Carried Interest.* The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annually or longer measurement periods. A portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period.

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

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund’s investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company’s influence; (2) the fees have a large number and a broad range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest its sales proceeds.

The Company records a contract liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2018 and December 31, 2017, the Company had \$224 million and \$219 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A

portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown.

*Technology and risk management revenue.* BlackRock offers investment management technology systems, risk management services, wealth management and digital distribution tools on a fee basis. Clients include banks, insurance companies, official institutions, pension funds, asset managers, retail distributors and other investors. Fees earned for technology and risk management revenue are recorded as services are performed and are generally determined using the value of positions on the *Aladdin* platform or on a fixed-rate basis.

*Distribution Fees.* The Company accounts for fund distribution services and shareholder servicing as distinct services, separate from fund management services, because customers can benefit from each of the services on their own and because the services are separately identifiable (that is, the nature of the promised services is to transfer each service individually). The Company records upfront and ongoing sales commissions as distribution fee revenue for serving as the principal underwriter and/or distributor for certain mutual funds that it manages. The Company recognizes the upfront fees for front-end load funds on a trade date basis when the services are performed and the amount the Company is entitled to is known. The on-going distribution fees are generally based on net asset values and are recognized when the amount is known. Distribution services are satisfied at a point in time. Consequently, a portion of the on-going distribution fees the Company recognized may be related to the services performed in prior periods that met the recognition criteria in the current period. The Company recognizes ongoing shareholder servicing fee revenue when and as shareholder services are performed over time. The Company contracts with third parties for various fund distribution services and shareholder servicing of certain funds to be performed on its behalf. These arrangements are generally priced as a portion of the fee paid to the Company by the fund or as an agreed-upon percentage of net asset value. The Company presents its distribution fees and distribution and servicing costs incurred on a gross basis in the condensed consolidated statements of income as it is deemed to be the principal in such transactions.

*Advisory and other revenue.* Advisory and other revenue primarily includes fees earned for advisory services, fees earned for transition management services primarily comprised of commissions recognized in connection with buying and selling securities on behalf of customers, and equity method investment earnings related to certain strategic investments.

Advisory services fees are determined using fixed-rate fees and are recognized over time as the related services are performed.

Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur.

## **Investments.**

*Investments in Debt Securities.* BlackRock classifies debt investments as available-for-sale, held-to-maturity or trading based on the Company's intent to sell the security or, its intent and ability to hold the debt security to maturity.

Available-for-sale debt securities are those securities that are not classified as trading or held-to-maturity. Available-for-sale debt securities include certain investments in collateralized loan obligations ("CLOs") and are carried at fair value on the condensed 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 nonoperating income (expense) on the condensed consolidated statements of income.

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 condensed consolidated statements of financial condition.

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 condensed consolidated statements of financial condition with changes in fair value recorded in nonoperating income (expense) on the condensed consolidated statements of income in the period of the change. Trading securities include certain investments in CLOs for which the fair value option is elected in order to reduce operational complexity of bifurcating embedded derivatives.

*Investments in Equity Securities.* Equity securities are generally carried at fair value on the condensed consolidated statements of financial condition with changes in the fair value recorded through net income ("FVTNI") within nonoperating income (expense) in the period of change. For nonmarketable equity securities, the Company generally elected to apply the practicality exception to apply fair value measurement, under which such securities will be measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the

same issuer with such changes recorded in the condensed consolidated statements of income in the period of the change. Dividends received from the investment are recorded as dividend income within nonoperating income (expense).

**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. BlackRock’s share of the investee’s underlying net income or loss is recorded as net gain (loss) on investments within nonoperating income (expense) and as other revenue for certain strategic 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 condensed consolidated statement of financial condition. Distributions received from the investment reduce the Company’s carrying value of the investee and the cost basis if deemed to be a return of capital.

**Impairments of Investments.** Management periodically assesses equity method, available-for-sale and held-to-maturity investments for other-than-temporary impairment (“OTTI”). If an OTTI exists, an impairment charge would be recorded in the condensed consolidated statements of income.

For equity method investments and held-to-maturity investments, if circumstances indicate that an OTTI may exist, the investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the Company determines an OTTI exists, an impairment charge is recognized for the excess of the carrying amount of the investment over its estimated fair value.

For the Company’s investments in CLOs, the Company reviews cash flow estimates over the life of each CLO investment. On a quarterly basis, if the present value of the estimated future cash flows is lower than the carrying value of the investment and there is an adverse change in estimated cash flows, an impairment is considered to be other-than-temporary. An impairment charge is recognized for the excess of the carrying amount of the investment over its estimated fair value.

In addition, for nonmarketable equity securities that are accounted for under the measurement alternative to fair value, the Company applies the simplified impairment model that does not require the Company to consider whether the impairment is other than temporary.

### **Fair Value Measurements.**

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

#### Level 1 Inputs:

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

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

#### Level 2 Inputs:

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

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

### Level 3 Inputs:

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

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

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

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

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

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

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

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

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

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is not U.S. dollars. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within accumulated other comprehensive income on the condensed consolidated statements of financial condition. The Company reassesses the effectiveness of its net investment hedge on a quarterly basis.

**Money Market Fee Waivers.** The Company may voluntarily waive a portion of its management fees on certain money market funds to ensure that they maintain a targeted level of daily net investment income (the “Yield Support waivers”). During the three months ended March 31, 2018 and 2017, waivers that resulted in a reduction of management fees were immaterial. BlackRock may increase or decrease the level of Yield Support waivers in future periods.

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

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

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income. During the three months ended March 31, 2018 and 2017, the Company had not resold or repledged any of the collateral received under these arrangements. At March 31, 2018 and December 31, 2017, the fair value of loaned securities held by separate accounts was approximately \$24.8 billion and \$22.3 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$27.2 billion and \$24.2 billion, respectively.

**Recent Accounting Pronouncements Not Yet Adopted.**

**Leases.** In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”), which requires lessees to recognize assets and liabilities arising from most operating leases on the condensed consolidated statements of financial condition. The Company expects to record assets and liabilities for its current operating leases upon adoption of ASU 2016-02 and does not expect the adoption to have a material impact on its results of operations or cash flows. ASU 2016-02 is effective for the Company on January 1, 2019, and the Company intends to apply the practical expedients allowed by the standard upon transition. See Note 13 of the 2017 Form 10-K for information on the Company’s operating lease commitments.

### 3. Cash, Cash Equivalents and Restricted Cash

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

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 5,978	\$ 6,894
Cash and cash equivalents of consolidated VIEs	103	144
Restricted cash included in Other assets	62	58
Total cash, cash equivalents and restricted cash	\$ 6,143	\$ 7,096

### 4. Investments

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

<i>(in millions)</i>	<b>March 31, 2018<sup>(1)</sup></b>
Debt securities:	
Available-for-sale investments	\$ 151
Held-to-maturity investments	132
Trading securities (\$266 debt securities of consolidated sponsored investment funds)	293
Total debt securities	576
Equity securities at FVTNI (\$284 equity securities of consolidated sponsored investment funds)	648
Equity method investments <sup>(2)</sup>	703
Federal Reserve Bank stock <sup>(3)</sup>	91
Carried interest <sup>(4)</sup>	32
Total investments	\$ 2,050

<i>(in millions)</i>	<b>December 31, 2017<sup>(1)</sup></b>
Available-for-sale investments	\$ 103
Held-to-maturity investments	102
Trading investments:	
Consolidated sponsored investment funds:	
Debt securities	267
Equity securities	245
Other equity and debt securities	267
Deferred compensation plan mutual funds	56
Total trading investments	835
Equity method investments <sup>(2)</sup>	816
Cost method investments <sup>(3)</sup>	93
Carried interest <sup>(4)</sup>	32
Total investments	\$ 1,981

<sup>(1)</sup> Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, *Significant Accounting Policies*, for further information. Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.

<sup>(2)</sup> Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds.

<sup>(3)</sup> Amounts include Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At December 31, 2017, amount also includes other nonmarketable securities, which were immaterial. At March 31, 2018 and December 31, 2017, there were no indicators of impairment on these investments.

<sup>(4)</sup> Carried interest of consolidated sponsor investment funds accounted for as voting rights entities ("VREs") represents allocations to BlackRock's general partner capital accounts from certain funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.



### **Available-for-Sale Investments**

At both March 31, 2018 and December 31, 2017, available-for-sale investments primarily included certain investments in CLOs. The cost of these investments approximated carrying value.

### **Held-to-Maturity Investments**

The carrying value of held-to-maturity investments was \$132 million and \$102 million at March 31, 2018 and December 31, 2017, respectively. Held-to-maturity investments included foreign government debt held primarily for regulatory purposes and certain investments in CLOs. The amortized cost (carrying value) of these investments approximated fair value. At March 31, 2018, \$12 million of these investments mature between five to ten years and \$120 million mature after ten years.

### **Equity and Trading Debt Securities**

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

<i>(in millions)</i>	<b>March 31, 2018<sup>(1)</sup></b>	
	<b>Cost</b>	<b>Carrying Value</b>
Trading debt securities:		
Corporate debt	\$ 166	\$ 169
Government debt	62	62
Asset/mortgage-backed debt	62	62
Equity securities at FVTNI:		
Equity securities/multi-asset mutual funds	577	614
Deferred compensation plan mutual funds	21	34
Total equity and trading debt securities	<u>\$ 888</u>	<u>\$ 941</u>

<i>(in millions)</i>	<b>December 31, 2017<sup>(1)</sup></b>	
	<b>Cost</b>	<b>Carrying Value</b>
Trading investments:		
Deferred compensation plan mutual funds	\$ 34	\$ 56
Equity securities/multi-asset mutual funds	446	493
Debt securities		
Corporate debt	152	157
Government debt	72	73
Asset/mortgage backed debt	56	56
Total trading investments	<u>\$ 760</u>	<u>\$ 835</u>

<sup>(1)</sup> Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, *Significant Accounting Policies*, for further information. Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.

## Other

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At March 31, 2018 and December 31, 2017 the Company's investment in PennyMac was excluded from investments in the table above and included in other assets on the condensed consolidated statements of financial condition. The carrying value and fair value of the Company's interest (approximately 20% or 16 million shares and units) was approximately \$363 million and \$352 million, respectively, at March 31, 2018 and approximately \$342 million and \$348 million, respectively, at December 31, 2017. The fair value of the Company's interest reflected the PennyMac stock price at March 31, 2018 and December 31, 2017, respectively (a Level 1 input). The fair value of the Company's interest in the non-public units held of PennyMac is based on the stock price of the PennyMac public securities at March 31, 2018 and December 31, 2017.

## 5. Consolidated Voting Rights Entities

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

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 44	\$ 63
Investments:		
Trading debt securities	266	267
Equity securities at FVTNI	284	245
Total investments	550	512
Other assets	15	13
Other liabilities	(42)	(37)
Noncontrolling interests ("NCI")	(87)	(91)
BlackRock's net interests in consolidated VREs	<u>\$ 480</u>	<u>\$ 460</u>

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

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

## 6. Variable Interest Entities

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

**Consolidated VIEs.** The Company's consolidated VIEs include certain sponsored investment funds in which BlackRock has an investment and as the investment manager is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment funds. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company.

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

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Assets of consolidated VIEs:		
Cash and cash equivalents	\$ 103	\$ 144
Investments:		
Trading debt securities	769	475
Equity securities at FVTNI	295	440
Other investments	300	312
Carried interest	273	266
Other assets	113	66
Total investments and other assets	1,750	1,559
Liabilities of consolidated VIEs	(425)	(369)
Noncontrolling interests	(518)	(375)
BlackRock's net interests in consolidated VIEs	<u>\$ 910</u>	<u>\$ 959</u>

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

<i>(in millions)</i>	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Nonoperating net gain (loss) on consolidated VIEs	\$ 2	\$ 33
Net income (loss) attributable to NCI on consolidated VIEs	\$ 5	\$ 8

**Non-Consolidated VIEs.** At March 31, 2018 and December 31, 2017, the Company's carrying value of assets and liabilities included on the condensed consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

<i>(in millions)</i>	<b>Investments</b>	<b>Advisory Fee Receivables</b>	<b>Other Net Assets (Liabilities)</b>	<b>Maximum Risk of Loss<sup>(1)</sup></b>
<b>At March 31, 2018</b>				
Sponsored investment products	\$ 342	\$ 30	\$ (7)	\$ 389
<b>At December 31, 2017</b>				
Sponsored investment products	\$ 263	\$ 15	\$ (7)	\$ 295

<sup>(1)</sup> At both March 31, 2018 and December 31, 2017, BlackRock's maximum risk of loss associated with these VIEs primarily related to BlackRock's investments and the collection of advisory fee receivables.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated \$6 billion and \$5 billion at March 31, 2018 and December 31, 2017, respectively.

## 7. Fair Value Disclosures

### Fair Value Hierarchy

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

March 31, 2018 <sup>(1)</sup> (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV <sup>(2)</sup>	Other Assets Not Held at Fair Value <sup>(3)</sup>	March 31, 2018
<b>Assets:</b>						
<u>Investments:</u>						
Equity securities at FVTNI:						
Deferred compensation plan mutual funds	\$ 34	\$ —	\$ —	\$ —	\$ —	\$ 34
Equity securities/Multi-asset mutual funds	614	—	—	—	—	614
Total equity securities	648	—	—	—	—	648
Debt securities:						
Available-for-sale	—	125	26	—	—	151
Trading securities	—	288	5	—	—	293
Held-to-maturity securities	—	—	—	—	132	132
Total debt securities	—	413	31	—	132	576
Equity method:						
Equity and fixed income mutual funds	116	—	—	15	—	131
Other	—	—	—	569	3	572
Total equity method	116	—	—	584	3	703
Federal Reserve Bank Stock	—	—	—	—	91	91
Carried interest	—	—	—	—	32	32
Total investments	764	413	31	584	258	2,050
<u>Investments of consolidated VIEs:</u>						
Equity securities	295	—	—	—	—	295
Trading debt securities	—	769	—	—	—	769
Private / public equity <sup>(4)</sup>	3	3	116	56	72	250
Other	—	—	—	50	—	50
Carried interest	—	—	—	—	273	273
Total investments of consolidated VIEs	298	772	116	106	345	1,637
Other assets <sup>(5)</sup>	—	35	—	—	—	35
Separate account assets	107,095	35,063	—	—	712	142,871
<u>Separate account collateral held under securities lending agreements:</u>						
Equity securities	18,543	—	—	—	—	18,543
Debt securities	—	8,704	—	—	—	8,704
Total separate account collateral held under securities lending agreements	18,543	8,704	—	—	—	27,247
<b>Total</b>	\$ 126,700	\$ 44,987	\$ 147	\$ 690	\$ 1,315	\$ 173,840
<b>Liabilities:</b>						
Separate account collateral liabilities under securities lending agreements	\$ 18,543	\$ 8,704	\$ —	\$ —	\$ —	\$ 27,247
Other liabilities <sup>(6)</sup>	—	7	242	—	—	249
<b>Total</b>	\$ 18,543	\$ 8,711	\$ 242	\$ —	\$ —	\$ 27,496

<sup>(1)</sup> Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, *Significant Accounting Policies*, for further information.

<sup>(2)</sup> Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.

<sup>(3)</sup> Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

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

<sup>(5)</sup> Amounts include fair value of forward foreign currency exchange contracts (see Note 8, *Derivatives and Hedging*, for more information).

<sup>(6)</sup> Amounts primarily include contingent liabilities related to certain acquisitions (see Note 12, *Commitments and Contingencies*, for more information).

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

December 31, 2017 <sup>(1)</sup> (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV <sup>(2)</sup>	Other Assets Not Held at Fair Value <sup>(3)</sup>	December 31, 2017
<b>Assets:</b>						
<u>Investments</u>						
Available-for-sale	\$ 7	\$ 96	\$ —	\$ —	\$ —	\$ 103
Held-to-maturity debt securities	—	—	—	—	102	102
Trading:						
Deferred compensation plan mutual funds	56	—	—	—	—	56
Equity/Multi-asset mutual funds	493	—	—	—	—	493
Debt securities / fixed income mutual funds	2	284	—	—	—	286
Total trading	551	284	—	—	—	835
Equity method:						
Equity and fixed income mutual funds	183	—	—	12	—	195
Other	—	—	—	609	12	621
Total equity method	183	—	—	621	12	816
Cost method investments	—	—	—	—	93	93
Carried interest	—	—	—	—	32	32
Total investments	741	380	—	621	239	1,981
Separate account assets	114,422	34,582	—	—	933	149,937
<u>Separate account collateral held under securities lending agreements:</u>						
Equity securities	18,778	—	—	—	—	18,778
Debt securities	—	5,412	—	—	—	5,412
Total separate account collateral held under securities lending agreements	18,778	5,412	—	—	—	24,190
<u>Investments of consolidated VIEs:</u>						
Trading:						
Equity securities	440	—	—	—	—	440
Debt securities	—	475	—	—	—	475
Private / public equity <sup>(4)</sup>	6	2	116	59	76	259
Other	—	—	—	53	—	53
Carried interest	—	—	—	—	266	266
Total investments of consolidated VIEs	446	477	116	112	342	1,493
<b>Total</b>	<b>\$ 134,387</b>	<b>\$ 40,851</b>	<b>\$ 116</b>	<b>\$ 733</b>	<b>\$ 1,514</b>	<b>\$ 177,601</b>
<b>Liabilities:</b>						
Separate account collateral liabilities under securities lending agreements	\$ 18,778	\$ 5,412	\$ —	\$ —	\$ —	\$ 24,190
Other liabilities <sup>(5)</sup>	—	7	236	—	—	243
<b>Total</b>	<b>\$ 18,778</b>	<b>\$ 5,419</b>	<b>\$ 236</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24,433</b>

(1) Amounts at December 31, 2017 reflect accounting guidance prior to ASU 2016-01.

