BlackRock Inc.
Form 10-Q
November 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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, 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 or, a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of October 31, 2011, there were 139,050,009 shares of the registrant s common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(Dollar amounts in millions, except share data)

(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 2,983	$ 3,367
Accounts receivable	2,073	2,095
Due from related parties	145	150
Investments	1,525	1,540
Assets of consolidated variable interest entities		
Cash and cash equivalents	70	93
Bank loans and other investments	1,638	1,312
Separate account assets	115,265	121,137
Collateral held under securities lending agreements	19,317	17,638
Deferred sales commissions, net	45	66
Property and equipment (net of accumulated depreciation of $518 and $426 at September 30, 2011 and December 31, 2010, respectively)	545	428
Intangible assets (net of accumulated amortization of $712 and $615 at September 30, 2011 and December 31, 2010, respectively)	17,395	17,512
Goodwill	12,797	12,805
Other assets	484	316
Total assets	$ 174,282	$ 178,459
Liabilities		
Accrued compensation and benefits	$ 1,105	$ 1,520
Accounts payable and accrued liabilities	1,171	1,068
Due to related parties	23	57
Short-term borrowings	100	100
Liabilities of consolidated variable interest entities		
Borrowings	1,586	1,278
Other liabilities	7	7
Convertible debentures		67
Long-term borrowings	4,690	3,192
Separate account liabilities	115,265	121,137
Collateral liabilities under securities lending agreements	19,317	17,638
Deferred income tax liabilities	5,366	5,477
Other liabilities	713	584
Total liabilities	149,343	152,125

Commitments and contingencies (Note 11)		
Temporary equity		
Redeemable non-controlling interests	1	6

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BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition (continued)

(Dollar amounts in millions, except share data)

(unaudited)

	September 30, 2011	December 31, 2010
Permanent Equity		
BlackRock, Inc. stockholders equity		
Common stock, $0.01 par value;	1	1
Shares authorized: 500,000,000 at September 30, 2011 and December 31, 2010;		
Shares issued: 139,880,380 and 131,923,624 at September 30, 2011 and December 31, 2010, respectively;		
Shares outstanding: 139,015,436 and 131,216,561 at September 30, 2011 and December 31, 2010, respectively		
Preferred stock (Note 14)		1
Additional paid-in capital	20,150	22,502
Retained earnings	4,736	3,723
Appropriated retained earnings	79	75
Accumulated other comprehensive loss	(110)	(96)
Escrow shares, common, at cost (3,603 shares held at September 30, 2011 and December 31, 2010)	(1)	(1)
Treasury stock, common, at cost (861,341 and 703,460 shares held at September 30, 2011 and December 31, 2010, respectively)	(128)	(111)
Total BlackRock, Inc. stockholders equity	24,727	26,094
Nonredeemable non-controlling interests	175	189
Nonredeemable non-controlling interests of consolidated variable interest entities	36	45
Total permanent equity	24,938	26,328
Total liabilities, temporary equity and permanent equity	$ 174,282	$ 178,459

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Income

(Dollar amounts in millions, except per share data)

(unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	$ 1,320	$ 1,217	$ 4,075	$ 3,529
Other third parties	629	577	1,958	1,810
Investment advisory, administration fees and securities lending revenue	1,949	1,794	6,033	5,339
Investment advisory performance fees	91	114	224	214
BlackRock Solutions and advisory	117	101	361	328
Distribution fees	23	29	78	89
Other revenue	45	54	158	149
Total revenue	2,225	2,092	6,854	6,119
Expenses				
Employee compensation and benefits	771	774	2,425	2,256
Distribution and servicing costs				
Related parties	1	67	3	194
Other third parties	89	38	296	108
Amortization of deferred sales commissions	20	26	63	79
Direct fund expenses	139	124	435	359
General and administration	389	316	1,074	945
Amortization of intangible assets	39	40	117	120
Total expenses	1,448	1,385	4,413	4,061
Operating income	777	707	2,441	2,058
Non-operating income (expense)				
Net gain (loss) on investments	(59)	93	18	117
Net gain (loss) on consolidated variable interest entities	(16)	12	(36)	(16)
Interest and dividend income	12	10	25	19
Interest expense	(49)	(37)	(128)	(115)
Total non-operating income (expense)	(112)	78	(121)	5
Income before income taxes	665	785	2,320	2,063
Income tax expense	95	201	564	662
Net income	570	584	1,756	1,401
Less:				
Net income (loss) attributable to redeemable non-controlling interests				2

Net income (loss) attributable to nonredeemable non-controlling interests		(25)		33		(26)		(7)
Net income attributable to BlackRock, Inc.	$	595	$	551	$	1,782	$	1,406
Earnings per share attributable to BlackRock, Inc. common stockholders:								
Basic	$	3.28	$	2.85	$	9.46	$	7.28
Diluted	$	3.23	$	2.83	$	9.33	$	7.21
Cash dividends declared and paid per share	$	1.375	$	1.00	$	4.125	$	3.00
Weighted-average common shares outstanding:								
Basic		179,034,837		190,494,905		186,187,318		190,385,046
Diluted		181,825,329		192,326,841		188,792,952		192,280,679

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Dollar amounts in millions)

(unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income	$ 570	$ 584	$ 1,756	$ 1,401
Other comprehensive income:				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:				
Unrealized holding gains (losses), net of tax	(5)	1	(6)	4
Less: reclassification adjustment included in net income	(2)			2
Net change from available-for-sale investments, net of tax[1]	(3)	1	(6)	2
Minimum pension liability adjustment		1		
Foreign currency translation adjustments	(67)	89	(8)	(1)
Other comprehensive income (loss)	(70)	91	(14)	1
Comprehensive income	500	675	1,742	1,402
Less: Comprehensive income (loss) attributable to non-controlling interests	(25)	33	(26)	(5)
Comprehensive income attributable to BlackRock, Inc.	$ 525	$ 642	$ 1,768	$ 1,407

(1) The tax benefit (expense) on unrealized holding gains (losses) was $2 million and ($1) million during the three months ended September 30, 2011 and 2010, respectively, and $3 million and ($2) million during the nine months ended September 30, 2011 and 2010, respectively.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(Dollar amounts in millions)

(unaudited)