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

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

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

(5) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 12, *Commitments and Contingencies*, for more information).

**Level 3 Assets.** Level 3 investments of consolidated VIEs of \$116 million at both March 31, 2018 and December 31, 2017, related to direct investments in private equity companies held by consolidated private equity funds.

Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (“EBITDA”) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing 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 investments utilizing the market-comparable 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 may include investments in CLOs valued based on single-broker nonbinding quotes and direct private equity investments valued using the market approach or the income approach as described above.

**Level 3 Liabilities.** Level 3 other liabilities primarily include recorded contingent liabilities related to certain acquisitions, which were valued based upon discounted cash flow analyses using unobservable market data inputs.

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

<i>(in millions)</i>	December 31, 2017	Realized and Unrealized Gains (Losses) in Earnings and OCI	Purchases	Sales and Maturities	Issuances and other Settlements	Transfers into Level 3	Transfers out of Level 3	March 31, 2018 <sup>(1)</sup>	Total Net Unrealized Gains (Losses) Included in Earnings <sup>(2)</sup>
<b>Assets:</b>									
<b>Investments:</b>									
Debt securities:									
Available-for-sale securities <sup>(3)</sup>	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ —	\$ —	\$ 26	
Trading securities	—	—	5	—	—	—	—	5	
Total investments	—	—	31	—	—	—	—	31	
Assets of consolidated VIEs - Private equity	116	—	—	—	—	—	—	116	
Total Level 3 assets	<u>\$ 116</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 147</u>	
<b>Liabilities:</b>									
Other liabilities <sup>(4)</sup>	\$ 236	(6)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 242	\$ (6)

(1) Amounts at March 31, 2018 reflect the adoption of ASU 2016-01. See Note 2, *Significant Accounting Policies*, for further information.

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

(3) Amounts include investments in CLOs.

(4) Other liabilities amount includes contingent liabilities in connection with certain acquisitions.

**Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2017<sup>(1)</sup>**

<i>(in millions)</i>	December 31, 2016	Realized and Unrealized Gains (Losses) in Earnings and OCI	Purchases	Sales and Maturities	Issuances and other Settlements	Transfers into Level 3	Transfers out of Level 3 <sup>(2)</sup>	March 31, 2017	Total Net Unrealized Gains (Losses) Included in Earnings <sup>(3)</sup>
<b>Assets:</b>									
<b>Investments:</b>									
Available-for-sale securities <sup>(4)</sup>	\$ 24	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (24)	\$ —	
Trading	7	—	—	—	—	—	(7)	—	
Total investments	31	—	—	—	—	—	(31)	—	
Assets of consolidated VIEs - Private equity	112	1	—	—	—	—	—	113	\$ 1
Total Level 3 assets	\$ 143	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ (31)	\$ 113	
<b>Liabilities:</b>									
Other liabilities <sup>(5)</sup>	\$ 115	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 113	\$ 2

(1) Amounts at March 31, 2017 reflect accounting guidance prior to ASU 2016-01.

(2) Amounts include transfers out of Level 3 due to availability of observable market inputs from pricing vendors.

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

(4) Amounts include investments in CLOs.

(5) Other liabilities amount includes contingent liabilities in connection with certain acquisitions.



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

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

**Disclosures of Fair Value for Financial Instruments Not Held at Fair Value.** At March 31, 2018 and December 31, 2017, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

<i>(in millions)</i>	March 31, 2018		December 31, 2017		Fair Value Hierarchy
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 5,978	\$ 5,978	\$ 6,894	\$ 6,894	Level 1 <sup>(1)(2)</sup>
Cash and cash equivalents of consolidated VIEs	103	103	144	144	Level 1 <sup>(1)(2)</sup>
Other assets	62	62	70	70	Level 1 <sup>(1)(3)</sup>
<b>Financial Liability:</b>					
Long-term borrowings	5,036	5,134	5,014	5,225	Level 2 <sup>(4)</sup>

<sup>(1)</sup> Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.

<sup>(2)</sup> At March 31, 2018 and December 31, 2017, approximately \$204 million and \$163 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. In addition, at March 31, 2018 and December 31, 2017, approximately \$13 million and \$14 million, respectively, of money market funds were recorded within cash and cash equivalents of consolidated VIEs. Money market funds are valued based on quoted market prices, or \$1.00 per share, which generally is the NAV of the fund.

<sup>(3)</sup> Other assets primarily include restricted cash.

<sup>(4)</sup> Long-term borrowings are recorded at amortized cost net of debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of March 2018 and December 2017, respectively. See Note 11, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

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

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

#### March 31, 2018

<i>(in millions)</i>	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Equity method:<sup>(1)</sup></b>					
Hedge funds/funds of hedge funds	(a)	\$ 168	\$ 64	Daily/Monthly (30%) Quarterly (29%) N/R (41%)	1 – 90 days
Private equity funds	(b)	99	85	N/R	N/R
Real assets funds	(c)	302	79	Quarterly (78%) N/R (22%)	60 days
Other		15	15	Daily/Monthly (79%) N/R (21%)	3 – 5 days
<b>Consolidated VIEs:</b>					
Private equity funds of funds	(d)	56	18	N/R	N/R
Hedge fund	(a)	14	—	Quarterly	90 days
Real assets funds	(c)	36	48	N/R	N/R
Total		\$ 690	\$ 309		

#### December 31, 2017

<i>(in millions)</i>	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Equity method:<sup>(1)</sup></b>					
Hedge funds/funds of hedge funds	(a)	\$ 230	\$ 48	Daily/Monthly (21%) Quarterly (49%) N/R (30%)	1 – 90 days
Private equity funds	(b)	94	86	N/R	N/R
Real assets funds	(c)	282	69	Quarterly (83%) N/R (17%)	60 days
Other		15	14	Daily (80%) N/R (20%)	5 days
<b>Consolidated VIEs:</b>					
Private equity funds of funds	(d)	59	20	N/R	N/R
Hedge fund	(a)	19	—	Quarterly	90 days
Real assets funds	(c)	34	49	N/R	N/R
Total		\$ 733	\$ 286		

N/R – not redeemable

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

<sup>(a)</sup> This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of seven years at both March 31, 2018 and December 31, 2017.

<sup>(b)</sup> This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately six years at both March 31, 2018 and December 31, 2017.

- (c) This category includes several real assets funds that invest directly and indirectly in real estate and infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The Company's investments that are not subject to redemption or are not currently redeemable are normally returned through distributions and realizations of the underlying assets of the funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately eight years at both March 31, 2018 and December 31, 2017. The total remaining unfunded commitments to real assets funds were \$128 million and \$117 million at March 31, 2018 and December 31, 2017, respectively. The Company had contractual obligations to the real assets funds of \$108 million at March 31, 2018 and \$98 million at December 31, 2017.
- (d) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; 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 five years at both March 31, 2018 and December 31, 2017. The total remaining unfunded commitments to other third-party funds were \$18 million and \$20 million at March 31, 2018 and December 31, 2017, respectively. The Company had contractual obligations to the consolidated funds of \$23 million at both March 31, 2018 and December 31, 2017.

## 8. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At March 31, 2018, the Company had outstanding total return swaps with an aggregate notional value of approximately \$546 million. At December 31, 2017, the Company had outstanding total return swaps with an aggregate notional value of approximately \$587 million.

Gains (losses) on total return swaps recorded in nonoperating income (expense) were not material for the three months ended March 31, 2018 and were \$(35) million for the three months ended March 31, 2017.

Gains (losses) on interest rate swaps are recorded in nonoperating income (expense) and were not material for the three months ended March 31, 2018 and 2017.

At both March 31, 2018 and December 31, 2017, the Company had a derivative providing credit protection of approximately \$17 million to a counterparty, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company carries the derivative at fair value based on the expected discounted future cash outflows under the arrangement.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At both March 31, 2018 and December 31, 2017, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately \$1.5 billion. The fair value of the outstanding forward foreign currency exchange contracts was \$35 million at March 31, 2018 and was not material at December 31, 2017.

Gains (losses) on the forward foreign currency exchange contracts are recorded in other general and administration expense and were \$30 million for the three months ended March 31, 2018. Gains (losses) on the forward foreign currency exchange contracts were not material for the three months ended March 31, 2017.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for the three months ended March 31, 2018 and 2017.

The fair values of the outstanding total return swaps and the credit default swap were not material to the condensed consolidated statement of financial condition at March 31, 2018. The fair value of the outstanding derivatives mentioned above was not material to the condensed consolidated statement of financial condition at December 31, 2017.

See Note 12, *Borrowings*, in the 2017 Form 10-K for more information on the Company's net investment hedge.

## 9. Goodwill

Goodwill activity during the three months ended March 31, 2018 was as follows:

<i>(in millions)</i>	
December 31, 2017	\$ 13,220
Goodwill adjustments related to Quellos <sup>(1)</sup>	(3)
March 31, 2018	<u>\$ 13,217</u>

<sup>(1)</sup> The decrease in goodwill during the three months ended March 31, 2018 resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately \$161 million and \$168 million at March 31, 2018 and December 31, 2017, respectively.

## 10. Intangible Assets

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

<i>(in millions)</i>		<u>Indefinite-lived</u>	<u>Finite-lived</u>	<u>Total</u>
December 31, 2017		\$ 17,178	\$ 211	\$ 17,389
Amortization expense		—	(11)	(11)
March 31, 2018		<u>\$ 17,178</u>	<u>\$ 200</u>	<u>\$ 17,378</u>

## 11. Borrowings

### **Short-Term Borrowings**

**2018 Revolving Credit Facility.** The Company's credit facility has an aggregate commitment amount of \$4.0 billion and was amended in April 2018 to extend the maturity date to March 2023 (the "2018 credit facility"). The 2018 credit facility permits the Company to request up to an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2018 credit facility to an aggregate principal amount not to exceed \$5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2018 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at March 31, 2018. The 2018 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2018, the Company had no amount outstanding under the credit facility.

**Commercial Paper Program.** The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of \$4.0 billion. The commercial paper program is currently supported by the 2018 credit facility. At March 31, 2018, BlackRock had no CP Notes outstanding.

## Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices and foreign exchange rates at March 31, 2018 included the following:

(in millions)	Unamortized Discount and Debt			
	Maturity Amount	Issuance Costs	Carrying Value	Fair Value
5.00% Notes due 2019	\$ 1,000	\$ —	\$ 1,000	\$ 1,039
4.25% Notes due 2021	750	(2)	748	774
3.375% Notes due 2022	750	(4)	746	759
3.50% Notes due 2024	1,000	(6)	994	1,006
1.25% Notes due 2025	861	(6)	855	877
3.20% Notes due 2027	700	(7)	693	679
<b>Total Long-term Borrowings</b>	<b>\$ 5,061</b>	<b>\$ (25)</b>	<b>\$ 5,036</b>	<b>\$ 5,134</b>

See Note 12, *Borrowings*, in the 2017 Form 10-K for more information regarding the Company's borrowings.

## 12. Commitments and Contingencies

**Investment Commitments.** At March 31, 2018, the Company had \$304 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

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

### Contingencies

**Contingent Payments Related to Business Acquisitions.** In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31, 2018 totaled \$242 million, and is included in other liabilities on the condensed consolidated statements of financial condition.

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

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

On May 27, 2014, certain investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the U.S. District Court

for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. Both complaints seek, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by defendants in the twelve month period preceding the start of each lawsuit, along with purported lost investment returns on those amounts, plus interest. The defendants believe the claims in both lawsuits are without merit and are vigorously defending the actions. On September 25, 2017, the defendants filed a motion for summary judgment to dismiss the lawsuit, which is pending.

In November 2015, BlackRock, Inc., BlackRock Realty Advisors, Inc. ("BRA"), BlackRock US Core Property Fund, Inc. (formerly known as BlackRock Granite Property Fund, Inc.) ("Granite Fund"), and certain other Granite Fund related entities (collectively, the "BlackRock Parties") were named as defendants in thirteen lawsuits filed in the Superior Court of the State of California for the County of Alameda arising out of the June 16, 2015 collapse of a balcony at the Library Gardens apartment complex in Berkeley, California (the "Property"). The Property is indirectly owned by the Granite Fund, which is managed by BRA. The plaintiffs also named as defendants in the lawsuits Greystar, which manages the Property, and certain other non-BlackRock related entities, including the developer of the Property, building contractors and building materials suppliers. The plaintiffs alleged, among other things, that the BlackRock Parties were negligent in their ownership, control and maintenance of the Property's balcony, and sought monetary, including punitive, damages. Additionally, on March 16, 2016, three former tenants of the Library Gardens apartment unit who were not physically injured but experienced the balcony collapse sued the BlackRock Parties for emotional damages. In November 2017, the BlackRock Parties settled all of the lawsuits relating to Library Gardens and the cases were formally dismissed in March and April 2018.

On June 16, 2016, *iShares* Trust, BlackRock, Inc. and certain of its advisory affiliates, and the directors and certain officers of the *iShares* ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain *iShares* ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws, purportedly by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." Plaintiffs seek unspecified monetary damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. The defendants filed a motion for judgment on the pleadings dismissing that complaint. On September 18, 2017, the court dismissed the lawsuit. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the U.S. District Court for the Northern District of California by a former employee on behalf of all BlackRock employee 401(k) Plan (the "Plan") participants and beneficiaries in the Plan from April 5, 2011, to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated with investment options managed by BlackRock. While the complaint does not contain any specific amount in alleged damages, it claims that the purported underperformance and hidden fees cost Plan participants more than \$60 million. On October 10, 2017, the plaintiffs filed an Amended Complaint, which, among other things, adds as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also includes a new purported class claim on behalf of investors in certain Collective Trust Funds ("CTFs") managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the lending agent on terms that plaintiffs claim were excessive. The defendants believe the claims in this lawsuit are without merit and are vigorously defending the action. BlackRock moved to dismiss the Amended Complaint on November 8, 2017.

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

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

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At March 31, 2018, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$219 billion. The Company held, as agent, cash and securities totaling \$232 billion as collateral for indemnified securities on loan at March 31, 2018. The fair value of these indemnifications was not material at March 31, 2018.

### 13. Revenue

The table below presents the Company's revenue for the three months ended March 31, 2018 and 2017, respectively, and disaggregates investment advisory, administration fees and securities lending revenue and performance fees by product type and investment style. See Note 2, *Significant Accounting Policies*, for further information on the Company's revenue recognition and the adoption of ASU 2014-09.

(in millions)	Three Months Ended March 31,	
	2018	2017
<b>Investment advisory, administration fees and securities lending revenue:</b>		
Equity:		
Active	\$ 438	\$ 400
<i>iShares</i> ETFs	926	721
Non-ETF index	176	160
Equity subtotal	1,540	1,281
Fixed income:		
Active	456	407
<i>iShares</i> ETFs	208	185
Non-ETF index	93	85
Fixed income subtotal	757	677
Multi-asset	296	272
Alternatives:		
Core	178	144
Currency and commodities	25	22
Alternatives subtotal	203	166
<b>Long-term</b>	<b>2,796</b>	<b>2,396</b>
Cash management	151	127
<b>Total base fees</b>	<b>2,947</b>	<b>2,523</b>
Investment advisory performance fees:		
Equity	18	15
Fixed income	3	10
Multi-asset	5	5
Alternatives	44	40
<b>Total performance fees</b>	<b>70</b>	<b>70</b>
<b>Technology and risk management revenue</b>	<b>184</b>	<b>154</b>
Distribution fees:		
Retrocessions	192	155
12b-1 fees (U.S. mutual funds distribution fees)	108	122
Other	11	10
<b>Total distribution fees</b>	<b>311</b>	<b>287</b>
Advisory and other revenue		
Advisory	21	24
Other	50	34
<b>Advisory and other revenue</b>	<b>71</b>	<b>58</b>
<b>Total revenue</b>	<b>\$ 3,583</b>	<b>\$ 3,092</b>



The table below presents the investment advisory, administration fees and securities lending revenue by client type, investment style and product type, respectively:

<i>(in millions)</i>	<b>For the Three Months Ended</b>	
	<b>2018</b>	<b>March 31,</b> <b>2017</b>
<b>Investment advisory, administration fees and securities lending revenue by client type:</b>		
Retail	\$ 855	\$ 776
<i>iShares</i> ETFs	1,158	925
Institutional:		
Active	527	458
Index	256	237
Total institutional	783	695
<b>Long-term</b>	<b>2,796</b>	<b>2,396</b>
Cash management	151	127
<b>Total</b>	<b>\$ 2,947</b>	<b>\$ 2,523</b>
<b>Investment advisory, administration fees and securities lending revenue by investment style:</b>		
Active	\$ 1,365	\$ 1,220
Index and <i>iShares</i> ETFs	1,431	1,176
<b>Long-term</b>	<b>2,796</b>	<b>2,396</b>
Cash management	151	127
<b>Total</b>	<b>\$ 2,947</b>	<b>\$ 2,523</b>
<b>Investment advisory, administration fees and securities lending revenue by product type:</b>		
Equity	\$ 1,540	\$ 1,281
Fixed income	757	677
Multi-asset	296	272
Alternatives	203	166
<b>Long-term</b>	<b>2,796</b>	<b>2,396</b>
Cash management	151	127
<b>Total</b>	<b>\$ 2,947</b>	<b>\$ 2,523</b>

### **Investment advisory and administration fees**

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

<i>(in millions)</i>	<b>Remainder of</b>					<b>Total</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Thereafter</b>	
Investment advisory and administration fees:						
Alternatives <sup>(1)(2)</sup>	\$ 61	\$ 70	\$ 58	\$ 48	\$ 48	\$ 285

<sup>(1)</sup> Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at March 31, 2018. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears. The Company excludes fees that are probable of significant reversal in future periods.

<sup>(2)</sup> The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less, (2) variable consideration related to future service periods, and (3) the comparative prior period as of March 31, 2017.

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

The table below presents changes in the deferred carried interest liability (including the portion related to consolidated VIEs) for the three months ended March 31, 2018 and 2017:

<i>(in millions)</i>	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 219	\$ 152
Net increase (decrease) in unrealized allocations	5	9
Performance fee revenue recognized that was included in the deferred carried interest liability balance at the beginning of the period	—	(10)
Ending balance	<u>\$ 224</u>	<u>\$ 151</u>

### Technology and risk management revenue

The table below presents estimated technology and risk management revenue expected to be recognized in the future related to the unsatisfied portion of the performance obligations at March 31, 2018:

(in millions)	Remainder of					Total
	2018	2019	2020	2021	Thereafter	
Technology and risk management revenue <sup>(1)(2)</sup>	\$ 25	\$ 24	\$ 20	\$ 15	\$ 10	\$ 94

<sup>(1)</sup> Technology and risk management revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed. The Company excludes fees that are probable of significant reversal in future periods.

<sup>(2)</sup> The Company elected the following practical expedients and does not include amounts related to (1) performance obligations with an original duration of one year or less, (2) variable consideration related to future service periods, and (3) the comparative prior period as of March 31, 2017.

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

The table below presents changes in the technology and risk management deferred revenue liability for the three months ended March 31, 2018 and 2017, which is included in other liabilities on the condensed consolidated statements of financial condition:

(in millions)	Three Months Ended March 31,	
	2018	2017
Beginning balance	\$ 62	\$ 42
Additions	12	8
Amount recognized included in the deferred revenue liability beginning balance	(8)	(4)
Ending balance	\$ 66	\$ 46

## 14. Stock-Based Compensation

### Restricted Stock and RSUs.

Restricted stock and restricted stock units ("RSUs") activity for the three months ended March 31, 2018 is summarized below.

<u>Outstanding at</u>	<u>Restricted Stock and RSUs</u>	<u>Weighted- Average Grant Date Fair Value</u>
December 31, 2017	2,608,668	\$ 342.79
Granted	753,901	\$ 565.83
Converted	(1,071,338)	\$ 336.95
Forfeited	(6,721)	\$ 408.89
<b>March 31, 2018<sup>(1)</sup></b>	<b>2,284,510</b>	<b>\$ 418.94</b>

<sup>(1)</sup> At March 31, 2018, approximately 2.1 million awards are expected to vest and 0.2 million awards have vested but have not been converted.

In January 2018, the Company granted 527,337 RSUs or shares of restricted stock to employees as part of 2017 annual incentive compensation that vest ratably over three years from the date of grant and 209,201 RSUs or shares of restricted stock to employees that cliff vest 100% on January 31, 2021. The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total fair market value of RSUs/restricted stock granted to employees during the three months ended March 31, 2018 was \$427 million.

At March 31, 2018, the intrinsic value of outstanding RSUs was \$1.2 billion, reflecting a closing stock price of \$541.72.

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested RSUs was \$575 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

**Performance-Based RSUs.**

Performance-based RSU activity for the three months ended March 31, 2018 is summarized below.

<u>Outstanding at</u>	<b>Performance- Based RSUs</b>	<b>Weighted- Average Grant Date Fair Value</b>
December 31, 2017	903,525	\$ 335.12
Granted	199,068	\$ 566.44
Additional shares granted due to attainment of performance measures	23,376	\$ 343.86
Converted	(269,648)	\$ 343.86
<b>March 31, 2018</b>	<b><u>856,321</u></b>	<b><u>\$ 386.38</u></b>

In January 2018, the Company granted 199,068 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2021. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures. In January 2018, the Company granted 23,376 performance-based RSUs to certain employees based on the attainment of Company performance measures during the performance period.

The Company initially values performance-based RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total grant-date fair market value of performance-based RSUs granted to employees during the three months ended March 31, 2018 was \$121 million.

At March 31, 2018, the intrinsic value of outstanding performance-based RSUs was \$464 million, reflecting a closing stock price of \$541.72.

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested performance-based awards was \$203 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.7 years.

See Note 14, *Stock-Based Compensation*, in the 2017 Form 10-K for more information on performance-based RSUs.

**Market Performance-based RSUs.**

Market performance-based RSUs activity for the three months ended March 31, 2018 is summarized below.

<u>Outstanding at</u>	<b>Market Performance- Based RSUs</b>	<b>Weighted- Average Grant Date Fair Value</b>
December 31, 2017	286,336	\$ 195.33
Converted	(286,336)	\$ 195.33
<b>March 31, 2018</b>	<b><u>—</u></b>	<b><u>\$ —</u></b>

See Note 14, *Stock-Based Compensation*, in the 2017 Form 10-K for more information on market performance-based RSUs.

**Long-Term Incentive Plans Funded by PNC.** Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans (“LTIP”), including performance-based and market performance-based RSUs. The current share surrender agreement commits PNC to provide BlackRock Series C nonvoting participating preferred stock to fund the remaining committed shares. As of March 31, 2018, 3.9 million shares had been surrendered by PNC, including 103,064 shares during the three months ended March 31, 2018.

At March 31, 2018, the remaining shares committed by PNC of 0.1 million were available to fund certain future long-term incentive awards.

**Performance-based Stock Options.**

Stock option activity for the three months ended March 31, 2018 is summarized below.

<u>Outstanding at</u>	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
December 31, 2017	2,147,562	\$ 513.50
Granted	—	\$ —
<b>March 31, 2018</b>	<b><u>2,147,562</u></b>	<b><u>\$ 513.50</u></b>

At March 31, 2018, total unrecognized stock-based compensation expense related to unvested performance-based stock options was \$191 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 5.7 years.

See Note 14, *Stock-Based Compensation*, in the 2017 Form 10-K for more information on performance-based stock options.

**15. Net Capital Requirements**

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

At March 31, 2018, the Company was required to maintain approximately \$2.1 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a wholly owned subsidiary of the Company that is chartered as a national bank whose powers are limited to trust and other fiduciary activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company’s broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

## 16. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in accumulated other comprehensive income (loss) ("AOCI") by component for the three months ended March 31, 2018 and 2017:

<i>(in millions)</i>	Foreign currency translation adjustments <sup>(1)</sup>	Other <sup>(2)</sup>	Total
<b>For the Three Months Ended March 31, 2018</b>			
December 31, 2017	\$ (436)	\$ 4	\$ (432)
Net other comprehensive income (loss) for the three months ended March 31, 2018	137	—	137
Reclassification as a result of adoption of ASU 2018-02	(6)	—	(6)
<b>March 31, 2018</b>	<b>\$ (305)</b>	<b>\$ 4</b>	<b>\$ (301)</b>

<sup>(1)</sup> Amount for the three months ended March 31, 2018 includes a loss from a net investment hedge of \$16 million (net of a tax benefit of \$5 million) and reclassification as a result of adoption of ASU 2018-02.

<sup>(2)</sup> Other includes amounts related to benefit plans, available-for-sale investments and are presented net of tax. Amounts reclassified from AOCI to net income were not material for the three months ended March 31, 2018.

<i>(in millions)</i>	Foreign currency translation adjustments <sup>(1)</sup>	Other <sup>(2)</sup>	Total
<b>For the Three Months Ended March 31, 2017</b>			
December 31, 2016	\$ (721)	\$ 5	\$ (716)
Net other comprehensive income (loss) for the three months ended March 31, 2017	40	(1)	39
<b>March 31, 2017</b>	<b>\$ (681)</b>	<b>\$ 4</b>	<b>\$ (677)</b>

<sup>(1)</sup> Amount for the three months ended March 31, 2017 includes a loss from a net investment hedge of \$7 million (net of a tax benefit of \$4 million).

<sup>(2)</sup> Other includes amounts related to benefit plans and available-for-sale investments and are presented net of tax. Amounts reclassified from AOCI to net income were not material for the three months ended March 31, 2017.

## 17. Capital Stock

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

	March 31, 2018	December 31, 2017
<u>Series A</u>		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	—	—
<u>Series B</u>		
Shares authorized, \$0.01 par value	150,000,000	150,000,000
Shares issued and outstanding <sup>(1)</sup>	823,188	823,188
<u>Series C</u>		
Shares authorized, \$0.01 par value	6,000,000	6,000,000
Shares issued and outstanding <sup>(1)</sup>	143,458	246,522
<u>Series D</u>		
Shares authorized, \$0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	—	—

<sup>(1)</sup> Shares held by PNC.

**Share Repurchases.** The Company repurchased 0.6 million common shares in open market transactions under the share repurchase program for approximately \$335 million during the three months ended March 31, 2018. At March 31, 2018, there were 5.8 million shares still authorized to be repurchased.

**PNC Capital Contribution.** During the three months ended March 31, 2018, PNC surrendered to BlackRock 103,064 shares of BlackRock Series C Preferred to fund certain LTIP awards.

## 18. Income Taxes

On December 22, 2017, The Tax Cuts and Jobs Act (the “2017 Tax Act”) was enacted. The 2017 Tax Act significantly revises the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, (2) requiring companies to pay a one-time tax on certain unrepatriated earnings of foreign subsidiaries, (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, (4) creating new taxes on certain earnings of controlled foreign corporations, and (5) creating a new limitation on deductible net interest expense. BlackRock’s results in 2017 included a \$1.2 billion net tax benefit related to the 2017 Tax Act. The Company has not made any additional measurement-period adjustments during the three months ended March 31, 2018. The Company may record adjustments to the provisional amounts during the measurement period as additional guidance from the U.S. Department of the Treasury is provided, as changes in the Company’s assumptions occur, and as further information and interpretations become available. For further information on the 2017 Tax Act, see Note 21, *Income Taxes*, in the consolidated financial statements included in the 2017 Form 10-K.

The first quarter 2018 income tax expense reflected a reduced tax rate associated with the 2017 Tax Act and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018.

The first quarter 2017 income tax expense included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017.

## 19. Earnings Per Share

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

The following table sets forth the computation of basic and diluted EPS for the three months ended March 31, 2018 and 2017 under the treasury stock method:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<i>(in millions, except shares and per share data)</i>	<b>2018</b>	<b>2017</b>
Net income attributable to BlackRock	\$ 1,089	\$ 859
Basic weighted-average shares outstanding	161,250,018	163,016,599
Dilutive effect of nonparticipating RSUs and stock options	1,668,943	1,839,584
Total diluted weighted-average shares outstanding	<u>162,918,961</u>	<u>164,856,183</u>
Basic earnings per share	\$ 6.75	\$ 5.27
Diluted earnings per share	\$ 6.68	\$ 5.21

## 20. Segment Information

The Company’s management directs BlackRock’s operations as one business, the asset management business. The Company utilizes a consolidated approach to assess performance and allocate resources. As such, the Company operates in one business segment as defined in ASC 280-10.

The following table illustrates total revenue for the three months ended March 31, 2018 and 2017 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides or affiliated services are provided.

<i>(in millions)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>Revenue</b>	<b>2018</b>	<b>2017</b>
Americas	\$ 2,324	\$ 2,043
Europe	1,093	906
Asia-Pacific	166	143
Total revenue	<u>\$ 3,583</u>	<u>\$ 3,092</u>

The following table illustrates long-lived assets that consist of goodwill and property and equipment at March 31, 2018 and December 31, 2017 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

See Note 13, *Revenue*, for further information on the Company's sources of revenue.

<i>(in millions)</i>	<b>March 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
<b>Long-lived Assets</b>		
Americas	\$ 13,551	\$ 13,560
Europe	172	168
Asia-Pacific	83	84
Total long-lived assets	<u>\$ 13,806</u>	<u>\$ 13,812</u>

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

## **21. Subsequent Events**

In April 2018, the Company announced that it entered into an agreement to acquire Tennenbaum Capital Partners, LLC, a leading manager focused on middle market performing credit and special situation credit opportunities. The transaction is expected to be completed in the third quarter of 2018, subject to customary regulatory approvals and closing conditions. This transaction is not expected to be material to the Company's condensed consolidated statements of financial condition or results of operations.

In May 2018, the Company announced that it entered into an agreement to sell its minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to The DSP Group. The Company currently has a 40% stake in the joint venture, which manages and markets a range of co-branded mutual funds in India. This transaction is expected to complete, subject to regulatory approval, once naming transfers and investment scheme unitholder communications are finalized. This transaction is not expected to be material to the Company's condensed consolidated statements of financial condition or results of operations.

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



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

### **FORWARD-LOOKING STATEMENTS**

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

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

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

## OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm with \$6.317 trillion of AUM at March 31, 2018. With approximately 14,000 employees in more than 30 countries, BlackRock provides a broad range of investment, risk management and technology services to institutional and retail clients worldwide.

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

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

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

At March 31, 2018, PNC held 21.2% of the Company’s voting common stock and 21.7% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

The Company adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* effective January 1, 2018 on a full retrospective basis. Accordingly, financial results for 2017 were recast to reflect the adoption of the new revenue recognition standard. For further information, refer to Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements.

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

## OTHER DEVELOPMENTS

### Acquisition and Divestiture

In April 2018, the Company announced that it entered into an agreement to acquire Tennenbaum Capital Partners, LLC, a leading manager focused on middle market performing credit and special situation credit opportunities. The transaction is expected to be completed in the third quarter of 2018, subject to customary regulatory approvals and closing conditions. This transaction is not expected to be material to the Company’s condensed consolidated statements of financial condition or results of operations.

In May 2018, the Company announced that it entered into an agreement to sell its minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to The DSP Group. The Company currently has a 40% stake in the joint venture, which manages and markets a range of co-branded mutual funds in India. This transaction is expected to complete, subject to regulatory approval, once naming transfers and investment scheme unitholder communications are finalized. This transaction is not expected to be material to the Company’s condensed consolidated statements of financial condition or results of operations.

## **United Kingdom Exit from European Union**

Following the June 2016 vote to exit the European Union ("EU"), the United Kingdom served notice under Article 50 of the Treaty on European Union on March 29, 2017 to initiate the process of exiting from the EU, commonly referred to as "Brexit". The outcome of the negotiations between the United Kingdom and the EU in connection with Brexit is highly uncertain and information regarding the long-term consequences is expected to become clearer over time as negotiations progress. The Company continues to prepare for a range of potential outcomes in connection with Brexit.

## EXECUTIVE SUMMARY

	Three Months Ended March 31,	
	2018	2017 <sup>(4)</sup>
<i>(in millions, except shares and per share data)</i>		
<b>GAAP basis:</b>		
Total revenue	\$ 3,583	\$ 3,092
Total expense	2,208	1,949
Operating income	1,375	1,143
<i>Operating margin</i>	38.4%	37.0%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	(21)	(16)
Income tax expense	(265)	(268)
Net income attributable to BlackRock	<u>\$ 1,089</u>	<u>\$ 859</u>
Diluted earnings per common share	\$ 6.68	\$ 5.21
Effective tax rate	19.6%	23.8%
<b>As adjusted<sup>(1)</sup>:</b>		
Operating income	\$ 1,378	\$ 1,147
<i>Operating margin</i>	44.1%	42.6%
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests	(21)	(16)
Net income attributable to BlackRock	\$ 1,092	\$ 862
Diluted earnings per common share	\$ 6.70	\$ 5.23
Effective tax rate	19.6%	23.8%
<b>Other:</b>		
Assets under management (end of period)	\$ 6,316,984	\$ 5,420,477
Diluted weighted-average common shares outstanding <sup>(2)</sup>	162,918,961	164,856,183
Common and preferred shares outstanding (end of period)	161,275,008	162,868,647
Book value per share <sup>(3)</sup>	\$ 198.28	\$ 178.94
Cash dividends declared and paid per share	\$ 2.88	\$ 2.50

<sup>(1)</sup> As adjusted items are described in more detail in *Non-GAAP Financial Measures*.

<sup>(2)</sup> Nonvoting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.

<sup>(3)</sup> Total BlackRock stockholders' equity divided by total common and preferred shares outstanding at March 31 of the respective period-end.

<sup>(4)</sup> Financial results for 2017 were recast to reflect the adoption of the new revenue recognition standard. For further information, refer to Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements.

### THREE MONTHS ENDED MARCH 31, 2018 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2017

**GAAP.** Operating income of \$1,375 million increased \$232 million and operating margin of 38.4% increased 140 bps from the first quarter of 2017. Operating income and operating margin growth primarily reflected higher base fees and technology and risk management revenue, partially offset by higher compensation and benefits, higher volume-related expense, and higher general and administration expense.

First quarter 2018 income tax expense reflected a reduced tax rate associated with The Tax Cuts and Jobs Act enacted on December 22, 2017 (the "2017 Tax Act") and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018. First quarter 2017 income tax expense included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share increased \$1.47, or 28%, from the first quarter of 2017, driven primarily by higher operating income, lower tax rate and the benefit of share repurchases.

**As Adjusted.** Operating income of \$1,378 million increased \$231 million from the first quarter of 2017, and operating margin of 44.1% increased 150 bps from the first quarter of 2017. Earnings per diluted common share increased \$1.47, or 28%, from the first quarter of 2017.

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

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

## NON-GAAP FINANCIAL MEASURES

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

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

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

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

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.