	Additional Paid-in Capital (1)	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Nonredeemable Non-controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non-controlling Interests / Temporary Equity
December 31, 2010	$ 22,504	$ 3,723	$ 75	($ 96)	($ 1)	($ 111)	$ 26,094	$ 189	$ 45	$ 26,328	$ 6
Net income		1,782					1,782	10	(36)	1,756	
Consolidation of a collateralized loan obligation(2)			41				41			41	
Allocation of losses of consolidated collateralized loan obligations			(37)				(37)		37		
Dividends paid, net of dividend expense for unvested RSUs		(769)					(769)			(769)	
Stock-based compensation	373					2	375			375	
PNC preferred stock capital contribution	200						200			200	
Retirement of preferred stock	(200)						(200)			(200)	
Merrill Lynch cash capital contribution	8						8			8	
Issuance of common shares related to employee stock transactions	(202)					217	15			15	
Employee tax withholdings related to employee stock transactions						(237)	(237)			(237)	
Shares repurchased	(2,545)						(2,545)			(2,545)	
Convertible debt conversions	4					1	5			5	
Net tax benefit (shortfall) from stock-based compensation	9						9			9	
Subscriptions (redemptions/ distributions)- non-controlling interest holders								(24)	(10)	(34)	7
Net consolidations (deconsolidations) of sponsored investment funds											(12)
Foreign currency translation adjustments				(8)			(8)			(8)	
Change in net unrealized gain (loss) from available-for-sale investments, net of tax				(6)			(6)			(6)	
September 30, 2011	$ 20,151	$ 4,736	$ 79	($ 110)	($ 1)	($ 128)	$ 24,727	$ 175	$ 36	$ 24,938	$ 1

(1) Includes $1 million of common stock at both September 30, 2011 and December 31, 2010 and $1 million of preferred stock at December 31, 2010.

(2) Consolidated during the three months ended September 30, 2011.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(Dollar amounts in millions)

(unaudited)

	Additional Paid-in Capital [1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Nonredeemable Non-controlling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Non-controlling Interests / Temporary Equity
December 31, 2009	$ 22,129	$ 2,436	$	($ 96)	($ 137)	($ 3)	$ 24,329	$ 224	$	$ 24,553	$ 49
January 1, 2010 initial recognition of ASU 2009-17			114				114	(49)	49	114	
Net income		1,406					1,406	11	(18)	1,399	2
Allocation of losses of consolidated collateralized loan obligations			(20)				(20)		20		
Dividends paid, net of dividend expense for unvested RSUs		(582)					(582)			(582)	
Stock-based compensation	334					1	335			335	
PNC preferred stock capital contribution	5						5			5	
Merrill Lynch cash capital contribution	10						10			10	
Exchange of common stock for preferred shares series B	128					(128)					
Net issuance of common shares related to employee stock transactions	(194)					(60)	(254)			(254)	
Convertible debt conversions, net of tax	(53)					66	13			13	
Net tax benefit (shortfall) from stock-based compensation	43						43			43	
Subscriptions/ (redemptions/ distributions) - non-controlling interest holders								(4)	(5)	(9)	97
Net consolidations (deconsolidations) of sponsored investment funds											(94)
Other changes in non-controlling interests								(2)		(2)	
Foreign currency translation adjustments				(1)			(1)			(1)	
Change in net unrealized gains (losses) from available-for-sale investments, net of tax				2			2			2	

September 30, 2010	$ 22,402	$ 3,260	$ 94	($ 95)	($ 137)	($ 124)	$ 25,400	$ 180	$ 46	$ 25,626	$ 54

(1) Includes $1 million of common stock and $1 million of preferred stock at both September 30, 2010 and December 31, 2009.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(Dollar amounts in millions)

(unaudited)

	Nine Months Ended September 30,	
	2011	**2010**
Cash flows from operating activities		
Net income	$ 1,756	$ 1,401
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	222	231
Amortization of deferred sales commissions	63	79
Stock-based compensation	375	335
Deferred income tax expense (benefit)	(108)	42
Net (gains) losses on non-trading investments	(17)	(34)
Purchases of investments within consolidated funds	(8)	(13)
Proceeds from sales and maturities of investments within consolidated funds	41	23
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	38	(43)
Net (gains) losses within consolidated VIEs	36	16
Net (purchases) proceeds within consolidated VIEs	44	41
(Earnings) losses from equity method investees	(13)	(104)
Distributions of earnings from equity method investees	26	11
Changes in operating assets and liabilities:		
Accounts receivable	6	(334)
Due from related parties	(9)	13
Deferred sales commissions	(42)	(51)
Investments, trading	(31)	(139)
Other assets	(156)	162
Accrued compensation and benefits	(420)	(329)
Accounts payable and accrued liabilities	90	391
Due to related parties	(34)	(339)
Other liabilities	94	56
Cash flows from operating activities	1,953	1,415
Cash flows from investing activities		
Purchases of investments	(142)	(522)
Proceeds from sales and maturities of investments	142	131
Distributions of capital from equity method investees	32	39
Net consolidations (deconsolidations) of sponsored investment funds		(17)
Acquisitions, net of cash acquired		(16)
Purchases of property and equipment	(218)	(96)
Other		1
Cash flows from investing activities	(186)	(480)

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BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows (continued)

(Dollar amounts in millions)

(unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from financing activities		
Repayments of short-term borrowings	(600)	(2,134)
Proceeds from short-term borrowings	600	
Repayments of convertible debt	(67)	(176)
Proceeds from long-term borrowings	1,496	
Cash dividends paid	(769)	(582)
Proceeds from stock options exercised	13	7
Proceeds from issuance of common stock	3	4
Repurchases of common stock	(2,783)	(264)
Merrill Lynch cash capital contribution	8	10
Repayments of borrowings by consolidated VIEs	(72)	
Net (redemptions/distributions paid) subscriptions received from non-controlling interests holders	(27)	88
Excess tax benefit from stock-based compensation	23	43
Cash flows from financing activities	(2,175)	(3,004)
Effect of exchange rate changes on cash and cash equivalents	24	(3)
Net increase (decrease) in cash and cash equivalents	(384)	(2,072)
Cash and cash equivalents, beginning of period	3,367	4,708
Cash and cash equivalents, end of period	$ 2,983	$ 2,636
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 98	$ 98
Interest on borrowings of consolidated VIEs	$ 43	$ 38
Income taxes	$ 819	$ 355
Supplemental schedule of non-cash investing and financing transactions:		
Issuance of common stock	$ 207	$ 257
Increase (decrease) in borrowings due to consolidation of VIEs	$ 390	$ 1,157
PNC preferred stock capital contribution	$ 200	$ 5

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

On June 1, 2011, BlackRock completed its repurchase of Bank of America Corporation s (Bank of America) remaining ownership interest of 13,562,878 Series B Convertible Preferred Shares for $2.545 billion, or $187.65 per share.

On September 30, 2011, equity ownership of BlackRock was as follows:

	Voting Common Stock	Capital Stock[(1)]
The PNC Financial Services Group, Inc. (PNC)	23.9%	21.0%
Barclays Bank PLC (Barclays)	2.2%	19.7%
Other	73.9%	59.3%
	100.0%	100.0%

(1) Includes outstanding common and non-voting preferred stock.

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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. Non-controlling interests on the condensed consolidated statements of financial condition include the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Significant accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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 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, 2010, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2011.

The interim financial information at September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 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.

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

Fair Value Measurements**.** Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), requires among other things, disclosures about assets and liabilities that are measured and reported at fair value.

Hierarchy of Fair Value Inputs. The provisions of ASC 820-10 establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide disclosure regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending balances separately for each major class of assets and liabilities and disclosures with regards to significant transfers into and out of Levels 1 and 2.

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

Level 1 Inputs**:**

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

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

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2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2 Inputs:

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

Level 2 assets in this category may include debt securities, bank loans, short-term floating rate notes and asset-backed securities, securities held within consolidated hedge funds and certain equity method limited partnership interests in hedge funds valued based on NAV where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include non-binding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Certain investments that are valued using a NAV and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3.

Level 3 assets in this category may include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, and funds of hedge funds, direct private equity investments held within consolidated funds and bank loans.

Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices. The various partnerships are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals, from third party sources. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

Level 3 liabilities included in this category include borrowings of consolidated collateralized loan obligations valued based upon non-binding single broker quotes.

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.

Fair Value Option. ASC 825-10, *Financial Instruments* (ASC 825-10), provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis, must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

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2. Significant Accounting Policies (continued)

Disclosure of Fair Value. The disclosure requirements within ASC 825-10 require disclosure of estimated fair values of certain financial instruments, both on and off the consolidated statements of financial condition. For financial instruments recognized at fair value in the statement of consolidated financial condition, the disclosure requirements of ASC 820-10 also apply.

The methods and assumptions for assets and liabilities measured at fair value, including those on a non-recurring basis, are set forth below:

Cash and cash equivalents are carried at either cost or amortized cost which approximates fair value due to their short term maturities. Money market funds are valued through the use of quoted market prices, or $1.00, which generally is the NAV.

The carrying amounts of receivables, accounts payable and accrued liabilities approximate fair value due to their short maturities.

The fair value of marketable investments is based on quoted market prices or broker quotes. If investments are not readily marketable, fair values primarily are determined based on NAVs (or capital accounts) of investments in limited partnerships/limited liability companies or by the Company based on management s assumptions or estimates, taking into consideration financial information of the investment, the industry of the investment, market indices or valuation services from third party service providers. At September 30, 2011, with the exception of certain equity and cost method investments and carried interest investments that are not accounted for under a fair value measure, the carrying value of investments approximated fair value. See Note 5, Fair Value Disclosures, for further discussion.

Long-term borrowings are recorded at amortized amounts. See Note 10, Borrowings, for the fair value of the Company s long-term borrowings.

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

As a result of the Company s ability to resell or re-pledge the collateral, the Company records on its condensed consolidated statements of financial condition the collateral received under these arrangements (both cash and non-cash) as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. At September 30, 2011, the fair value of loaned securities held as separate account assets was approximately $18.3 billion and the collateral held under these securities lending agreements was approximately $19.3 billion. During the nine months ended September 30, 2011 and 2010, the Company had not sold or repledged any of the collateral received under these arrangements.

Appropriated Retained Earnings. Upon adoption of Accounting Standards Update (ASU) 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17), on January 1, 2010, BlackRock consolidated three collateralized loan obligations (CLOs) and recorded a cumulative effect adjustment to appropriated retained earnings on the condensed consolidated statement of financial condition equal to the difference between the fair value of the CLOs assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders, not BlackRock, ultimately will receive the benefits or absorb the losses associated with the CLOs assets and liabilities. The net change in the fair value of the CLOs assets and liabilities has been recorded as net income (loss) attributable to nonredeemable non-controlling interests and as an adjustment to appropriated retained earnings. In addition, as of September 30, 2011 BlackRock consolidated one additional CLO, resulting in $41 million of additional appropriated retained earnings.

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3. Investments

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

(Dollar amounts in millions)	September 30, 2011	December 31, 2010
Available-for-sale investments	$ 48	$ 45
Held-to-maturity investments	94	100
Trading investments:		
Consolidated sponsored investment funds	92	60
Other equity securities	3	22
Deferred compensation plan mutual funds	46	49
Total trading investments	141	131
Other investments:		
Consolidated sponsored investment funds	347	337
Equity method investments	492	556
Deferred compensation plan hedge fund equity method investments	22	27
Carried interest	44	13
Cost method investments	337	331
Total other investments	1,242	1,264
Total investments	$ 1,525	$ 1,540

At September 30, 2011, the Company consolidated $439 million of investments held by consolidated sponsored investment funds (non-VIEs) of which $92 million and $347 million were classified as trading investments and other investments, respectively.

At December 31, 2010, the Company consolidated $397 million of investments held by consolidated sponsored investment funds (non-VIEs) of which $60 million and $337 million were classified as trading investments and other investments, respectively.

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3. Investments (continued)

Available-for-Sale Investments

A summary of the cost and carrying value of available-for-sale investments is as follows:

(Dollar amounts in millions)

September 30, 2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available-for-sale investments:				
Equity securities:				
Sponsored investment funds	$ 51	$ 1	($ 6)	$ 46
Collateralized debt obligations (CDOs)	1			1
Debt securities:				
Asset-backed debt	1			1
Total available-for-sale investments	$ 53	$ 1	($ 6)	$ 48

December 31, 2010	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available-for-sale investments:				
Equity securities:				
Sponsored investment funds	$ 33	$ 4	($ 1)	$ 36
CDOs	2			2
Debt securities:				
Mortgage debt	4	2		6
Asset-backed debt	1			1
Total available-for-sale investments	$ 40	$ 6	($ 1)	$ 45

Available-for-sale investments include seed investments in BlackRock sponsored investment funds and debt securities received upon closure of certain funds in lieu of the Company s remaining investment in the funds.

Held-to-Maturity Investments

A summary of the carrying value of held-to-maturity investments is as follows:

(Dollar amounts in millions)	Carrying Value September 30, 2011	Carrying Value December 31, 2010
Foreign government debt	$ 94	$ 100

Held-to-maturity investments include debt instruments held for regulatory purposes. The amortized cost (the carrying value) of these investments approximates fair value.

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3. Investments (continued)

Held-to-Maturity Investments (continued)

The fair values of debt securities classified as held-to-maturity at September 30, 2011 by maturity date were as follows:

(Dollar amounts in millions)	1 Year or less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
	$ 88	$	$	$ 6	$ 94

Trading Investments

A summary of the cost and carrying value of trading investments is as follows:

	September 30, 2011		December 31, 2010	
(Dollar amounts in millions)	Cost	Carrying Value	Cost	Carrying Value
Deferred compensation plan mutual funds	$ 45	$ 46	$ 45	$ 49
Equity securities	77	65	37	45
Debt securities:				
Municipal debt		1	10	10
Corporate debt	38	29	25	27
Total trading investments	$ 160	$ 141	$ 117	$ 131

At September 30, 2011, trading investments included $62 million of equity securities and $30 million of debt securities held by consolidated sponsored investment funds, $46 million of certain deferred compensation plan mutual fund investments and $3 million of equity securities held in separate investment accounts for the purpose of establishing an investment history in various investment strategies before being marketed to investors.