<i>(in millions)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating income, GAAP basis</b>	<b>\$ 1,375</b>	<b>\$ 1,143</b>
Non-GAAP expense adjustment:		
PNC LTIP funding obligation	3	4
<b>Operating income, as adjusted</b>	<b>1,378</b>	<b>1,147</b>
Product launch costs and commissions	12	—
Operating income used for operating margin measurement	<u>\$ 1,390</u>	<u>\$ 1,147</u>
Revenue, GAAP basis	<u>\$ 3,583</u>	<u>\$ 3,092</u>
Non-GAAP adjustment:		
Distribution and servicing costs	(432)	(401)
Revenue used for operating margin measurement	<u>\$ 3,151</u>	<u>\$ 2,691</u>
<b>Operating margin, GAAP basis</b>	<u><b>38.4%</b></u>	<u><b>37.0%</b></u>
<b>Operating margin, as adjusted</b>	<u><b>44.1%</b></u>	<u><b>42.6%</b></u>

- Operating income, as adjusted, includes non-GAAP expense adjustments. The portion of compensation expense associated with certain long-term incentive plans ("LTIP") funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately does not impact BlackRock's book value.
- Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of product launch costs (e.g. closed-end fund launch costs) and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact BlackRock's results until future periods.

Revenue used for operating margin, as adjusted, excludes distribution and servicing costs paid to third parties. Management believes such costs represent a benchmark for the amount of revenue passed through to external parties who distribute the Company's products. BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to distribution and servicing costs as a proxy for such offsetting revenue.

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

	Three Months Ended March 31,	
	2018	2017
<i>(in millions, except per share data)</i>		
<b>Net income attributable to BlackRock, Inc., GAAP basis</b>	<b>\$ 1,089</b>	<b>\$ 859</b>
Non-GAAP adjustments:		
PNC LTIP funding obligation, net of tax	3	3
<b>Net income attributable to BlackRock, Inc., as adjusted</b>	<b>\$ 1,092</b>	<b>\$ 862</b>
Diluted weighted-average common shares outstanding (3)	162.9	164.9
<b>Diluted earnings per common share, GAAP basis (3)</b>	<b>\$ 6.68</b>	<b>\$ 5.21</b>
<b>Diluted earnings per common share, as adjusted (3)</b>	<b>\$ 6.70</b>	<b>\$ 5.23</b>

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

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

For each period presented, the non-GAAP adjustment related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustment.

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

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

## ASSETS UNDER MANAGEMENT

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

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

	AUM			Net inflows (outflows)	
	March 31, 2018	December 31, 2017	March 31, 2017	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2018
<i>(in millions)</i>					
Retail	\$ 638,363	\$ 628,377	\$ 564,333	\$ 16,686	\$ 41,953
iShares ETFs	1,767,925	1,752,239	1,413,335	34,649	215,509
Institutional:					
Active	1,130,446	1,139,308	1,037,233	(7,088)	(156)
Index	2,324,327	2,316,807	2,013,905	10,378	47,216
Total institutional	3,454,773	3,456,115	3,051,138	3,290	47,060
<b>Long-term</b>	<b>5,861,061</b>	<b>5,836,731</b>	<b>5,028,806</b>	<b>54,625</b>	<b>304,522</b>
Cash management	454,784	449,949	388,935	2,674	56,639
Advisory <sup>(1)</sup>	1,139	1,515	2,736	(353)	(1,561)
<b>Total</b>	<b>\$ 6,316,984</b>	<b>\$ 6,288,195</b>	<b>\$ 5,420,477</b>	<b>\$ 56,946</b>	<b>\$ 359,600</b>

### AUM and Net Inflows (Outflows) by Investment Style

	AUM			Net inflows (outflows)	
	March 31, 2018	December 31, 2017	March 31, 2017	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2018
<i>(in millions)</i>					
Active	\$ 1,693,883	\$ 1,696,005	\$ 1,543,519	\$ 5,513	\$ 31,804
Index and iShares ETFs	4,167,178	4,140,726	3,485,287	49,112	272,718
<b>Long-term</b>	<b>5,861,061</b>	<b>5,836,731</b>	<b>5,028,806</b>	<b>54,625</b>	<b>304,522</b>
Cash management	454,784	449,949	388,935	2,674	56,639
Advisory <sup>(1)</sup>	1,139	1,515	2,736	(353)	(1,561)
<b>Total</b>	<b>\$ 6,316,984</b>	<b>\$ 6,288,195</b>	<b>\$ 5,420,477</b>	<b>\$ 56,946</b>	<b>\$ 359,600</b>

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

	AUM			Net inflows (outflows)	
	March 31, 2018	December 31, 2017	March 31, 2017	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2018
<i>(in millions)</i>					
Equity	\$ 3,363,237	\$ 3,371,641	\$ 2,865,515	\$ 26,514	\$ 112,602
Fixed income	1,886,523	1,855,465	1,630,569	26,683	172,097
Multi-asset	476,697	480,278	411,565	(1,987)	16,793
Alternatives:					
Core	101,563	98,533	90,914	1,533	1,309
Currency and commodities <sup>(2)</sup>	33,041	30,814	30,243	1,882	1,721
Subtotal	134,604	129,347	121,157	3,415	3,030
<b>Long-term</b>	<b>5,861,061</b>	<b>5,836,731</b>	<b>5,028,806</b>	<b>54,625</b>	<b>304,522</b>
Cash management	454,784	449,949	388,935	2,674	56,639
Advisory <sup>(1)</sup>	1,139	1,515	2,736	(353)	(1,561)
<b>Total</b>	<b>\$ 6,316,984</b>	<b>\$ 6,288,195</b>	<b>\$ 5,420,477</b>	<b>\$ 56,946</b>	<b>\$ 359,600</b>

<sup>(1)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

<sup>(2)</sup> Amounts include commodity iShares ETFs.



### Component Changes in AUM for the Three Months Ended March 31, 2018

The following table presents the component changes in AUM by client type and product type for the three months ended March, 2018.

<i>(in millions)</i>	December 31, 2017	Net inflows (outflows)	Market change	FX impact <sup>(1)</sup>	March 31, 2018	Average AUM <sup>(2)</sup>
Retail:						
Equity	\$ 233,218	\$ 4,248	\$ (6,711)	\$ 2,200	\$ 232,955	\$ 237,553
Fixed income	257,571	10,065	(2,188)	1,123	266,571	262,506
Multi-asset	120,855	2,035	(1,556)	267	121,601	122,671
Alternatives	16,733	338	63	102	17,236	17,131
Retail subtotal	628,377	16,686	(10,392)	3,692	638,363	639,861
iShares ETFs:						
Equity	1,329,610	29,714	(17,345)	2,585	1,344,564	1,366,390
Fixed income	395,252	3,210	(5,754)	1,483	394,191	394,856
Multi-asset	3,761	48	(40)	(3)	3,766	3,792
Alternatives	23,616	1,677	91	20	25,404	24,852
iShares ETFs subtotal	1,752,239	34,649	(23,048)	4,085	1,767,925	1,789,890
Institutional:						
Active:						
Equity	137,185	(296)	(1,739)	1,320	136,470	139,478
Fixed income	570,050	(4,069)	(7,134)	4,725	563,572	567,142
Multi-asset	347,825	(4,110)	(3,161)	2,790	343,344	346,649
Alternatives	84,248	1,387	673	752	87,060	85,908
Active subtotal	1,139,308	(7,088)	(11,361)	9,587	1,130,446	1,139,177
Index:						
Equity	1,671,628	(7,152)	(29,307)	14,079	1,649,248	1,687,392
Fixed income	632,592	17,477	(2,987)	15,107	662,189	643,857
Multi-asset	7,837	40	(112)	221	7,986	8,456
Alternatives	4,750	13	43	98	4,904	4,910
Index subtotal	2,316,807	10,378	(32,363)	29,505	2,324,327	2,344,615
Institutional subtotal	3,456,115	3,290	(43,724)	39,092	3,454,773	3,483,792
<b>Long-term</b>	<b>5,836,731</b>	<b>54,625</b>	<b>(77,164)</b>	<b>46,869</b>	<b>5,861,061</b>	<b>5,913,543</b>
Cash management	449,949	2,674	85	2,076	454,784	453,629
Advisory <sup>(3)</sup>	1,515	(353)	(14)	(9)	1,139	1,323
<b>Total</b>	<b>\$ 6,288,195</b>	<b>\$ 56,946</b>	<b>\$ (77,093)</b>	<b>\$ 48,936</b>	<b>\$ 6,316,984</b>	<b>\$ 6,368,495</b>

<sup>(1)</sup> Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

<sup>(2)</sup> Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.

<sup>(3)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by investment style and product type for the three months ended March 31, 2018.

(in millions)	December 31, 2017	Net inflows (outflows)	Market change	FX impact <sup>(1)</sup>	March 31, 2018	Average AUM <sup>(2)</sup>
Active:						
Equity	\$ 311,209	\$ 1,005	\$ (6,458)	\$ 2,611	\$ 308,367	\$ 316,310
Fixed income	815,135	4,858	(9,222)	5,503	816,274	816,757
Multi-asset	468,679	(2,075)	(4,716)	3,057	464,945	469,320
Alternatives	100,982	1,725	736	854	104,297	103,039
Active subtotal	1,696,005	5,513	(19,660)	12,025	1,693,883	1,705,426
Index and <i>iShares</i> ETFs:						
<i>iShares</i> ETFs:						
Equity	1,329,610	29,714	(17,345)	2,585	1,344,564	1,366,390
Fixed income	395,252	3,210	(5,754)	1,483	394,191	394,856
Multi-asset	3,761	48	(40)	(3)	3,766	3,792
Alternatives	23,616	1,677	91	20	25,404	24,852
<i>iShares</i> ETFs subtotal	1,752,239	34,649	(23,048)	4,085	1,767,925	1,789,890
Non-ETF Index:						
Equity	1,730,822	(4,205)	(31,299)	14,988	1,710,306	1,748,113
Fixed income	645,078	18,615	(3,087)	15,452	676,058	656,748
Multi-asset	7,838	40	(113)	221	7,986	8,456
Alternatives	4,749	13	43	98	4,903	4,910
Non-ETF Index subtotal	2,388,487	14,463	(34,456)	30,759	2,399,253	2,418,227
Index & <i>iShares</i> ETFs subtotal	4,140,726	49,112	(57,504)	34,844	4,167,178	4,208,117
<b>Long-term</b>	<b>5,836,731</b>	<b>54,625</b>	<b>(77,164)</b>	<b>46,869</b>	<b>5,861,061</b>	<b>5,913,543</b>
Cash management	449,949	2,674	85	2,076	454,784	453,629
Advisory <sup>(3)</sup>	1,515	(353)	(14)	(9)	1,139	1,323
<b>Total</b>	<b>\$ 6,288,195</b>	<b>\$ 56,946</b>	<b>\$ (77,093)</b>	<b>\$ 48,936</b>	<b>\$ 6,316,984</b>	<b>\$ 6,368,495</b>

The following table presents component changes in AUM by product type for the three months ended March 31, 2018.

(in millions)	December 31, 2017	Net inflows (outflows)	Market change	FX impact <sup>(1)</sup>	March 31, 2018	Average AUM <sup>(2)</sup>
Equity	\$ 3,371,641	\$ 26,514	\$ (55,102)	\$ 20,184	\$ 3,363,237	\$ 3,430,813
Fixed income	1,855,465	26,683	(18,063)	22,438	1,886,523	1,868,361
Multi-asset	480,278	(1,987)	(4,869)	3,275	476,697	481,568
Alternatives:						
Core	98,533	1,533	750	747	101,563	100,438
Currency and commodities <sup>(4)</sup>	30,814	1,882	120	225	33,041	32,363
Alternatives subtotal	129,347	3,415	870	972	134,604	132,801
<b>Long-term</b>	<b>5,836,731</b>	<b>54,625</b>	<b>(77,164)</b>	<b>46,869</b>	<b>5,861,061</b>	<b>5,913,543</b>
Cash management	449,949	2,674	85	2,076	454,784	453,629
Advisory <sup>(3)</sup>	1,515	(353)	(14)	(9)	1,139	1,323
<b>Total</b>	<b>\$ 6,288,195</b>	<b>\$ 56,946</b>	<b>\$ (77,093)</b>	<b>\$ 48,936</b>	<b>\$ 6,316,984</b>	<b>\$ 6,368,495</b>

<sup>(1)</sup> Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

<sup>(2)</sup> Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.

<sup>(3)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

<sup>(4)</sup> Amounts include commodity *iShares* ETFs.

AUM increased \$28.8 billion to \$6.3 trillion at March 31, 2018, driven by positive net inflows and the impact of foreign exchange movements, partially offset by net market depreciation.

Net market depreciation of \$77.1 billion included \$55.1 billion from equity products due to lower U.S. and global equity markets and \$18.1 billion from fixed income across all strategies.

Long-term net inflows of \$54.6 billion included \$34.6 billion, \$16.7 billion and \$3.3 billion from *iShares* ETFs, retail clients and institutional clients, respectively. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$34.6 billion reflected strength in *iShares* Core ETFs. Equity net inflows of \$29.7 billion were driven by both U.S. and international equity market exposures. Fixed income and commodity *iShares* generated \$3.2 billion and \$1.7 billion of net inflows, respectively.
- Retail net inflows of \$16.7 billion reflected net inflows of \$8.7 billion in the United States and \$8.0 billion internationally. Fixed income net inflows of \$10.0 billion were diversified across the Company's active platform, led by net inflows into unconstrained, emerging market and municipals categories. Equity net inflows of \$4.2 billion reflected inflows into index mutual funds and international active equities. Multi-asset net inflows of \$2.0 billion were largely due to inflows into the Multi-asset Income fund family.
- Institutional index net inflows of \$10.4 billion included fixed income net inflows of \$17.5 billion, led by demand for liability-driven solutions, partially offset by equity net outflows of \$7.2 billion.
- Institutional active net outflows of \$7.1 billion were driven by fixed income outflows of \$4.1 billion linked to risk reallocation and cash repatriation planning, and multi-asset net outflows of \$4.1 billion resulting from a single redemption associated with client M&A activity. Alternatives net inflows of \$1.4 billion were led by inflows into hedge funds, private equity solutions and infrastructure offerings.

Cash management AUM increased 1% to \$454.8 billion, driven by positive net inflows and the impact of foreign exchange movements.

AUM increased \$48.9 billion due to the impact of foreign exchange movements, primarily resulting from the weakening of the U.S. dollar against the British pound, the Japanese yen and the Euro.

### Component Changes in AUM for the Twelve Months Ended March 31, 2018

The following table presents the component changes in AUM by client type and product for the twelve months ended March 31, 2018.

<i>(in millions)</i>	March 31, 2017	Net inflows (outflows)	Acquisition <sup>(1)</sup>	Market change	FX impact <sup>(2)</sup>	March 31, 2018	Average AUM <sup>(3)</sup>
Retail:							
Equity	\$ 208,181	\$ 6,564	\$ -	\$ 10,628	\$ 7,582	\$ 232,955	\$ 225,294
Fixed income	230,003	29,775	-	1,974	4,819	266,571	249,258
Multi-asset	110,702	4,921	-	4,874	1,104	121,601	117,752
Alternatives	15,447	693	-	609	487	17,236	16,964
Retail subtotal	564,333	41,953	-	18,085	13,992	638,363	609,268
iShares ETFs:							
Equity	1,052,409	159,538	-	117,376	15,241	1,344,564	1,233,739
Fixed income	337,904	50,358	-	(3,217)	9,146	394,191	377,467
Multi-asset	2,890	747	-	123	6	3,766	3,466
Alternatives	20,132	4,866	-	236	170	25,404	22,397
iShares ETFs subtotal	1,413,335	215,509	-	114,518	24,563	1,767,925	1,637,069
Institutional:							
Active:							
Equity	124,817	(9,214)	-	16,067	4,800	136,470	132,135
Fixed income	543,782	(3,477)	-	10,299	12,968	563,572	559,731
Multi-asset	290,729	11,736	-	25,551	15,328	343,344	325,522
Alternatives	77,905	799	3,264	2,806	2,286	87,060	83,120
Active subtotal	1,037,233	(156)	3,264	54,723	35,382	1,130,446	1,100,508
Index:							
Equity	1,480,108	(44,286)	-	174,294	39,132	1,649,248	1,600,091
Fixed income	518,880	95,441	-	5,605	42,263	662,189	590,625
Multi-asset	7,244	(611)	-	1,062	291	7,986	7,952
Alternatives	7,673	(3,328)	-	243	316	4,904	6,374
Index subtotal	2,013,905	47,216	-	181,204	82,002	2,324,327	2,205,042
Institutional subtotal	3,051,138	47,060	3,264	235,927	117,384	3,454,773	3,305,550
<b>Long-term</b>	<b>5,028,806</b>	<b>304,522</b>	<b>3,264</b>	<b>368,530</b>	<b>155,939</b>	<b>5,861,061</b>	<b>5,551,887</b>
Cash management	388,935	56,639	-	1,104	8,106	454,784	427,375
Advisory <sup>(4)</sup>	2,736	(1,561)	-	(190)	154	1,139	2,159
<b>Total</b>	<b>\$ 5,420,477</b>	<b>\$ 359,600</b>	<b>\$ 3,264</b>	<b>\$ 369,444</b>	<b>\$ 164,199</b>	<b>\$ 6,316,984</b>	<b>\$ 5,981,421</b>

<sup>(1)</sup> Amount represents AUM acquired in the First Reserve Infrastructure business transaction in June 2017 ("First Reserve Transaction").

<sup>(2)</sup> Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

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

<sup>(4)</sup> Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by investment style and product type for the twelve months ended March 31, 2018.