Other Investments

A summary of the cost and carrying value of other investments is as follows:

	September 30, 2011		December 31, 2010	
(Dollar amounts in millions)	Cost	Carrying Value	Cost	Carrying Value
Consolidated sponsored investment funds	$ 334	$ 347	$ 319	$ 337
Equity method	520	492	569	556
Deferred compensation plan hedge fund equity method investments	17	22	20	27
Carried interest		44		13
Cost method investments:				
Federal Reserve Bank stock	327	327	325	325
Other	10	10	6	6

Total cost method investments	337	337	331	331
Total other investments	$ 1,208	$ 1,242	$ 1,239	$ 1,264

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3. Investments (continued)

Other Investments (continued)

Consolidated sponsored investment funds include investments in third-party private equity funds, direct investments in private companies and third-party hedge funds held by BlackRock sponsored investment funds.

Equity method investments include BlackRock s direct investments in BlackRock sponsored investment products.

Carried interest represents allocations to BlackRock general partner capital accounts for certain funds. These balances are subject to change upon cash distributions, additional allocations, or reallocations back to limited partners within the respective funds.

Cost method investments include non-marketable securities, including $327 million of Federal Reserve Bank stock at September 30, 2011, which is held for regulatory purposes and is restricted from sale. As of September 30, 2011, there were no indicators of impairments on these investments.

4. Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such funds in accordance with GAAP. The investments owned by these consolidated sponsored investment funds are classified as other investments or trading investments. The following table presents the balances related to these consolidated funds that were included on the condensed consolidated statements of financial condition as well as BlackRock s net interest in these funds:

(Dollar amounts in millions)	September 30, 2011	December 31, 2010
Cash and cash equivalents	$ 67	$ 65
Investments:		
Trading investments	92	60
Other investments	347	337
Other assets	12	3
Other liabilities	(24)	(10)
Non-controlling interests	(176)	(195)
BlackRock s net interests in consolidated investment funds	$ 318	$ 260

BlackRock s total exposure to consolidated sponsored investment funds of $318 million and $260 million at September 30, 2011 and December 31, 2010, respectively, represents the value of the Company s economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in non-operating income (expense) and partially offset in net income (loss) attributable to non-controlling interests for the portion not attributable to BlackRock.

In addition, at September 30, 2011 and December 31, 2010, four and three consolidated CLOs, respectively, and one other consolidated sponsored investment fund which were deemed to be variable interest entities (VIEs), were excluded from the balances in the table above as the balances for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, Variable Interest Entities, for further discussion on these consolidated products.

The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in its operations.

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5. Fair Value Disclosures

Fair Value Hierarchy

Total assets measured at fair value on a recurring basis of $136.6 billion at September 30, 2011 were as follows:

(Dollar amounts in millions)	Assets measured at fair value Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value[1]	September 30, 2011
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 46	$	$ 1	$	$ 47
Debt securities		1			1
Total available-for-sale	46	1	1		48
Held-to-maturity:					
Debt securities				94	94
Trading:					
Deferred compensation plan mutual funds	46				46
Equity securities	62	3			65
Debt securities		30			30
Total trading	108	33			141
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of hedge funds		25	14		39
Private / public equity	14		294		308
Total consolidated sponsored investment funds	14	25	308		347
Equity method:					
Hedge funds / Funds of hedge funds		39	192	20	251
Private equity investments			81	20	101
Real estate funds		19	55	19	93
Fixed income mutual funds	41				41
Equity / Multi-asset class mutual funds	6				6
Total equity method	47	58	328	59	492
Deferred compensation plan hedge fund equity method investments		22			22
Carried interest				44	44
Cost method investments				337	337
Total investments	215	139	637	534	1,525
Separate account assets:					
Equity securities	70,348		1		70,349
Debt securities		39,415	8		39,423
Derivatives		2,440			2,440
Money market funds	2,478				2,478
Other				575	575

Total separate account assets	72,826	41,855	9	575	115,265
Collateral held under securities lending agreements:					
Equity securities	10,105				10,105
Debt securities		9,212			9,212
Total collateral held under securities lending agreements	10,105	9,212			19,317
Other assets[2]		11			11
Assets of consolidated VIEs:					
Bank loans		1,395	72		1,467
Bonds		135			135
Private / public equity	3	4	29		36
Total assets of consolidated VIEs	3	1,534	101		1,638
Total	**$ 83,149**	**$ 52,751**	**$ 747**	**$ 1,109**	**$ 137,756**

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

(2) Amount includes company-owned and split-dollar life insurance policies.

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5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Liabilities measured at fair value on a recurring basis at September 30, 2011 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	September 30, 2011
Liabilities:				
Borrowings of consolidated VIEs	$	$	$ 1,586	$ 1,586
Collateral liabilities under securities lending agreements	10,105	9,212		19,317
Other liabilities[1]		3		3
Total liabilities measured at fair value	**$ 10,105**	**$ 9,215**	**$ 1,586**	**$ 20,906**

(1) Amount includes credit default swap (Pillars) recorded within other liabilities on the condensed consolidated statement of financial condition. See Note 7, Derivatives and Hedging, for more information.

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5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Total assets measured at fair value on a recurring basis of $140.5 billion at December 31, 2010 were as follows:

(Dollar amounts in millions)	Assets measured at fair value Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value(1)	December 31, 2010
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 36	$	$ 2	$	$ 38
Debt securities		7			7
Total available-for-sale	36	7	2		45
Held-to-maturity:					
Debt securities				100	100
Trading:					
Deferred compensation plan mutual funds	49				49
Equity securities	36	9			45
Debt securities		37			37
Total trading	85	46			131
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds		1	19		20
Private / public equity	18		299		317
Total consolidated sponsored investment funds	18	1	318		337
Equity method:					
Hedge funds / Funds of hedge funds		44	226	34	304
Private equity investments			68	20	88
Real estate funds		8	36	10	54
Fixed income mutual funds	103				103
Equity / Multi-asset class mutual funds	7				7
Total equity method	110	52	330	64	556
Deferred compensation plan hedge fund equity method investments		27			27
Carried interest				13	13
Cost method investments				331	331
Total investments	249	133	650	508	1,540
Separate account assets:					

Equity securities	79,727	3	4		79,734
Debt securities		36,415	170		36,585
Derivatives	1	1,598			1,599
Money market funds	2,549				2,549
Other				670	670
Total separate account assets	82,277	38,016	174	670	121,137
Collateral held under securities lending agreements:					
Equity securities	15,237				15,237
Debt securities		2,401			2,401
Total collateral held under securities lending agreements	15,237	2,401			17,638
Other assets[2]		11			11
Assets of consolidated VIEs:					
Bank loans		1,130	32		1,162
Bonds		113			113
Private / public equity	4	3	30		37
Total assets of consolidated VIEs	4	1,246	62		1,312
Total assets measured at fair value	$ 97,767	$ 41,807	$ 886	$ 1,178	$ 141,638

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

(2) Amount includes company-owned and split-dollar life insurance policies.

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5. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Liabilities measured at fair value on a recurring basis at December 31, 2010 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2010
Liabilities:				
Borrowings of consolidated VIEs	$	$	$ 1,278	$ 1,278
Collateral liabilities under securities lending agreements	15,237	2,401		17,638
Other liabilities[1]		3		3
Total liabilities measured at fair value	**$ 15,237**	**$ 2,404**	**$ 1,278**	**$ 18,919**

(1) Amount includes credit default swap (Pillars) recorded within other liabilities on the condensed consolidated statement of financial condition.

Separate Account Assets. BlackRock Pensions Limited and BlackRock Asset Management Pensions Limited, both wholly owned subsidiaries of the Company, are registered life insurance companies in the United Kingdom that maintain separate account assets, representing segregated funds held for purposes of funding individual and group pension contracts, and equal and offsetting separate account non-financial liabilities. The net investment income attributable to separate account assets accrue directly to the contract owners and are not reported on the Company s condensed consolidated statements of income.

Money Market Funds within Cash and Cash Equivalents. At September 30, 2011 and December 31, 2010, approximately $79 million and $87 million, respectively, of money market funds were recorded within cash and cash equivalents on the Company s condensed consolidated statements of financial condition. Money market funds are valued through the use of quoted market prices (a Level 1 input), or $1.00, which generally is the net asset value of the fund.

Level 3 Assets. Level 3 assets recorded within investments, which include equity method investments and consolidated investments of real estate funds, private equity funds and funds of private equity funds, are valued based upon valuations, including capital accounts, received from internal as well as third party fund managers. Fair valuations of the underlying funds are based on a combination of methods, which may include third-party independent appraisals and discounted cash flow techniques. Direct investments in private equity companies held by funds of private equity funds are 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 and market indices, among other factors.

Level 3 assets recorded within separate account assets include single broker non-binding quotes for fixed income securities and equity securities which have unobservable inputs due to certain corporate actions.

Level 3 assets of consolidated VIEs include bank loans valued based on single broker non-binding quotes and direct private equity investments and private equity funds valued based upon valuations received from internal as well as third party fund managers, which may be adjusted by using the returns of certain market indices.

Level 3 Liabilities. Level 3 liabilities recorded as borrowings of consolidated VIEs include CLO borrowings valued based upon single broker non-binding quotes.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2011

(Dollar amounts in millions)	June 30, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2011	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$ 2	($ 1)	$	$	$	$	$	$ 1	($ 1)
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	17	(2)			(1)			14	(1)
Private equity	312	(7)		(10)	(1)			294	(10)
Equity method:									
Hedge funds / Funds of hedge funds	211	(19)						192	(20)
Private equity investments	77	3	1					81	2
Real estate funds	48	3	5		(1)			55	3
Total Level 3 investments	667	(23)	6	(10)	(3)			637	(27)
Separate account assets:									
Equity securities	4	(1)	1	(3)				1	
Debt securities	10	(1)		(1)				8	
Total Level 3 separate account assets	14	(2)	1	(4)				9	n/a[3]
Assets of consolidated VIEs:									
Bank loans	41	(2)	5		16	23	(11)	72	
Private equity	29							29	
Total Level 3 assets of consolidated VIEs	70	(2)	5		16	23	(11)	101	n/a[4]
Total Level 3 assets	$ 751	($ 27)	$ 12	($ 14)	$ 13	$ 23	($ 11)	$ 747	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,292	$ 38	$	$	$ 332	$	$	$ 1,586	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

(3) The net investment income attributable to separate account assets accrues directly to the contract owners and are not reported on the Company s condensed consolidated statements of income.

(4) The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2011

(Dollar amounts in millions)	December 31, 2010	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2011	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (funds and CDOs)	$ 2	$	$	$	($ 1)	$	$	$ 1	$
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	19	(1)		(2)	(1)		(1)	14	
Private equity	299	23	8	(38)		2		294	20
Equity method:									
Hedge funds / Funds of hedge funds	226	(7)	5	(1)	(31)			192	(7)
Private equity investments	68	10	4		(1)			81	10
Real estate funds	36	5	17		(3)			55	5
Total Level 3 investments	650	30	34	(41)	(37)	2	(1)	637	28
Separate account assets:									
Equity securities	4	1	8	(41)		38	(9)	1	
Debt securities	170	(3)	96	(168)			(87)	8	
Total Level 3 separate account assets	174	(2)	104	(209)		38	(96)	9	n/a[3]
Assets of consolidated VIEs:									
Bank loans	32	(4)	25	(16)	16	46	(27)	72	
Private equity	30	3		(4)				29	
Total Level 3 assets of consolidated VIEs	62	(1)	25	(20)	16	46	(27)	101	n/a[4]
Total Level 3 assets	$ 886	$ 27	$ 163	($ 270)	($ 21)	$ 86	($ 124)	$ 747	
Liabilities:									
Borrowings of consolidated VIEs	$ 1,278	$ 10	$	$	$ 318	$	$	$ 1,586	n/a[4]

n/a not applicable

(1) Amount includes distributions from equity method investees, repayments of borrowings of consolidated VIEs, and loans and borrowings related to the consolidation of one additional CLO.

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

(3) The net investment income attributable to separate account assets accrues directly to the contract owners and are not reported on the Company s condensed consolidated statements of income.

(4) The net gain (loss) on consolidated VIEs is solely attributable to non-controlling interests on the Company s condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2010

(Dollar amounts in millions)	June 30, 2010	Realized and unrealized gains (losses), net	Purchases, sales, other settlements and issuances, net	Net transfers in and/or out of Level 3	September 30, 2010	Total net gains (losses) included in earnings[1]
Assets:						
Investments:						
Consolidated sponsored investment funds:						
Hedge funds / Funds of hedge funds	$ 23	$	($ 1)	$	$ 22	$
Private equity	259	38	(5)	(2)	290	38
Equity method:						
Hedge funds / Funds of hedge funds	261	16	(7)		270	18
Private equity investments	56	1	3		60	1
Real estate funds	48	10	1		59	10
Deferred compensation plan hedge funds	18	(1)			17	
Total Level 3 investments	665	64	(9)	(2)	718	67
Separate account assets:						
Equity	7	37	34	2	80	
Fixed income	1,448	(4)	(21)		1,423	
Total Level 3 separate account assets	1,455	33	13	2	1,503	n/a[2]
Other assets[3]	24	2			26	2
Private equity investments of consolidated VIEs	30	5			35	n/a[4]
Total level 3 assets	$ 2,174	$ 104	$ 4	$	$ 2,282	
Liabilities:						
Borrowings of consolidated VIEs	$ 1,215	($ 22)	$	$	$ 1,237	n/a[4]

n/a not applicable

(1) Earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date.
(2) The net investment income attributable to separate account assets accrues directly to the contract owner and is not reported on the Company s condensed consolidated statements of income.
(3) Amounts include disposal group assets.
(4) The net investment income (expense) attributable to assets and borrowings of consolidated VIEs are allocated to non-controlling interests on the Company s condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2010