(in millions)	March 31, 2017	Net inflows (outflows)	Acquisition <sup>(1)</sup>	Market change	FX impact <sup>(2)</sup>	March 31, 2018	Average AUM <sup>(3)</sup>
Active:							
Equity	\$ 285,716	\$ (10,682)	\$ -	\$ 23,688	\$ 9,645	\$ 308,367	\$ 301,969
Fixed income	763,020	24,338	-	12,173	16,743	816,274	796,760
Multi-asset	401,431	16,657	-	30,425	16,432	464,945	443,274
Alternatives	93,352	1,491	3,264	3,415	2,775	104,297	100,084
Active subtotal	1,543,519	31,804	3,264	69,701	45,595	1,693,883	1,642,087
Index and <i>iShares</i> ETFs:							
<i>iShares</i> ETFs:							
Equity	1,052,409	159,538	-	117,376	15,241	1,344,564	1,233,739
Fixed income	337,904	50,358	-	(3,217)	9,146	394,191	377,467
Multi-asset	2,890	747	-	123	6	3,766	3,466
Alternatives	20,132	4,866	-	236	170	25,404	22,397
<i>iShares</i> ETFs subtotal	1,413,335	215,509	-	114,518	24,563	1,767,925	1,637,069
Non-ETF Index:							
Equity	1,527,390	(36,254)	-	177,301	41,869	1,710,306	1,655,551
Fixed income	529,645	97,401	-	5,705	43,307	676,058	602,854
Multi-asset	7,244	(611)	-	1,062	291	7,986	7,952
Alternatives	7,673	(3,327)	-	243	314	4,903	6,374
Non-ETF Index subtotal	2,071,952	57,209	-	184,311	85,781	2,399,253	2,272,731
Index & <i>iShares</i> ETFs subtotal	3,485,287	272,718	-	298,829	110,344	4,167,178	3,909,800
<b>Long-term</b>	<b>5,028,806</b>	<b>304,522</b>	<b>3,264</b>	<b>368,530</b>	<b>155,939</b>	<b>5,861,061</b>	<b>5,551,887</b>
Cash management	388,935	56,639	-	1,104	8,106	454,784	427,375
Advisory <sup>(4)</sup>	2,736	(1,561)	-	(190)	154	1,139	2,159
<b>Total</b>	<b>\$ 5,420,477</b>	<b>\$ 359,600</b>	<b>\$ 3,264</b>	<b>\$ 369,444</b>	<b>\$ 164,199</b>	<b>\$ 6,316,984</b>	<b>\$ 5,981,421</b>

The following table presents component changes in AUM by product type for the twelve months ended March 31, 2018.

(in millions)	March 31, 2017	Net inflows (outflows)	Acquisition <sup>(1)</sup>	Market change	FX impact <sup>(2)</sup>	March 31, 2018	Average AUM <sup>(3)</sup>
Equity	\$ 2,865,515	\$ 112,602	\$ -	\$ 318,365	\$ 66,755	\$ 3,363,237	\$ 3,191,259
Fixed income	1,630,569	172,097	-	14,661	69,196	1,886,523	1,777,081
Multi-asset	411,565	16,793	-	31,610	16,729	476,697	454,692
Alternatives:							
Core	90,914	1,309	3,264	3,379	2,697	101,563	97,643
Currency and commodities <sup>(5)</sup>	30,243	1,721	-	515	562	33,041	31,212
Alternatives subtotal	121,157	3,030	3,264	3,894	3,259	134,604	128,855
<b>Long-term</b>	<b>5,028,806</b>	<b>304,522</b>	<b>3,264</b>	<b>368,530</b>	<b>155,939</b>	<b>5,861,061</b>	<b>5,551,887</b>
Cash management	388,935	56,639	-	1,104	8,106	454,784	427,375
Advisory <sup>(4)</sup>	2,736	(1,561)	-	(190)	154	1,139	2,159
<b>Total</b>	<b>\$ 5,420,477</b>	<b>\$ 359,600</b>	<b>\$ 3,264</b>	<b>\$ 369,444</b>	<b>\$ 164,199</b>	<b>\$ 6,316,984</b>	<b>\$ 5,981,421</b>

(1) Amount represents AUM acquired in the First Reserve Transaction.

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

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

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

(5) Amounts include commodity *iShares* ETFs.

AUM increased \$896.5 billion, or 17%, to \$6.3 trillion at March 31, 2018 from \$5.4 trillion at March 31, 2017, driven by net market appreciation, positive net inflows, the impact of foreign exchange movements and AUM acquired in the First Reserve Transaction.

Net market appreciation of \$369.4 billion was primarily driven by higher U.S. and global equity markets.

Long-term net inflows of \$304.5 billion were comprised of net inflows of \$215.5 billion, \$47.1 billion and \$41.9 billion from *iShares* ETFs, institutional clients and retail clients, respectively. Net flows in long-term products are described below.

- *iShares* ETFs net inflows of \$215.5 billion were led by equity net inflows of \$159.5 billion driven by both U.S. and international equity market exposures. Fixed income net inflows of \$50.4 billion reflected inflows into treasury, emerging markets debt and corporate investment grade bond funds.
- Institutional index net inflows of \$47.2 billion were driven by fixed income net inflows of \$95.4 billion, partially offset by equity net outflows of \$44.3 billion.
- Retail net inflows of \$41.9 billion reflected net inflows of \$22.7 billion in the United States and \$19.2 billion internationally. Retail net inflows primarily reflected net inflows of \$29.8 billion from fixed income products, led by unconstrained, emerging market, core, and municipal bond strategies, and \$6.6 billion from equity products.
- Institutional active net outflows of \$0.2 billion reflected equity net outflows of \$9.2 billion and fixed income net outflows of \$3.5 billion, partially offset by multi-asset net inflows of \$11.7 billion. Multi-asset net inflows were driven by ongoing demand for the *LifePath*<sup>®</sup> target-date series. Equity net outflows were primarily from U.S. equity and global strategies.

Cash management AUM increased 17% to \$454.8 billion, driven by \$56.6 billion of net inflows.

AUM increased \$164.2 billion due to the impact of foreign exchange movements, primarily due to the weakening of the U.S. dollar, largely against British pound and the Euro.

## DISCUSSION OF FINANCIAL RESULTS

The Company's results of operations for the three months ended March 31, 2018 and 2017 are discussed below. For a further description of the Company's revenue and expense, see the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K").

### Revenue

<i>(in millions)</i>	Three Months Ended	
	2018	March 31, 2017
<b>Investment advisory, administration fees and securities lending revenue:</b>		
Equity:		
Active	\$ 438	\$ 400
<i>iShares</i> ETFs	926	721
Non-ETF index	176	160
Equity subtotal	<u>1,540</u>	<u>1,281</u>
Fixed income:		
Active	456	407
<i>iShares</i> ETFs	208	185
Non-ETF index	93	85
Fixed income subtotal	<u>757</u>	<u>677</u>
Multi-asset	296	272
Alternatives:		
Core	178	144
Currency and commodities	25	22
Alternatives subtotal	<u>203</u>	<u>166</u>
<b>Long-term</b>	<b>2,796</b>	<b>2,396</b>
Cash management	151	127
<b>Total base fees</b>	<b>2,947</b>	<b>2,523</b>
Investment advisory performance fees:		
Equity	18	15
Fixed income	3	10
Multi-asset	5	5
Alternatives	44	40
<b>Total performance fees</b>	<b>70</b>	<b>70</b>
<b>Technology and risk management revenue</b>	<b>184</b>	<b>154</b>
Distribution fees:		
Retrocessions	192	155
12b-1 fees (U.S. mutual funds distribution fees)	108	122
Other	11	10
<b>Total distribution fees</b>	<b>311</b>	<b>287</b>
Advisory and other revenue		
Advisory	21	24
Other	50	34
<b>Advisory and other revenue</b>	<b>71</b>	<b>58</b>
<b>Total revenue</b>	<b>\$ 3,583</b>	<b>\$ 3,092</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 product type:

	Three Months Ended March 31,			
	Mix of Base Fees		Mix of Average AUM by Asset Class <sup>(1)</sup>	
	2018	2017	2018	2017
Equity:				
Active	15%	16%	5%	6%
<i>iShares</i> ETFs	31%	29%	21%	18%
Non-ETF index	6%	6%	27%	28%
<b>Equity subtotal</b>	<b>52%</b>	<b>51%</b>	<b>53%</b>	<b>52%</b>
Fixed income:				
Active	15%	16%	13%	14%
<i>iShares</i> ETFs	8%	7%	6%	6%
Non-ETF index	3%	3%	10%	10%
<b>Fixed income subtotal</b>	<b>26%</b>	<b>26%</b>	<b>29%</b>	<b>30%</b>
Multi-asset	10%	11%	8%	8%
Alternatives:				
Core	6%	6%	2%	2%
Currency and commodities	1%	1%	1%	1%
<b>Alternatives subtotal</b>	<b>7%</b>	<b>7%</b>	<b>3%</b>	<b>3%</b>
<b>Long-term</b>	<b>95%</b>	<b>95%</b>	<b>93%</b>	<b>93%</b>
Cash management	5%	5%	7%	7%
<b>Total excluding Advisory AUM</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

### Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

Revenue increased \$491 million, or 16%, from the first quarter of 2017, driven by growth in base fees, and technology and risk management revenue.

Investment advisory, administration fees and securities lending revenue of \$2,947 million increased \$424 million from \$2,523 million in the first quarter of 2017, reflecting the impact of higher markets and organic growth on average AUM and the impact of foreign exchange movements, partially offset by previously announced pricing changes to select investment products. Securities lending revenue was \$155 million in the current quarter compared with \$141 million in the first quarter of 2017.

Technology and risk management revenue of \$184 million increased \$30 million from \$154 million in the first quarter of 2017, reflecting ongoing demand for institutional *Aladdin* and expansion of digital wealth and distribution technologies, including *Aladdin Risk for Wealth Management* and *Cachematrix*.



## Expense

(in millions)	Three Months Ended	
	March 31,	
	2018	2017
<b>Expense, GAAP:</b>		
Employee compensation and benefits	\$ 1,121	\$ 1,021
Distribution and servicing costs:		
Retrocessions	192	155
12b-1 costs	106	119
Other	134	127
Total distribution and servicing costs	432	401
Direct fund expense	261	206
General and administration:		
Marketing and promotional	85	69
Occupancy and office related	74	65
Portfolio services	70	57
Technology	53	43
Professional services	32	25
Communications	10	8
Foreign exchange remeasurement	1	(11)
Contingent consideration fair value adjustments	6	(4)
Product launch costs	11	4
Other general and administration	41	40
Total general and administration expense	383	296
Amortization of intangible assets	11	25
<b>Total expense, GAAP</b>	<b>\$ 2,208</b>	<b>\$ 1,949</b>
<b>Less non-GAAP expense adjustments:</b>		
Employee compensation and benefits:		
PNC LTIP funding obligation	3	4
<b>Expense, as adjusted:</b>		
Employee compensation and benefits	\$ 1,118	\$ 1,017
Distribution and servicing costs	432	401
Direct fund expense	261	206
General and administration	383	296
Amortization of intangible assets	11	25
<b>Total expense, as adjusted</b>	<b>\$ 2,205</b>	<b>\$ 1,945</b>

### Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

**GAAP.** Expense increased \$259 million from the first quarter of 2017, driven primarily by higher employee compensation and benefits expense, higher general and administration expense, and higher volume-related expense.

Employee compensation and benefits expense increased \$100 million, or 10%, from the first quarter of 2017, primarily reflecting higher incentive compensation, driven primarily by higher operating income, and higher headcount, partially offset by \$20 million of expense associated with the strategic repositioning of the active equity platform. Employees at March 31, 2018 totaled approximately 14,000 compared with approximately 13,000 at March 31, 2017.

Direct fund expense increased \$55 million from the first quarter of 2017, reflecting higher average AUM.

**As Adjusted.** Expense, as adjusted, increased \$260 million, or 13%, to \$2,205 million from \$1,945 million in the first quarter of 2017. The increase in total expense, as adjusted, is driven primarily by higher employee compensation and benefits expense, higher general and administration expense, and higher volume-related expense.

## Nonoperating Results

The summary and reconciliation of U.S. GAAP nonoperating income (expense) to nonoperating income (expense), as adjusted for the three months ended March 31, 2018 and 2017 was as follows:

	Three Months Ended	
	March 31,	
(in millions)	2018	2017
Nonoperating income (expense), GAAP basis <sup>(1)</sup>	\$ (16)	\$ (7)
Less: Net income (loss) attributable to noncontrolling interest ("NCI")	5	9
Nonoperating income (expense), as adjusted, net of NCI <sup>(2)(3)</sup>	<u>\$ (21)</u>	<u>\$ (16)</u>

<sup>(1)</sup> Amounts include a gain of \$2 million and \$33 million for the three months ended March 31, 2018 and 2017, respectively, attributable to consolidated variable interest entities ("VIEs").

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

<sup>(3)</sup> Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three months ended March 31, 2018 and 2017.

## Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

First quarter 2017 interest expense included a "make-whole" redemption premium of \$14 million related to the refinancing of \$700 million of 6.25% notes, which were repaid prior to their September 2017 maturity.

The components of nonoperating income (expense), as adjusted, for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended	
	March 31,	
(in millions)	2018	2017
Net gain (loss) on investments <sup>(1)(2)</sup>		
Private equity	\$ 1	\$ 6
Real assets	5	1
Other alternatives <sup>(3)</sup>	3	14
Other investments <sup>(4)</sup>	1	21
Total net gain (loss) on investments <sup>(1)(2)</sup>	10	42
Interest and dividend income	15	7
Interest expense	(46)	(65)
Net interest expense	<u>(31)</u>	<u>(58)</u>
Nonoperating income (expense), as adjusted <sup>(1)(2)</sup>	<u>\$ (21)</u>	<u>\$ (16)</u>

<sup>(1)</sup> Net of net income (loss) attributable to NCI. Amounts also include net gain (loss) on consolidated VIEs.

<sup>(2)</sup> Management believes nonoperating income (expense), as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to results. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three months ended March 31, 2018 and 2017.

<sup>(3)</sup> Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions.

<sup>(4)</sup> Amounts primarily include net gains (losses) related to equity and fixed income investments.

## Income Tax Expense

<i>(in millions)</i>	GAAP		As Adjusted	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Operating income <sup>(1)</sup>	\$ 1,375	\$ 1,143	\$ 1,378	\$ 1,147
Total nonoperating income (expense) <sup>(1)(2)</sup>	(21)	(16)	(21)	(16)
Income before income taxes <sup>(2)</sup>	\$ 1,354	\$ 1,127	\$ 1,357	\$ 1,131
Income tax expense	\$ 265	\$ 268	\$ 265	\$ 269
Effective tax rate	19.6%	23.8%	19.6%	23.8%

<sup>(1)</sup> See *Non-GAAP Financial Measures* for further information on and reconciliation of as adjusted items.

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

**2018.** The three months ended March 31, 2018 income tax expense (GAAP) reflected a reduced tax rate associated with the 2017 Tax Act and included a \$56 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2018.

**2017.** The three months ended March 31, 2017 income tax expense (GAAP) included an \$81 million discrete tax benefit related to stock-based compensation awards that vested in the first quarter of 2017.

## **BALANCE SHEET OVERVIEW**

### **As Adjusted Balance Sheet**

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

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

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

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

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

#### *Consolidated Sponsored Investment Funds*

The Company consolidates certain sponsored investment funds accounted for as voting rights entities ("VREs") and VIEs, (collectively, "Consolidated Sponsored Investment Funds"). See Note 2, *Significant Accounting Policies*, in the notes to the consolidated financial statements contained in the 2017 Form 10-K for more information on the Company's consolidation policy.

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

(in millions)	March 31, 2018			
	GAAP Basis	Separate Account Assets/ Collateral <sup>(1)</sup>	Consolidated Sponsored Investment Funds <sup>(2)</sup>	As Adjusted
<b>Assets</b>				
Cash and cash equivalents	\$ 5,978	\$ —	\$ 33	\$ 5,945
Accounts receivable	2,677	—	—	2,677
Investments	2,050	—	70	1,980
Assets of consolidated VIEs:				
Cash and cash equivalents	103	—	103	—
Investments	1,637	—	454	1,183
Other assets	113	—	113	—
Separate account assets and collateral held under securities lending agreements	170,118	170,118	—	—
Other assets <sup>(3)</sup>	2,746	—	—	2,746
Subtotal	185,422	170,118	773	14,531
Goodwill and intangible assets, net	30,595	—	—	30,595
Total assets	<u>\$ 216,017</u>	<u>\$ 170,118</u>	<u>\$ 773</u>	<u>\$ 45,126</u>
<b>Liabilities</b>				
Accrued compensation and benefits	\$ 788	\$ —	\$ —	\$ 788
Accounts payable and accrued liabilities	1,421	—	—	1,421
Liabilities of consolidated VIEs	425	—	425	—
Borrowings	5,036	—	—	5,036
Separate account liabilities and collateral liabilities under securities lending agreements	170,118	170,118	—	—
Deferred income tax liabilities <sup>(4)</sup>	3,516	—	—	3,516
Other liabilities	2,130	—	(257)	2,387
Total liabilities	<u>183,434</u>	<u>170,118</u>	<u>168</u>	<u>13,148</u>
<b>Equity</b>				
Total stockholders' equity	31,978	—	—	31,978
Noncontrolling interests	605	—	605	—
Total equity	32,583	—	605	31,978
Total liabilities and equity	<u>\$ 216,017</u>	<u>\$ 170,118</u>	<u>\$ 773</u>	<u>\$ 45,126</u>

<sup>(1)</sup> Amounts represent segregated client assets generating advisory fees in which BlackRock has no economic interest or liability.

<sup>(2)</sup> Amounts primarily represent the portion of assets and liabilities of Consolidated Sponsored Investment Funds attributable to NCI.