(Dollar amounts in millions)	December 31, 2009	Realized and unrealized gains (losses), net	Purchases, sales, other settlements and issuances, net	Net transfers in and/or out of Level 3	September 30, 2010	Total net gains (losses) included in earnings[1]
Assets:						
Investments:						
Consolidated sponsored investment funds:						
Hedge funds / Funds of hedge funds	$ 26	($ 1)	($ 3)	$	$ 22	($ 1)
Private equity	312	20	(39)	(3)	290	21
Equity method:						
Hedge funds / Funds of hedge funds	247	30	(7)		270	31
Private equity investments	47	3	10		60	3
Real estate funds	36	12	11		59	12
Deferred compensation plan hedge funds	15	2			17	2
Total Level 3 investments	683	66	(28)	(3)	718	68
Separate account assets:						
Equity	5	32	(20)	63	80	
Fixed income	1,287	36	324	(224)	1,423	
Total Level 3 separate account assets	1,292	68	304	(161)	1,503	n/a[2]
Other assets[3]	46	(8)	(12)		26	(8)
Private equity investments of consolidated VIEs		1	34		35	n/a[4]
Total Level 3 assets	$ 2,021	$ 127	$ 298	($ 164)	$ 2,282	
Liabilities:						
Borrowings of consolidated VIEs	$	($ 80)	$ 1,157	$	$ 1,237	n/a[4]

n/a not applicable

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

(2) The net investment income attributable to separate account assets accrues directly to the contract owner and is not reported on the Company s condensed consolidated statements of income.

(3) Amounts include disposal group assets.

(4) The net investment income (expense) attributable to assets and borrowings of consolidated VIEs are allocated to non-controlling interests on the Company s condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Realized and Unrealized Gains (Losses) for Level 3 Assets and Liabilities. Realized and unrealized gains (losses) recorded for Level 3 assets and liabilities are reported in non-operating income (expense) on the Company s condensed consolidated statements of income. A portion of net income (loss) for consolidated investments and all of the net income (loss) for consolidated VIEs are allocated to non-controlling interests to reflect net income (loss) not attributable to the Company.

Significant Transfers in and/or out of Levels. Transfers in and/or out of levels are reflected as of the beginning of the period when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable / unobservable, or when the Company determines it has the ability, or no longer has the ability, to redeem in the near term certain investments that the Company values using a NAV (or a capital account), or when the book value of certain equity method investments no longer represents fair value as determined under fair value methodologies.

Separate Account Assets. There were no transfers in or out of Level 3 for the three months ended September 30, 2011. For the nine months ended September 30, 2011 there were $9 million of transfers out of Level 3 to Level 1 related to equity securities held within separate accounts. In addition, for the nine months ended September 30, 2011 there were $87 million of debt securities transferred out of Level 3 to Level 2 within separate account assets. The transfers out of Level 3 primarily were due to availability of observable market inputs, including additional inputs from pricing vendors and brokers.

For the nine months ended September 30, 2011 there were $38 million of transfers of equity securities held within separate account assets into Level 3 from Level 1. The transfers into Level 3 were primarily due to market inputs no longer being considered observable.

For the nine months ended September 30, 2010 there were $63 million of net transfers of equity securities held within separate account assets into Level 3 from Level 1. The transfers into Level 3 were primarily due to market inputs no longer being considered observable. For the nine months ended September 30, 2010 there were $224 million of net transfers of debt securities held within separate accounts out of Level 3 to Level 2. The transfers out of Level 3 primarily were due to availability of observable market inputs, including additional inputs from pricing vendors and brokers.

Significant Other Settlements. For the nine months ended September 30, 2011 there were $35 million of distributions from equity method investees categorized in Level 3 of the fair value hierarchy.

During the three and nine months ended September 30, 2011, other settlements included $390 million of borrowings related to the consolidation of one additional CLO.

As of January 1, 2010, upon the adoption of ASU 2009-17, there was a $35 million reclassification of assets from Level 3 private equity investments to Level 3 private equity assets of consolidated VIEs, as well as the consolidation of $1,157 million of borrowings within the consolidated CLOs.

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5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share. As a practical expedient to value certain investments, the Company relies on net asset values as the fair value for certain investments. 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 net asset value per share (or its equivalent).

At September 30, 2011

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Trading:					
Equity	(a)	$ 3	$	Daily	none
Consolidated sponsored investment funds:					
Private equity funds of funds	(b)	238	48	n/r	n/r
Other funds of hedge funds	(c)	25		Monthly (32%), Quarterly (68%)	30 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(d)	231	4	Monthly (2%), Quarterly (18%) n/r (80%)	15 90 days
Private equity funds	(e)	81	51	n/r	n/r
Real estate funds	(f)	74	34	Quarterly (26%) n/r (74%)	60 days
Deferred compensation plan hedge fund investments	(g)	22		Monthly (13%), Quarterly (87%)	60 90 days
Consolidated VIE:					
Private equity fund	(h)	28	2	n/r	n/r
Total		$ 702	$ 139		

n/r not redeemable

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

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5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share (continued)

At December 31, 2010

(Dollar amounts in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Trading:					
Equity	(a)	$ 9	$	Daily	none
Consolidated sponsored investment funds:					
Private equity funds of funds	(b)	247	62	n/r	n/r
Other funds of hedge funds	(c)	3		Quarterly (84%) Annual (16%)	30 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(d)	269	9	Monthly (1%), Quarterly (17%) n/r (82%)	15 90 days
Private equity funds	(e)	68	57	n/r	n/r
Real estate funds	(f)	44	52	Quarterly (18%) n/r (82%)	60 days
Deferred compensation plan hedge fund investments	(g)	27		Monthly (11%), Quarterly (89%)	60 90 days
Consolidated VIE:					
Private equity fund	(h)	29	2	n/r	n/r
Total		$ 696	$ 182		

n/r not redeemable

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

(a) This category includes consolidated offshore feeder funds that invest in master funds with multiple equity strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of master offshore funds held by the feeder funds. Investments in this category generally can be redeemed at any time, as long as there are no restrictions in place by the underlying master funds.

(b) This category includes the underlying third party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third party funds have been estimated using the NAV of the Company s ownership interest in partners capital 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 eight years at both September 30, 2011 and December 31, 2010. The total remaining unfunded commitments to other third party funds were $48 million and $62 million at September 30, 2011 and December 31, 2010, respectively. The Company was contractually obligated to fund only $37 million and $42 million at September 30, 2011 and December 31, 2010, respectively, to the consolidated funds, while the remaining unfunded balances in the tables above are required to be funded by capital contributions from non-controlling interest holders.

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5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share (continued)

(c) This category includes several consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of the fund s ownership interest in partners capital of each fund in the portfolio. Investments in this category generally can be redeemed, as long as there are no restrictions in place by the underlying funds.

(d) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third party hedge funds. The fair values of the investments in this category have been estimated using the net asset value of the Company s ownership interest in partners capital. It was estimated that the investments in the funds that are not subject to redemptions will be liquidated over a weighted-average period of approximately six years and seven years at September 30, 2011 and December 31, 2010, respectively.

(e) This category includes several private equity funds that initially invest in non-marketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using the net asset value of the Company s ownership interest in partners capital 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 and five years at September 30, 2011 and December 31, 2010, respectively.

(f) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments in this category have been estimated using the NAV of the Company s ownership interest in partners capital. The majority of the Company s investments in this category is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It was estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately nine years and seven years at September 30, 2011 and December 31, 2010, respectively.

(g) This category includes investments in certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using the net asset value of the Company s ownership interest in partners capital as well as performance inputs. The investments in these funds will be liquidated upon settlement of certain deferred compensation liabilities.

(h) This category includes the underlying third party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third party funds have been estimated using the net asset value of the Company s ownership interest in partners capital in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption, however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately four years and five years at September 30, 2011 and December 31, 2010, respectively. Total remaining unfunded commitments to other third party funds is $2 million at both September 30, 2011 and December 31, 2010, which are required to be funded by capital contributions from non-controlling interest holders.

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5. Fair Value Disclosures (continued)

Fair Value Option. Upon the initial consolidation of three CLOs on January 1, 2010 and one CLO on September 30, 2011, the Company elected to adopt the fair value option provisions for eligible assets and liabilities, including bank loans and borrowings of the CLOs to mitigate accounting mismatches between the carrying value of the assets and liabilities and to achieve operational simplifications. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference will be reflected as net income (loss) attributable to nonredeemable non-controlling interests on the condensed consolidated statements of income and offset by a change in appropriated retained earnings on the condensed consolidated statements of financial condition.

The following table presents the fair value of those assets and liabilities selected for fair value accounting as of September 30, 2011 and December 31, 2010:

(Dollar amounts in millions)	September 30, 2011	December 31, 2010
CLO Bank Loans:		
Aggregate principal amounts outstanding	$ 1,558	$ 1,245
Fair value	$ 1,467	$ 1,162
Aggregate unpaid principal balance in excess of fair value	$ 91	$ 83
Unpaid principal balance of loans more than 90 days past due	$ 4	$ 3
Aggregate fair value of loans more than 90 days past due	$	$ 1
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	$ 4	$ 2
CLO Borrowings:		
Aggregate principal amounts outstanding	$ 1,808	$ 1,430
Fair value	$ 1,586	$ 1,278

At September 30, 2011 the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2019.

During the three months ended September 30, 2011 and 2010, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $36 million loss and a $43 million gain, respectively, which were offset by a $24 million gain and a $36 million loss, respectively, from the change in fair value of the CLO borrowings.

During the nine months ended September 30, 2011 and 2010, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $2 million gain and a $108 million gain, respectively, which were offset by a $33 million loss and a $119 million loss, respectively, from the change in fair value of the CLO borrowings.

The net gains (losses) were recorded in net gain (loss) on consolidated VIEs on the condensed consolidated statements of income.

The change in fair value of the assets and liabilities includes interest income and expense, respectively.

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6. Variable Interest Entities

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including CDOs/CLOs and sponsored investment funds, which may be considered VIEs. The Company receives advisory fees and/or other incentive-related fees for its services and may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company enters into these variable interests principally to address client needs through the launch of such investment vehicles. The VIEs are primarily financed via capital contributed by equity and debt holders. The Company s involvement in financing the operations of the VIEs is generally limited to its equity interests.

The primary beneficiary (PB) of a VIE that is an investment fund that meets the conditions of ASU 2010-10, *Amendments to Statement 167 for Certain Investment Funds* (ASU 2010-10), is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that would absorb a majority of the entity s expected losses, receive a majority of the entity s expected residual returns, or both. In order to determine whether the Company is the PB of a VIE, management must make significant estimates and assumptions of probable future cash flows of the VIE. Assumptions made in such analyses may include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, pre-payments, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

Effective January 1, 2010, the PB of a CDO/CLO or other entity that is a VIE that does not meet the conditions of ASU 2010-10 is the enterprise that has the power to direct activities of the entity that most significantly impact the entity s economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the entity.

VIEs in which BlackRock is the PB. At September 30, 2011 and December 31, 2010, BlackRock was the PB of five and four VIEs, respectively. The VIEs included CLOs in which it did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one sponsored private equity investment fund in which it had a non-substantive investment, which absorbed the majority of the variability due to its de-facto third-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At September 30, 2011 and December 31, 2010, the following balances related to these VIEs were consolidated on the Company s condensed consolidated statements of financial condition:

(Dollar amounts in millions)	**September 30, 2011**	**December 31, 2010**
Assets of consolidated VIEs:		
Cash and cash equivalents	$ 70	$ 93
Bank loans	1,467	1,162
Bonds	135	113
Other investments	36	37
Total bank loans, bonds and other investments	1,638	1,312
Liabilities of consolidated VIEs:		
Borrowings	(1,586)	(1,278)
Other liabilities	(7)	(7)
Appropriated retained earnings	(79)	(75)
Non-controlling interests of consolidated VIEs	(36)	(45)
Total net interests in consolidated VIEs	$	$

For the three months ended September 30, 2011 and 2010, the Company recorded a non-operating loss of $16 million and a non-operating gain of $12 million, respectively, offset by a $16 million net loss and a $12 million net gain attributable to nonredeemable non-controlling interests, respectively, on the Company s condensed consolidated statements of income.

For the nine months ended September 30, 2011 and 2010, the Company recorded a non-operating loss of $36 million and $16 million, respectively, offset by a $36 million and a $16 million net loss attributable to nonredeemable non-controlling interests, respectively, on the Company s condensed consolidated statements of income.

At September 30, 2011 and December 31, 2010 the weighted-average maturities of the bank loans and bonds were approximately 4.3 and 4.2 years, respectively.