<sup>(3)</sup> Amounts include property and equipment and other assets.

<sup>(4)</sup> Amount includes approximately \$3.9 billion of deferred income tax liabilities related to goodwill and intangibles.

The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of March 31, 2018 and December 31, 2017 contained in Part I, Item 1 of this filing. The discussion does not include changes related to assets and liabilities that are equal and offsetting and have no impact on BlackRock's stockholders' equity.

**Assets.** Cash and cash equivalents at March 31, 2018 and December 31, 2017 included \$44 million and \$63 million, respectively, of cash held by consolidated VREs (see *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during the three months ended March 31, 2018).

Accounts receivable at March 31, 2018 decreased \$22 million from December 31, 2017. Investments were \$2,677 million at March 31, 2018 (for more information see *Investments* herein). Goodwill and intangible assets decreased \$14 million from December 31, 2017, primarily due to \$11 million of amortization of intangible assets. Other assets (including property and equipment) increased \$518 million from December 31, 2017, primarily related to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within other liabilities).

**Liabilities.** Accrued compensation and benefits at March 31, 2018 decreased \$1,365 million from December 31, 2017, primarily due to 2017 incentive compensation cash payments in the first quarter of 2018, partially offset by 2018 incentive compensation accruals. Accounts payable and accrued liabilities at March 31, 2018 increased \$260 million from December 31, 2017 due to higher current income taxes payables and increased accruals.

Other liabilities increased \$504 million from December 31, 2017, primarily related to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within other assets) and other operating liabilities.

### Investments and Investments of Consolidated VIEs

The Company's investments and investments of consolidated VIEs (collectively, "Total Investments") were \$2,050 million and \$1,637 million, respectively, at March 31, 2018. Total Investments include consolidated investments held by sponsored investment funds accounted for as VREs and VIEs. Management reviews BlackRock's Total Investments on an "economic" basis, which eliminates the portion of Total Investments that does not impact BlackRock's book value or net income attributable to BlackRock. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

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

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

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Investments, GAAP	\$ 2,050	\$ 1,981
Investments held by consolidated VIEs, GAAP	1,637	1,493
Total Investments	<b>3,687</b>	<b>3,474</b>
Investments held by consolidated VIEs	(1,637)	(1,493)
Investments held by consolidated VREs	(550)	(512)
Net interest in consolidated VREs	480	460
Net interest in consolidated VIEs <sup>(1)</sup>	1,183	1,225
Total Investments, as adjusted	<b>3,163</b>	<b>3,154</b>
Federal Reserve Bank stock	(91)	(91)
Deferred compensation investments	(34)	(56)
Hedged investments	(546)	(587)
Carried interest (VIEs/VREs)	(305)	(298)
Total "economic" investment exposure	<b>\$ 2,187</b>	<b>\$ 2,122</b>

<sup>(1)</sup> Amount includes \$273 million of carried interest (VIEs) as of March 31, 2018 and \$266 million as of December 31, 2017, which has no impact on the Company's "economic" investment exposure.

The following table represents the carrying value of the Company's economic investment exposure, by asset type, at March 31, 2018 and December 31, 2017:

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Private equity	\$ 329	\$ 331
Real assets	326	313
Other alternatives <sup>(1)</sup>	173	236
Other investments <sup>(2)</sup>	1,359	1,242
<b>Total "economic" investment exposure</b>	<b><u>\$ 2,187</u></b>	<b><u>\$ 2,122</u></b>

<sup>(1)</sup> Other alternatives include direct hedge fund strategies and hedge fund solutions.

<sup>(2)</sup> Other investments primarily include seed investments in fixed income, equity and multi-asset mutual funds/strategies as well as U.K. government securities, primarily held for regulatory purposes.

As adjusted investment activity for the three months ended March 31, 2018 was as follows:

<i>(in millions)</i>	<b>2018</b>
<b>Total Investments, as adjusted, beginning balance</b>	<b>\$ 3,154</b>
Purchases/capital contributions	257
Sales/maturities	(258)
Distributions <sup>(1)</sup>	(16)
Market appreciation(depreciation)/earnings from equity method investments	7
Carried interest capital allocations/(distributions)	7
Other	12
<b>Total Investments, as adjusted, ending balance</b>	<b><u>\$ 3,163</u></b>

<sup>(1)</sup> Amount includes distributions representing return of capital and return on investments.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

<i>(in millions)</i>	GAAP Basis	Impact on Cash Flows of Consolidated Sponsored Investment Funds	Cash Flows Excluding Impact of Consolidated Sponsored Investment Funds
<b>Cash, cash equivalents and restricted cash, December 31, 2017</b>	<b>\$ 7,096</b>	<b>\$ 207</b>	<b>\$ 6,889</b>
Cash flows from operating activities	(141)	(350)	209
Cash flows from investing activities	(53)	(57)	4
Cash flows from financing activities	(874)	347	(1,221)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	115	—	115
Net change in cash, cash equivalents and restricted cash	(953)	(60)	(893)
<b>Cash, cash equivalents and restricted cash, March 31, 2018</b>	<b>\$ 6,143</b>	<b>\$ 147</b>	<b>\$ 5,996</b>

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

For details of the Company's GAAP cash flows from operating, investing and financing activities, see the Condensed Consolidated Statements of Cash Flows contained in Part I, Item 1 of this filing.

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

Cash inflows from investing activities, excluding the impact of Consolidated Sponsored Investment Funds, for the three months ended March 31, 2018 were \$4 million and primarily reflected \$127 million of net proceeds from sales and maturities of certain investments, partially offset by \$95 million of investment purchases and \$33 million of purchases of property and equipment.

Cash outflows from financing activities, excluding the impact of Consolidated Sponsored Investment Funds, for the three months ended March 31, 2018 were \$1,221 million, primarily resulting from \$719 million of share repurchases, including \$335 million in open market transactions and \$384 million of employee tax withholdings related to employee stock transactions, and \$505 million of cash dividend payments.



The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at March 31, 2018 and December 31, 2017 were as follows:

<i>(in millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents <sup>(1)</sup>	\$ 5,978	\$ 6,894
Cash and cash equivalents held by consolidated VREs <sup>(2)</sup>	(44)	(63)
Subtotal	5,934	6,831
Credit facility – undrawn	4,000	4,000
Total liquidity resources <sup>(3)</sup>	<u>\$ 9,934</u>	<u>\$ 10,831</u>

(1) The percentage of cash and cash equivalents held by the Company's U.S. subsidiaries was approximately 35% and 40% at March 31, 2018 and December 31, 2017, respectively. See *Net Capital Requirements* herein for more information on net capital requirements in certain regulated subsidiaries.

(2) The Company cannot readily access such cash to use in its operating activities.

(3) Amount does not reflect year-end incentive compensation accruals, which are paid in the first quarter.

Total liquidity resources decreased \$897 million during the three months ended March 31, 2018, primarily reflecting cash payments of 2017 year-end incentive awards, share repurchases of \$719 million and cash dividend payments of \$505 million, partially offset by cash flows from other operating activities.

A significant portion of the Company's \$3,163 million of Total Investments, as adjusted, is illiquid in nature and, as such, cannot be readily convertible to cash.

**Share Repurchases.** The Company repurchased 0.6 million common shares in open market transactions under the share repurchase program for approximately \$335 million during the three months ended March 31, 2018. At March 31, 2018, there were 5.8 million shares still authorized to be repurchased.

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

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

At March 31, 2018 and December 31, 2017, the Company was required to maintain approximately \$2.1 billion and \$1.8 billion, respectively, in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

### Short-Term Borrowings

**2018 Revolving Credit Facility.** The Company's credit facility has an aggregate commitment amount of \$4.0 billion and was amended in April 2018 to extend the maturity date to March 2023 (the "2018 credit facility"). The 2018 credit facility permits the Company to request up to an additional \$1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2018 credit facility to an aggregate principal amount not to exceed \$5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2018 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at March 31, 2018. The 2018 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At March 31, 2018, the Company had no amount outstanding under the credit facility.

**Commercial Paper Program.** The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of \$4.0 billion. The commercial paper program is currently supported by the 2018 credit facility. At March 31, 2018, BlackRock had no CP Notes outstanding.

## Long-Term Borrowings

At March 31, 2018, the principal amount of long-term borrowings outstanding was \$5.1 billion. See Note 12, *Borrowings*, in the 2017 Form 10-K for more information on borrowings outstanding as of December 31, 2017.

During the three months ended March 31, 2018, the Company paid approximately \$29 million of interest on long-term borrowings. Future principal repayments and interest requirements at March 31, 2018 were as follows:

(in millions)

Year	Principal	Interest	Total Payments
Remainder of 2018	\$ —	\$ 147	\$ 147
2019	1,000	175	1,175
2020	—	125	125
2021	750	109	859
2022	750	81	831
2023	—	68	68
Thereafter <sup>(1)</sup>	2,561	117	2,678
Total	<u>\$ 5,061</u>	<u>\$ 822</u>	<u>\$ 5,883</u>

<sup>(1)</sup> The amount of principal and interest payments for the 2025 Notes (issued in Euros) represents the expected payment amounts using foreign exchange rates as of March 31, 2018.

*Investment Commitments.* At March 31, 2018, the Company had \$304 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

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

*Acquisition.* In November 2017, the Company announced that it had entered an agreement to acquire the asset management business of Citibanamex, a subsidiary of Citigroup Inc. The transaction is expected to close in the second half of 2018, subject to customary regulatory approvals and closing conditions. Consideration for the transaction will include an upfront cash payment of \$350 million and contingent consideration.

*Contingent Payments Related to Business Acquisitions.* In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at March 31 2018 totaled \$242 million, and is included in other liabilities on the condensed consolidated statements of financial condition.

**Carried Interest Clawback.** As a general partner in certain investment 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 clawback provisions in Total Investments, or cash/cash of consolidated VIEs to the extent that it is distributed, and as a deferred carried interest liability/other liabilities of consolidated VIEs on its condensed consolidated statements of financial condition. Carried interest is recorded as performance fees on BlackRock's condensed consolidated statements of income when the fees are no longer probable of significant reversal.

**Indemnifications.** On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At March 31 2018, the Company indemnified certain of its clients for their securities lending loan balances of approximately \$219 billion. The Company held, as agent, cash and securities totaling \$232 billion as collateral for indemnified securities on loan at March 31, 2018. The fair value of these indemnifications was not material at March 31, 2018.

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

### **Critical Accounting Policies**

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the condensed consolidated financial statements. For a summary of these and additional accounting policies see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements and *Critical Accounting Policies* in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, *Significant Accounting Policies*, in the 2017 Form 10-K for further information.

**Consolidation.** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles. The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VREs are consolidated if the Company can exert control over the financial and operating policies of the investee, which generally exists if there is greater than 50% voting interest. See Note 5, *Consolidated Voting Rights Entities*, in the notes to the condensed consolidated financial statements for more information. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity.

At March 31, 2018, BlackRock was determined to be the PB for certain investment funds that were determined to be VIEs, which required BlackRock to consolidate them. BlackRock was deemed to be the PB because it has the power to direct the activities that most significantly impact the entities' economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. The Company generally consolidates VIEs in which it holds an equity ownership interest of 10% or greater and deconsolidates such VIEs once equity ownership falls below 10%. See Note 6, *Variable Interest Entities*, in the notes to the condensed consolidated financial statements for more information.

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

**Revenue Recognition.** Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"). The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct. Consideration for the Company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside of the Company's influence. The Company includes variable consideration as part of its transaction price when it is no longer probable of significant reversal, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company has discretion to involve a third party in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs. Management judgment may be required when determining the following: whether services are considered distinct and should be accounted for separately; when variable consideration is no longer probable of significant reversal (and hence can be included in the transaction price); whether certain revenue should be presented gross or net of certain related costs; when a promised service transfers to the customer; and the applicable method of measuring progress for services transferred to the customer over time.

Investment advisory and administration fees are recognized as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. 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. In addition, the Company may contract with third parties to provide sub-advisory services on its behalf. The Company presents the investment advisory fees and associated costs to such advisors on a gross basis in the condensed consolidated statements of income where it is deemed to be the principal.

The Company earns revenue by lending securities on behalf of clients, primarily to highly rated banks and broker-dealers. Revenue is recognized over time as services are performed. The securities loaned are secured by collateral, generally ranging from 102% to 112% of the value of the loaned securities. Generally, the securities lending fees are shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed. For the three months ended March 31, 2018 and 2017, securities lending revenue earned by the Company totaled \$155 million and \$141 million, respectively, and is recorded in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income.

The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annually or longer measurement periods. A portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period.

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

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad

range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest its sales proceeds.

The Company records a contract liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At March 31, 2018 and December 31, 2017, the Company had \$224 million and \$219 million, respectively, of deferred carried interest recorded in other liabilities/other liabilities of consolidated VIEs on the condensed consolidated statements of financial condition. A portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown. For the three months ended March 31, 2018 and 2017, performance fee revenue (which included recognized carried interest) both totaled \$70 million. See Note 13, *Revenue*, in the notes to the condensed consolidated financial statements for detailed changes in the deferred carried interest liability balance for the three months ended March 31, 2018 and 2017.

Fees earned for technology and risk management revenue are recorded as services are performed and are generally determined using the value of positions on the *Aladdin* platform or on a fixed-rate basis. For the three months ended March 31, 2018 and 2017, technology and risk management revenue totaled \$184 million and \$154 million, respectively.

Adjustments to revenue arising from initial estimates recorded historically have been immaterial since the majority of BlackRock's investment advisory and administration revenue is calculated based on AUM and since the Company does not record performance fee revenue until: (1) performance thresholds have been exceeded and (2) management determines the fees are no longer probable of significant reversal.

The Company accounts for fund distribution services and shareholder servicing as distinct services, separate from fund management services, because customers can benefit from each of the services on their own and because the services are separately identifiable (that is, the nature of the promised services is to transfer each service individually). The Company records upfront and ongoing sales commissions as distribution fee revenue for serving as the principal underwriter and/or distributor for certain mutual funds that it manages. The Company recognizes the upfront fees for front-end load funds on a trade date basis, when the services are performed and the amount the Company is entitled to is known. The on-going distribution fees are generally based on net asset values and are recognized when the amount is known. Distribution services are satisfied at a point in time. Consequently, a portion of the on-going distribution fees the Company recognized may be related to the services performed in prior periods that met the recognition criteria in the current period. The Company recognizes ongoing shareholder servicing fee revenue when and as shareholder services are performed over time. The Company contracts with third parties for various fund distribution services and shareholder servicing of certain funds to be performed on its behalf. These arrangements are generally priced as a portion of the fee paid to the Company by the fund or as an agreed-upon percentage of net asset value. The Company presents its distribution fees and distribution and servicing costs incurred on a gross basis in the condensed consolidated statements of income as it is deemed to be the principal in such transactions.

### **Accounting Developments**

For accounting pronouncements that the Company adopted during the three months ended March 31, 2018 and for recent accounting pronouncements not yet adopted, see Note 2, *Significant Accounting Policies*, in the condensed consolidated financial statements.

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

**AUM Market Price Risk.** BlackRock's investment advisory and administration fees are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At March 31, 2018, the majority of the Company's investment advisory and administration fees were based on average or period end AUM of the applicable investment funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates or all three could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

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

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

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes, including real assets, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record, to hedge exposure to certain deferred compensation plans or for regulatory purposes. Currently, the Company has a seed capital hedging program in which it enters into swaps to hedge market and interest rate exposure to certain investments. At March 31, 2018, the Company had outstanding total return swaps with an aggregate notional value of approximately \$546 million. At March 31, 2018, there were no outstanding interest rate swaps.

At March 31, 2018, approximately \$2.2 billion of BlackRock's Total Investments were maintained in consolidated sponsored investment funds accounted for as VREs and VIEs. Excluding the impact of the Federal Reserve Bank stock, carried interest, investments made to hedge exposure to certain deferred compensation plans and certain investments that are hedged via the seed capital hedging program, the Company's economic exposure to its investment portfolio is \$2,187 million. See *Balance Sheet Overview- Investments and Investments of Consolidated VIEs* in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company's Total Investments.

**Equity Market Price Risk.** At March 31, 2018, the Company's net exposure to equity market price risk in its investment portfolio was approximately \$1,078 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real assets investments, hedge funds and funds of funds as well as mutual funds. The Company estimates that a hypothetical 10% adverse change in market prices would result in a decrease of approximately \$107.8 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk.** At March 31, 2018, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately \$1,109 million of Total Investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately \$23.9 million in the carrying value of such investments.

**Foreign Exchange Rate Risk.** As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the British pound and Euro, was \$968 million at March 31, 2018. A 10% adverse change in the applicable foreign exchange rates would result in approximately a \$96.8 million decline in the carrying value of such investments.

**Other Market Risks.** The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange risk movements. At March 31, 2018, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately \$1.5 billion.

#### **Item 4. Controls and Procedures**

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

***Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

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

On May 27, 2014, certain investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the U.S. District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. Both complaints seek, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by defendants in the twelve month period preceding the start of each lawsuit, along with purported lost investment returns on those amounts, plus interest. The defendants believe the claims in both lawsuits are without merit and are vigorously defending the actions. On September 25, 2017, the defendants filed a motion for summary judgment to dismiss the lawsuit, which is pending.

In November 2015, BlackRock, Inc., BlackRock Realty Advisors, Inc. ("BRA"), BlackRock US Core Property Fund, Inc. (formerly known as BlackRock Granite Property Fund, Inc.) ("Granite Fund"), and certain other Granite Fund related entities (collectively, the "BlackRock Parties") were named as defendants in thirteen lawsuits filed in the Superior Court of the State of California for the County of Alameda arising out of the June 16, 2015 collapse of a balcony at the Library Gardens apartment complex in Berkeley, California (the "Property"). The Property is indirectly owned by the Granite Fund, which is managed by BRA. The plaintiffs also named as defendants in the lawsuits Greystar, which manages the Property, and certain other non-BlackRock related entities, including the developer of the Property, building contractors and building materials suppliers. The plaintiffs alleged, among other things, that the BlackRock Parties were negligent in their ownership, control and maintenance of the Property's balcony, and sought monetary, including punitive, damages. Additionally, on March 16, 2016, three former tenants of the Library Gardens apartment unit who were not physically injured but experienced the balcony collapse sued the BlackRock Parties for emotional damages. In November 2017, the BlackRock Parties settled all of the lawsuits relating to Library Gardens and the cases were formally dismissed in March and April 2018.

On June 16, 2016, *iShares* Trust, BlackRock, Inc. and certain of its advisory affiliates, and the directors and certain officers of the *iShares* ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain *iShares* ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws, purportedly by failing to adequately disclose in prospectuses issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." Plaintiffs seek unspecified monetary damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, plaintiffs filed an amended complaint. The defendants filed a motion for judgment on the pleadings dismissing that complaint. On September 18, 2017, the court dismissed the lawsuit. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the U.S. District Court for the Northern District of California by a former employee on behalf of all BlackRock employee 401(k) Plan (the "Plan") participants and beneficiaries in the Plan from April 5, 2011, to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated with investment options managed by BlackRock. While the complaint does not contain any specific amount in alleged damages, it claims that the purported underperformance and hidden fees cost Plan participants more than \$60 million. On October 10, 2017, the plaintiffs filed an Amended



Complaint, which, among other things, adds as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also includes a new purported class claim on behalf of investors in certain Collective Trust Funds (“CTFs”) managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the lending agent on terms that plaintiffs claim were excessive. The defendants believe the claims in this lawsuit are without merit and are vigorously defending the action. BlackRock moved to dismiss the Amended Complaint on November 8, 2017.

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

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

During the three months ended March 31, 2018, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January 1, 2018 through January 31, 2018	850,474 <sup>(1)</sup>	\$ 565.70	188,538	6,178,635
February 1, 2018 through February 28, 2018	394,875 <sup>(1)</sup>	\$ 537.61	386,740	5,791,895
March 1, 2018 through March 31, 2018	47,956 <sup>(1)</sup>	\$ 541.37	33,879	5,758,016
Total	<u>1,293,305</u>	\$ 556.22	<u>609,157</u>	

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

## Item 6. Exhibits

<b>Exhibit No.</b>	<b>Description</b>
10.1	<a href="#"><u>Form of Performance-Based Stock Option Agreement under the BlackRock, Inc. Second Amended and Restated 1999 Stock Award and Incentive Plan. +</u></a>
12.1	<a href="#"><u>Computation of Ratio of Earnings to Fixed Charges</u></a>
31.1	<a href="#"><u>Section 302 Certification of Chief Executive Officer</u></a>
31.2	<a href="#"><u>Section 302 Certification of Chief Financial Officer</u></a>
32.1	<a href="#"><u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer</u></a>
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

+ Denotes compensatory plan or arrangement.

## SIGNATURES

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

BLACKROCK, INC.  
(Registrant)

Date: May 9, 2018

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

**BLACKROCK, INC.  
1999 STOCK AWARD AND INCENTIVE PLAN**

**PERFORMANCE-BASED STOCK OPTION AGREEMENT**

**GRANT NOTICE**

Name of Optionee: [ ] (the "Optionee")

Number of Shares Subject to the Option: [ ] shares of common stock, \$0.01 par value, of BlackRock, Inc. (the "Shares").

Option Exercise Price: \$[ ]

Grant Date: December 4, 2017

Vesting Dates: First Installment: Option relating to [ ] Shares, on December 4, 2022  
Second Installment: Option relating to [ ] Shares, on December 4, 2023  
Third Installment: Option relating to [ ] Shares, on December 4, 2024

Expiration Date: December 4, 2026

This performance-based stock option (the "Option") represents the right to purchase Shares in accordance with and subject to the terms and conditions of this Grant Notice and the Option Terms and Conditions (including the attachments hereto) (collectively, this "Agreement"), including, without limitation, the satisfaction of the performance conditions set forth in this Agreement.

\* \* \* \* \*

**OPTION TERMS AND CONDITIONS**

The Optionee and BlackRock, Inc., a Delaware company, and its successors (the “Company”) hereby agree as follows:

1. **Definitions.** For all purposes in this Agreement, the following terms shall have the respective meanings set forth in this Section 1. Any capitalized terms used and not defined herein shall have the meanings set forth in the BlackRock, Inc. Second Amended and Restated 1999 Stock Award and Incentive Plan, as amended from time to time (the “Plan”).
  - (a) “Affiliate” means any corporation, partnership, joint venture, association, organization or other person or entity that is directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person or entity specified.
  - (b) “Cause” means the occurrence of any of the following: (i) gross negligence or intentional misconduct by the Optionee that (a) is in connection with the Optionee’s duties to the Company or any Subsidiary or Affiliate or (b) causes, or is reasonably expected to cause, harm (monetarily or otherwise) to the Company or its Subsidiaries or Affiliates, employees or Clients; (ii) the Optionee’s breach of fiduciary duty owed to the Company or its Subsidiaries or Affiliates or Clients; (iii) any misappropriation or embezzlement by the Optionee, or any action by the Optionee involving theft, fraud or material personal dishonesty; (iv) any violation by the Optionee of any domestic or foreign securities laws, rules or regulations including, but not limited to, those of any self-regulatory organization or authority; (v) the Optionee’s indictment, conviction of or guilty or nolo contendere plea to a felony or any crime involving theft, fraud or embezzlement or personal dishonesty, provided that if Optionee is terminated for Cause because of an indictment and such indictment does not ultimately result in a conviction or plea that would otherwise constitute Cause hereunder, then such termination will be deemed to be an involuntary termination other than for Cause as of the date of Optionee’s original termination; (vi) the Optionee’s willful failure or refusal to perform material duties or material obligations owed to the Company or its Subsidiaries or Affiliates; or (vii) the Optionee’s material violation of the written policies of the Company or its Subsidiaries or Affiliates, including the BlackRock, Inc. Confidentiality and Employment Policy and Code of Business Conduct and Ethics. A determination of Cause shall be in the sole discretion of the Company.
  - (c) “Code” means the Internal Revenue Code of 1986, as amended.
  - (d) “Committee” means the Management Development and Compensation Committee of the Board of Directors of the Company.
  - (e) “Competitive Activity” means any activity that competes with any of the business operations of the Company or any of its Subsidiaries or its Affiliates, as determined by the Company in its sole discretion, and shall include representing or associating in any capacity (including, without limitation, as an officer, employee, partner, director, consultant, agent, advisor or security holder) with a company that competes with the Company or any of its Subsidiaries or Affiliates. Notwithstanding the foregoing, the Optionee’s beneficial ownership of less than 5% of the economic or voting interests of a publicly-held company shall not constitute a Competitive Activity.

- (f) “Confidentiality Policy” means the Company’s Confidentiality and Employment Policy, as it may be amended from time to time.
- (g) “Disability” means the Optionee’s physical or mental incapacity constituting disability, as determined under the long-term disability plan applicable to the Optionee’s employment with the Company or any Subsidiary or Affiliate, which, in any event, does or is reasonably expected to continue for at least twelve (12) months.
- (h) “Fair Market Value” means, as of a particular date, (i) the closing sales price per Share on the national securities exchange on which Shares are principally traded for the last preceding date on which there was a sale of Shares on such exchange, or (ii) if Shares are then traded in an over-the-counter market, the average of the closing bid and asked per Share in such over-the-counter market for the last preceding date on which there was a sale of Shares in such market, or (iii) if Shares are not then listed on a national securities exchange or traded in an over-the-counter market, the fair market value of a Share shall be determined by the Committee in its sole discretion.
- (i) “Subsidiary” means any corporation, partnership, joint venture or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.
- (j) “Termination of Employment” means the termination of the Optionee’s employment with, or performance of services for, the Company or any Subsidiary or Affiliate. An individual employed by, or performing services for, any Subsidiary or an Affiliate also shall be deemed to incur a Termination of Employment if the Subsidiary or Affiliate ceases to be a Subsidiary or Affiliate, as the case may be, and the individual does not immediately thereafter become an employee of, or service-provider for, the Company or another Subsidiary or Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and any Subsidiary or Affiliate shall not be considered Terminations of Employment.
- (k) “Vesting Date” means the applicable Vesting Date specified in the Grant Notice.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

2. Grant. The Company hereby grants to the Optionee as of the Grant Date an Option to purchase the number of Shares set forth in the Grant Notice, subject to the terms and conditions of this Agreement and the Plan. The Optionee may exercise, on or after the Vesting Dates specified in the Grant Notice and on or prior to the Expiration Date specified in the Grant Notice, all or any vested portion of the Option at the Option Exercise Price per Share specified in the Grant Notice, subject to the terms and conditions set forth in this Agreement and the Plan. The Optionee shall not be entitled to receive any property or cash dividends with respect to the Shares relating to the Option prior to the date that any such Shares are delivered to the Optionee pursuant to the exercise of the Option. The Option is not intended to qualify and shall not be treated as an “incentive stock option” under §422 of the Code.
3. Vesting.
  - (a) No portion of the Option may be exercised until the date on which such portion of the Option becomes vested. Subject to Section 6 hereof and any determination of the

Company in its sole discretion to accelerate the vesting schedule hereunder, the Option shall vest with respect to the number of Shares specified on the Vesting Dates set forth in the Grant Notice, provided that the performance conditions set forth in Section 4 hereof have been satisfied in accordance with the terms and conditions set forth therein. Once vested, the Option shall continue to be exercisable at any time or times prior to the Expiration Date, subject to the provisions of this Agreement and the Plan.

- (b) Notwithstanding anything in this Agreement to the contrary, and only to the extent permitted by applicable law, if as of a particular Vesting Date (or, if any, the vesting date of any other outstanding cash or equity-based awards granted to the Optionee under the Plan (together with the Option, the “Unvested Awards”)), the Optionee is the subject of an investigation by the Company or governmental entity or regulator relating to conduct of the Optionee that could, in the Company’s reasonable opinion, constitute Cause, the Company shall in its discretion have the right to determine that the portion of the Unvested Awards that would otherwise vest on such vesting date (the “Holdback Portion”) shall not vest, subject to resolution of the investigation and the exhaustion of all appeal rights (of either the Optionee or the Company) related thereto (the “Resolution”). Upon Resolution, any Holdback Portion shall vest in accordance with the terms and conditions of the applicable award agreement, provided that, if upon Resolution, the Company determines that the conduct giving rise to the investigation constituted Cause, the Holdback Portion and any other portion of the Unvested Awards that would otherwise vest on a later vesting date shall not vest and shall be forfeited for no consideration. The determination of whether conduct constitutes Cause and whether the Holdback Portion vests or is forfeited in accordance with the preceding sentence shall be made regardless of whether there has been a Termination of Employment (for any reason) prior to Resolution.

#### 4. Performance Conditions

- (a) In order for any portion of the Option to vest and become exercisable on the applicable Vesting Dates:
- (i) a per Share closing sales price equal to twenty-five percent (25%) above the Option Exercise Price must be met for at least twenty (20) consecutive trading days on or prior to the fifth anniversary of the Grant Date; and
  - (ii) the Company’s average annual Organic Revenue (as defined below) from January 1, 2018 through December 31, 2021 must be greater than zero (together with clause (i) above, the “Performance Conditions”).

Achievement of the Performance Conditions shall be determined by the Committee. If the Performance Conditions are not achieved, as determined by the Committee, on or prior to the fifth anniversary of the Grant Date, the Option shall terminate immediately effective as of such date, with no payment made in consideration therefor.

- (b) For purposes of this Section 4, “Organic Revenue” means, with respect to a particular fiscal year, the sum of (i) annualized investment advisory services and administration fees generated by the Company in such year relating to the sale/redemption of products or provision of services to new or existing clients in accordance with the firm’s AUM policy (excluding (A) fees from the Company’s



securities lending businesses and (B) fees derived from capital gains and dividend reinvestment) and (ii) annualized recurring revenue generated by the Company in such year from the sale/notified loss of *Aladdin* products and services to new or existing clients.

5. Exercise of Option.

- (a) The Option shall be exercised in the following manner: the Optionee, or the person or persons having the right to exercise the Option upon the death or Disability of the Optionee, shall specify the number of Shares that the Optionee elects to purchase and provide the aggregate amount of the Option Exercise Price for any Shares being purchased under the Option.
- (b) In satisfaction of the Optionee's obligation to pay to the Company the aggregate amount of the Option Exercise Price for any Shares being purchased under the Option at the time the Option is exercised, the Company shall withhold from the number of Shares the Optionee would otherwise receive upon exercise of the Option that number of whole Shares (and, if applicable, a fractional Share) having a Fair Market Value equal to the aggregate amount of the Option Exercise Price for any Shares being purchased, provided that any fractional Share resulting therefrom that would otherwise be returned to the Optionee shall be immediately settled in cash. Alternatively, the Optionee may choose to satisfy such obligation by paying such amount in cash or by certified or cashier's check.
- (c) Not less than one hundred (100) Shares may be purchased at any time upon the exercise of any portion of the Option, unless the number of Shares so purchased constitutes the total number of Shares then purchasable under the Option. The Option may be exercised only to purchase whole Shares and in no case may a fractional Share be purchased.
- (d) In satisfaction of the Optionee's obligation to pay to the Company an amount equal to the federal, state and local income taxes and other amounts required by law to be withheld by the Company with respect to the exercise of the Option prior to the delivery of any Shares to which such Optionee shall be entitled upon exercise of the Option, the Company shall withhold from the number of Shares the Optionee would otherwise receive upon exercise of the Option that number of whole Shares (and, if applicable, a fractional Share) having a Fair Market Value equal to the minimum necessary amount of such tax withholding obligation (determined without regard to Section 83(c)(3) of the Code), provided that any fractional Share resulting therefrom that would otherwise be returned to the Optionee shall be immediately settled in cash. Alternatively, the Optionee may choose to satisfy such obligation by paying such amount in cash or by certified or cashier's check.
- (e) Notwithstanding any other provision hereof or of the Plan, no portion of the Option shall be exercisable (i) after termination of the Option in accordance with the provisions hereof, (ii) after the Expiration Date, or (iii) at any time unless all necessary regulatory or other approvals have been received.

6. Termination of Employment.

- (a) *Termination of Employment by the Company or its Subsidiaries or Affiliates for Cause.* The Option (whether or not vested) shall terminate upon the Optionee's

Termination of Employment by the Company or one of its Subsidiaries or Affiliates for Cause, with no payment made in consideration therefor.

- (b) *Termination of Employment by the Company or its Subsidiaries or Affiliates Other than for Cause.* Upon the Optionee's Termination of Employment by the Company or one of its Subsidiaries or Affiliates other than for Cause (which shall not include a Termination of Employment due to the Optionee's Disability or as a result of the Optionee's death), (i) any portion of the Option that is vested as of the Optionee's Termination of Employment shall remain outstanding and exercisable through the Expiration Date and shall thereafter terminate and (ii) a pro-rata portion (as described below) of the Option that is not yet vested as of the Optionee's Termination of Employment shall remain outstanding and eligible to vest on the Vesting Dates set forth in the Grant Notice (subject to the achievement of the performance conditions set forth in Section 4 hereof) and, if vested, shall remain outstanding and exercisable through the Expiration Date and shall thereafter terminate; provided, that, (x) the Optionee complies with Appendix A of this Agreement, (y) the Optionee executes (and does not revoke) a general release of claims in favor of the Company and its Subsidiaries and Affiliates in the form provided by the Company that becomes effective within sixty (60) days of the date of such Termination of Employment (or such earlier date as may be required by the Company) and (z) the Optionee does not engage in any Competitive Activity prior to the exercise of the Option. Such pro-rata portion (with respect to each tranche) shall be equal to the product of (i) the number of Shares subject to each portion of the Option that is not yet vested as of the Optionee's Termination of Employment multiplied by (ii) a fraction (not greater than 100%), the numerator of which is equal to the sum of (x) the number of full months, rounded down to the nearest whole month, elapsed from the Grant Date through the Optionee's Termination of Employment and (y) the number twelve (12) (reflecting one additional year of service credit), and the denominator of which is the number of full months elapsed from the Grant Date through the applicable Vesting Date.
- (c) *Termination of Employment Due to the Optionee's Voluntary Termination (including Retirement).* If the Optionee voluntarily terminates employment with the Company or one of its Subsidiaries or Affiliates (including as a result of the Optionee's retirement), any portion of the Option that is vested as of the Optionee's Termination of Employment shall remain outstanding and exercisable for ninety (90) days following the date of such Termination of Employment (but in no event later than the Expiration Date), and shall thereafter terminate; provided, that, (x) the Optionee complies with Appendix A of this Agreement, (y) the Optionee executes (and does not revoke) a general release of claims in favor of the Company and its Subsidiaries and Affiliates in the form provided by the Company that becomes effective within sixty (60) days of the date of such Termination of Employment (or such earlier date as may be required by the Company) and (z) the Optionee does not engage in any Competitive Activity prior to the exercise of the Option. Any portion of the Option that is not yet vested as of such Termination of Employment shall terminate immediately effective as of such date, with no payment made in consideration therefor.
- (d) *Termination of Employment Due to the Optionee's Disability or Death.* Upon the Optionee's Termination of Employment due to the Optionee's Disability or as a result of the Optionee's death, (i) any portion of the Option that is vested as of the Optionee's Termination of Employment shall remain outstanding and exercisable through the Expiration Date and shall thereafter terminate and (ii) any portion of the Option that is not yet vested as of the Optionee's Termination of Employment shall remain outstanding and eligible to vest on the Vesting Dates set forth in the Grant

Notice (subject to the achievement of the performance conditions set forth in Section 4 hereof) and, if vested, shall remain outstanding and exercisable through the Expiration Date and shall thereafter terminate; provided, that, (x) the Optionee complies with Appendix A of this Agreement, (y) the Optionee (or the Optionee's estate, as applicable) executes (and does not revoke) a general release of claims in favor of the Company and its Subsidiaries and Affiliates in the form provided by the Company that becomes effective within sixty (60) days of the date of such Termination of Employment (or such earlier date as may be required by the Company) and (z) the Optionee does not engage in any Competitive Activity prior to the exercise of the Option.

7. Optionee's Covenants and Acknowledgements. In order to induce the Company to enter into this Agreement, the Optionee hereby agrees to the covenants set forth on Appendix A attached hereto.
8. Forfeiture.
  - (a) *Breach of Confidentiality Policy or Appendix A*. In the event of any breach by the Optionee of the Confidentiality Policy or the provisions of Appendix A attached hereto, the Company shall have the right, if the conduct or activity giving rise to such breach occurs within one year following the most recent date upon which Shares are delivered to the Optionee pursuant to the exercise of the Option, to require the Optionee to repay to the Company the positive difference between the Fair Market Value of the Shares on the date of exercise and the Option Exercise Price, and any unexercised portion of the Option shall terminate immediately effective as of the date of such breach, with no payment made in consideration therefor. The determination of whether the Optionee has engaged in a breach of the Confidentiality Policy or Appendix A shall be determined by the Committee in its sole discretion.
  - (b) *Competitive Activity Prior to Exercise*. If the Optionee engages in Competitive Activity at any time prior to the date that all or any portion of the Option has been exercised, the Option (or, if any, any other award under the Plan held by the Optionee that is unvested as of the date the Optionee engages in such Competitive Activity) shall terminate immediately effective as of such date, with no payment made in consideration therefor. The Company may elect in its sole discretion to waive the foregoing provision. The Optionee acknowledges and agrees that any waiver by the Company of a similar forfeiture provision with respect to any other award under the Plan held by the Optionee or any other award recipient shall not entitle the Optionee to such a waiver with respect to the Option.
  - (c) *Violation of Section 2 or Section 3 of Appendix A*. If, at any time prior to the date that all or any portion of the Option has been exercised, the Optionee engages in any activity that would violate Section 2 or Section 3 of Appendix A attached hereto (without regard to the temporal limitations set forth therein), the Option shall terminate immediately effective as of such date, with no payment made in consideration therefor.
  - (d) *Existence of Cause Prior To Termination of Employment*. If following the Optionee's Termination of Employment, the Company becomes aware of conduct or activity by the Optionee that occurred during the period of Optionee's employment with the Company that would have constituted Cause, then any portion of the Option, or any other award under the Plan held by the Optionee, that is unvested or unexercised (and any payments or benefits in respect thereto) shall be forfeited. The

determination of whether the Optionee has engaged in conduct or activity that would have constituted Cause had it been known by the Company prior to Termination of Employment shall be made by the Company in its sole discretion. The Company may elect in its sole discretion to waive the foregoing provision. The Optionee acknowledges and agrees that any waiver by the Company of a similar forfeiture provision with respect to any other award under the Plan held by the Optionee or any other optionee shall not entitle the Optionee to such a waiver with respect to the Option.

- (e) *Clawback Policy.* The Optionee acknowledges and agrees that the Option granted pursuant to this Agreement is subject to the Company's Clawback Policy, as it may be amended from time to time (the "Clawback Policy"). Subject to the terms of the Clawback Policy, the Optionee agrees that in the event a determination is made under the Clawback Policy that the Optionee engaged in fraud or willful misconduct that caused the need for a significant restatement of the Company's financial statements, (i) the Optionee shall repay to the Company the positive difference between the Fair Market Value of the Shares on the date of exercise and the Option Exercise Price or such other amount as determined to be repaid under the Clawback Policy, and (ii) any unexercised portion of the Option shall terminate immediately effective as of the date of such determination, with no payment made in consideration therefor.
  - (f) Any repayment obligations under this Section 8 shall be satisfied by the Optionee within thirty (30) days of the Company's provision of a written demand for repayment. In the event that the Optionee realizes a tax benefit in connection with any repayment under this Section 8, either through refund, credit, deduction or otherwise, the Optionee shall pay to the Company the amount of such tax benefit, as determined in good faith by the Company, and the amount of such tax benefit shall be treated as part of the repayment obligation under this Section 8. Any repayment obligation under this Section 8 may be satisfied in Shares or cash or a combination thereof (based upon the Fair Market Value of the Shares on the date of payment), and the Optionee acknowledges and agrees that the Company may, to the extent permitted by applicable law (including, without limitation, Section 409A of the Code), provide for an offset to any future payments owed by the Company or any Subsidiary or Affiliate to the Optionee, if necessary, to satisfy the repayment obligation. The Optionee agrees to execute such documents as may be necessary to effect the repayment obligations referred to in this Section 8.
  - (g) Any repayment obligation under this Section 8 shall be in addition to (i) any other remedies that may be available to the Company under applicable law, including disciplinary actions up to and including termination of employment; and (ii) any repayment or clawback requirements under applicable law or regulation, including, without limitation, under the Sarbanes-Oxley Act of 2002, as amended, the Securities Exchange Act of 1934, as amended or the Dodd-Frank Wall Street Reform and Consumer Protection Act.
9. Transferability. This Agreement is personal to Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or by the laws of descent and distribution, and is exercisable, during Optionee's lifetime, only by Optionee or his or her guardian or legal representative.
10. Miscellaneous.

- (a) *Incorporation by Reference.* The obligation of the Company to deliver any Shares upon exercise of all or any portion of Option under this Agreement is specifically subject to all provisions of the Plan and all applicable laws, rules, regulations and governmental and stockholder approvals.
- (b) *Acknowledgements.* The Optionee hereby acknowledges the following:
- (i) the Optionee is voluntarily accepting the grant of the Option;
  - (ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future awards of stock options or benefits in lieu of stock options, even if such stock options have been granted in the past;
  - (iii) the Option and any delivery of Shares pursuant to the exercise of the Option are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or welfare benefits or similar payments, and in no event should be considered as compensation for, or in any way relating to, past services to the Company or any of its Subsidiaries or Affiliates;
  - (iv) unless otherwise required by applicable law, the Optionee is solely responsible for investigating and complying with any exchange control laws applicable to the Optionee in connection with any delivery of Shares pursuant to the exercise of the Option, if any; and
  - (v) the Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Option. The Optionee is hereby advised to consult with the Optionee's personal tax, legal and financial advisors regarding the Option before taking any action in relation thereto.
- (c) *Amendments and Waivers.* This Agreement may be amended or modified at any time only by an instrument in writing signed by each of the parties hereto. The waiver by a party hereto of a breach by another party hereto of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach by such other party or as a waiver of any other or subsequent breach by such other party, except as otherwise explicitly provided for in the writing evidencing such waiver. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.
- (d) *Enforceability; Injunction.* The Company and the Optionee agree that in the event that any one or more of the terms and conditions set forth in this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining terms and conditions will not in any way be affected or impaired thereby. Moreover, if any one or more of the terms and conditions contained in this Agreement are held to be excessively broad as to duration, scope, activity or subject,

such terms and conditions will be construed by limiting and reducing them so as to be enforceable to the maximum extent compatible with applicable law. The Optionee acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Appendix A attached hereto would be inadequate and, in recognition of this fact, the Optionee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

- (e) *Binding Effect; Assignment; Third-Party Beneficiaries.* This Agreement shall apply to and bind the Optionee and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors. In addition, any Subsidiary or Affiliate to whom the Optionee has provided services shall be a third-party beneficiary of this Agreement and shall be entitled to enforce this Agreement. The Company shall be entitled to assign its rights and obligations hereunder to the extent permitted by the Plan.
- (f) *Headings.* The headings of sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions hereof.
- (g) *Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.*
  - (i) *Governing Law.* The validity and construction of this Agreement shall be governed by the laws of the State of New York (excluding any conflict of law, rule or principle of New York law that might refer the governance, construction or interpretation of this Agreement to the laws of another state).
  - (ii) *Submission to Jurisdiction.* Any litigation against any party to this Agreement arising out of or in any way relating to this Agreement shall be brought in any U.S. federal or state court located in the State of New York in New York County and each of the parties hereby submits to the exclusive jurisdiction of such courts for the purpose of any such litigation; provided, that a final judgment in any such litigation shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party irrevocably and unconditionally agrees not to assert (a) any objection which it may ever have to venue of any such litigation in any U.S. federal or state court located in the State of New York in New York County, (b) any claim that any such litigation brought in any such court has been brought in an inconvenient forum and (c) any claim that such court does not have jurisdiction with respect to such litigation.
  - (iii) *Waiver of Jury Trial.* Each party hereto irrevocably and unconditionally waives any right to a trial by jury with respect to any matters arising out of the Optionee's employment, termination of employment or any matter relating to the Optionee's compensation and benefits (including, without limitation, any compensation arising pursuant to the terms of this Agreement) and agrees that either of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained-for agreement among the parties irrevocably to waive its right to trial by jury in any litigation.

- (h) *Notices.* Any notice required or permitted to be given under the Agreement shall be in writing and shall be deemed to have been given when delivered personally or by courier, or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address indicated below or to such changed address as such party may subsequently by similar process give notice of:

If to the Company:

BlackRock, Inc.  
40 E. 52nd Street  
New York, New York 10022  
Attn: General Counsel

If to the Optionee:

To the last address delivered to the Company by the Optionee in the manner set forth herein.

- (i) *Data Privacy Consent.* By accepting this Grant, the Optionee hereby unconditionally consents to the collection, use and transfer, in electronic or other form, of the Optionee's personal data as described in this Agreement by and among, as applicable, the Optionee's employing entity and the Company and its Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing any awards issued to the Optionee under the Plan. The Optionee understands that the Company and the Optionee's employing entity hold certain personal information about the Optionee, including, but not limited to, the Optionee's name, home address, telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, details of any grant awarded, canceled, vested, unvested or outstanding in the Optionee's favor ("Data"), for the purpose of implementing, administering and managing any awards issued to the Optionee under the Plan. The Optionee understands that Data may be transferred to any third parties assisting in the implementation, administration and management of awards issued under the Plan, and the Plan, that these recipients may be located in the Optionee's country or elsewhere, and that such recipients' country may have different data privacy laws and protections from the Optionee's country. The Optionee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing any awards issued to the Optionee under the Plan. The Optionee understands the Data will be held only as long as is necessary to implement, administer and manage grants under the Plan. Further, the Optionee understands that the Optionee's consent herein is being provided on a purely voluntary basis.
- (j) *No Right to Continued Employment or Business Relationship.* This Agreement shall not confer upon the Optionee any right with respect to continued employment or a continued business relationship with the Company or any of its Subsidiaries or Affiliates, nor shall it interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate any such employment or relationship.
- (k) *Entire Agreement.* This Agreement and the Plan constitute the entire agreement among the parties relating to the subject matter hereof, and any previous agreement or understanding among the parties with respect thereto is superseded by this Agreement and the Plan.

- (l) *Counterparts.* This Agreement may be executed in two counterparts, each of which shall constitute one and the same instrument.

\* \* \* \* \*

**This Agreement is made under and subject to the provisions of the Plan, and all of the provisions of the Plan are hereby incorporated herein as provisions of this Agreement. If there is a conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan will govern.**



## APPENDIX A

### Optionee's Covenants and Acknowledgements

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

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

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

It is the policy of the Company and its Subsidiaries and Affiliates not to use or accept any confidential or proprietary information of third parties, including former employers of the Optionee. The Optionee shall not disclose such confidential or proprietary information of third parties to the Company or any of its Subsidiaries or Affiliates, their employees, agents, or independent contractors, or to any other third party, and shall not use such confidential or proprietary Information of third parties while employed by the Company or any of its Subsidiaries or Affiliates, unless the

Optionee has obtained and presented to the Company the appropriate authorizations for such use or disclosure from such third parties and has also obtained the Company's approval of such use or disclosure.

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

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

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

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

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

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

The Optionee agrees that the Company is the exclusive owner of any business-related ideas, products, materials, discoveries, inventions, computer programs, research, writing or other work products developed by the Optionee that are in the scope of, or otherwise related to the business of the Company or its Subsidiaries or Affiliates, or developed using equipment, resources, or trade secrets of the Company or its Subsidiaries or Affiliates ("Inventions"). The Optionee hereby transfers and assigns such Inventions to BlackRock and the Optionee shall whenever requested to do so by the Company, execute any and all applications, assignments, or other instruments that the Company

deems necessary to apply for and obtain patents or copyrights or other intellectual property protection in the United States or any other country or otherwise protect the Company's and its Subsidiaries' and Affiliates' interests therein. Such obligations shall continue beyond the Optionee's Termination of Employment with the Company with respect to Inventions developed, conceived or made by the Optionee during the term of the Optionee's employment with the Company or its Subsidiaries or Affiliates. Further, the Optionee agrees that such obligation will be binding on the Optionee's assigns, executors, administrators and other legal representatives.

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

For purposes of this Agreement, the terms:

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

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

4. *Non-Disparagement; No Conflicts.* The Optionee shall not at any time during or subsequent to the Optionee's employment with the Company or any of its Subsidiaries or Affiliates, criticize,

speaking ill of, disparaging or making false statements in respect of the Company, its Subsidiaries or Affiliates or any of their employees; provided, however, that the Optionee shall not be prohibited from making truthful statements about the Company or any of its Subsidiaries or Affiliates. The Optionee also shall not, during the course of employment with the Company or any of its Subsidiaries or Affiliates take any action which conflicts with (or appears to conflict with) the Company's or any of its Subsidiaries or Affiliates' business interests except if ordered to do so by a court or government agency.

\* \* \* \* \*

**ACCEPTED AND AGREED BY:**

**OPTIONEE**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Address

**BLACKROCK, INC.**

By: \_\_\_\_\_

Name: Laurence D. Fink

Title: Chairman and Chief Executive Officer

**RATIO OF EARNINGS TO FIXED CHARGES**  
(UNAUDITED)

<i>(in millions)</i>	Three Months Ended March 31,	Year ended December 31,				
	2018	2017 <sup>(4)</sup>	2016 <sup>(4)</sup>	2015 <sup>(4)</sup>	2014 <sup>(4)</sup>	2013 <sup>(4)</sup>
Income before income taxes	\$ 1,359	\$ 5,259	\$ 4,455	\$ 4,602	\$ 4,395	\$ 3,973
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	5	37	(2)	7	(30)	19
Pre-tax income attributable to BlackRock, Inc.	1,354	5,222	4,457	4,595	4,425	3,954
Add: Fixed charges	60	247	253	261	254	258
Distributions of earnings from equity method investees	10	35	31	41	57	80
Less: (Losses) earnings from equity method investees	33	122	113	91	158	158
Pre-tax income before fixed charges	<u>\$ 1,391</u>	<u>\$ 5,382</u>	<u>\$ 4,628</u>	<u>\$ 4,806</u>	<u>\$ 4,578</u>	<u>\$ 4,134</u>
Fixed charges:						
Interest expense	\$ 46	\$ 191	\$ 205	\$ 204	\$ 232	\$ 211
Interest expense on uncertain tax positions <sup>(2)</sup>	3	12	3	12	(22)	3
Portion of rent representative of interest <sup>(3)</sup>	11	44	45	45	44	44
Total fixed charges	<u>\$ 60</u>	<u>\$ 247</u>	<u>\$ 253</u>	<u>\$ 261</u>	<u>\$ 254</u>	<u>\$ 258</u>
Ratio of earnings to fixed charges	<u>23.2x</u>	<u>21.8x</u>	<u>18.3x</u>	<u>18.4x</u>	<u>18.0x</u>	<u>16.0x</u>

<sup>(1)</sup> Amount includes redeemable and nonredeemable noncontrolling interests.

<sup>(2)</sup> Interest expense on uncertain tax positions has been recorded within income tax expense on the consolidated statements of income.

<sup>(3)</sup> The portion of rent representative of interest is calculated as one third of the total rent expense.

<sup>(4)</sup> BlackRock, Inc. adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") effective January 1, 2018. Financial results for 2017 and 2016 were recast to reflect the adoption of ASU 2014-09. Financial results for 2015, 2014 and 2013 reflect accounting guidance prior to ASU 2014-09.

**CEO CERTIFICATION**

I, Laurence D. Fink, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2018 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2018

By: /s/ Laurence D. Fink

Laurence D. Fink  
Chairman & Chief Executive Officer

**CFO CERTIFICATION**

I, Gary S. Shedlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2018 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2018

By: /s/ Gary S. Shedlin

Gary S. Shedlin

Senior Managing Director & Chief Financial Officer



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

In connection with the Quarterly Report on Form 10-Q of BlackRock, Inc. (the "Company") for the quarterly period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Laurence D. Fink, as Chief Executive Officer of the Company, and Gary S. Shedlin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Laurence D. Fink

Name: Laurence D. Fink  
Title: Chairman & Chief Executive Officer  
Date: May 9, 2018

/s/ Gary S. Shedlin

Name: Gary S. Shedlin  
Title: Senior Managing Director & Chief Financial Officer  
Date: May 9, 2018