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6. Variable Interest Entities (continued)

VIEs in which the Company holds significant variable interests or is the sponsor that holds a variable interest but is not the PB of the VIE. At September 30, 2011 and December 31, 2010, the Company s carrying value of assets and liabilities and its maximum risk of loss related to VIEs in which it holds a significant variable interest or is the sponsor that holds a variable interest, but for which it was not the PB, was as follows:

At September 30, 2011

	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
(Dollar amounts in millions)	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss**
CDOs/CLOs	$ 1	$ 2	($ 3)	$ 20
Other sponsored investment funds:				
Collective trusts		175		175
Private equity funds	18			18
Other	4	51		55
Total	$ 23	$ 228	($ 3)	$ 268

The size of the net assets of the VIEs that the Company does not consolidate related to CDOs/CLOs and other sponsored investment funds, including collective trusts, was as follows:

CDOs/CLOs - approximately ($2) billion, comprised of approximately $6 billion of assets at fair value and $8 billion of liabilities, primarily comprised of unpaid principal debt obligations to CDO/CLO debt holders.

Other sponsored investments funds approximately $1.2 trillion to $1.3 trillion of net assets

This amount includes approximately $1.1 trillion of collective trusts. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts.

The net assets of the VIEs are primarily comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

At September 30, 2011, BlackRock s maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock s investments, (ii) advisory fee receivables and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

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6. Variable Interest Entities (continued)

VIEs in which BlackRock holds significant variable interests or is the sponsor that holds a variable interest but is not the PB of the VIE (continued)

At December 31, 2010

	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
(Dollar amounts in millions)	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss**
CDOs/CLOs	$ 2	$ 3	($ 3)	$ 22
Other sponsored investment funds:				
Collective trusts		188		188
Private equity funds	14		(7)	14
Other	14	52		66
Total	$ 30	$ 243	($ 10)	$ 290

The size of the net assets of the VIEs that the Company does not consolidate related to CDOs/CLOs and other sponsored investment funds, including collective trusts, was as follows:

CDOs/CLOs - approximately ($4) billion, comprised of approximately $7 billion of assets at fair value and $11 billion of liabilities, primarily comprised of unpaid principal debt obligations to CDO/CLO debt holders.

Other sponsored investments funds approximately $1.6 trillion to $1.7 trillion of net assets

This amount includes approximately $1.2 trillion of collective trusts. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts.

The net assets of the VIEs are primarily comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

At December 31, 2010, BlackRock s maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock s investments, (ii) advisory fee receivables and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

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7. Derivatives and Hedging

The Company entered into a designated cash flow hedge in May 2011 consisting of a $750 million interest rate swap maturing in 2013 to hedge future cash flows on floating rate notes due in 2013. Interest on this swap is at a fixed rate of 1.03% payable semi-annually on May 24 and November 24 of each year commencing November 24, 2011. See Note 10, Borrowings, for more information. The fair value of the interest rate swap as of September 30, 2011 was not material to the Company s condensed consolidated financial statements.

The Company maintains a program to enter into total return swaps to economically hedge against market price exposures with respect to certain seed investments in sponsored investment products. At September 30, 2011, the Company had seven outstanding total return swaps with two counterparties with an aggregate notional value of approximately $35 million. The fair value of the outstanding total return swaps as of September 30, 2011 and December 31, 2010 was not material to the Company s condensed consolidated financial statements. At December 31, 2010, the Company had six outstanding total return swaps with two counterparties with an aggregate notional value of approximately $25 million.

The Company acts as the portfolio manager in a series of credit default swap transactions, referred to collectively as the Pillars synthetic CDO transaction (Pillars). The Company has entered into a credit default swap with Citibank, N.A. (Citibank), providing Citibank credit protection of approximately $17 million, representing the Company s maximum risk of loss with respect to the provision of credit protection. The Company s management has performed an assessment of its variable interest in Pillars (a collateral management agreement and the credit default swap) under ASC 810-10, *Consolidation,* and has concluded the Company is not Pillars PB. Pursuant to ASC 815-10, *Derivatives and Hedging*, the Company carries the Pillars credit default swap at fair value based on the expected future cash flows under the arrangement.

On behalf of clients of the Company s registered life insurance companies that maintain separate accounts representing segregated funds held for the purpose of funding individual and group pension contracts, the Company invests in various derivative instruments, which may include futures and forward foreign currency exchange contracts and interest rate and inflation rate swaps. Net realized and unrealized gains and losses attributable to derivatives held by separate account assets accrue directly to the contract owners and are not reported in the Company s condensed consolidated statements of income.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the fund s investment strategy. The change in fair value of such derivatives, which is recorded in non-operating income (expense), was not material to the Company s condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010.

The following table presents the fair value at September 30, 2011 and December 31, 2010 of derivative instruments not designated as hedging instruments:

	September 30, 2011		December 31, 2010	
(Dollar amounts in millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Credit default swap (Pillars)				
Other liabilities	$	$ 3	$	$ 3
Separate account derivatives				
Separate account assets	2,440		1,599	
Separate account liabilities		2,440		1,599
Total	$ 2,440	$ 2,443	$ 1,599	$ 1,602

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7. Derivatives and Hedging (continued)

The following table presents gains (losses) recognized in income on derivative instruments for the three and nine months ended September 30, 2011 and 2010:

(Dollar amounts in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Foreign currency exchange contracts[1]	$	($ 3)	$	($ 3)
Total return swaps[2]	8	(3)	6	
Total	$ 8	($ 6)	$ 6	($ 3)

(1) Gains (losses) on foreign exchange contracts are included in general and administration expenses.
(2) Gains (losses) on total return swaps are included in non-operating income (expense).

Gains (losses) on the Pillars credit default swap and the interest rate swap were immaterial for the three and nine months ended September 30, 2011 and 2010.

8. Goodwill

Goodwill at September 30, 2011 and changes during the nine months ended September 30, 2011 were as follows:

(Dollar amounts in millions)	
December 31, 2010	$ 12,805
Excess tax basis amortization and other	(8)
September 30, 2011	$ 12,797

At September 30, 2011, the balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $332 million. Goodwill related to the acquisition of the fund-of-funds business of Quellos Group, LLC (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.

9. Intangible Assets

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

(Dollar amounts in millions)	Indefinite-lived intangible assets	Finite-lived intangible assets	Total intangible assets
December 31, 2010	$ 16,597	$ 915	$ 17,512
Amortization expense		(117)	(117)
September 30, 2011	$ 16,597	$ 798	$ 17,395

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10. Borrowings

Short-Term Borrowings

2011 Revolving Credit Facility. In March 2011, the Company entered into a five-year $3.5 billion unsecured revolving credit facility (the 2011 credit facility), which replaced the 2007 facility, which was terminated in March 2011. The 2011 credit facility permits the Company to request an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2011 credit facility to an aggregate principal amount not to exceed $4.5 billion. Interest on borrowings outstanding will accrue at a rate based on the applicable London Interbank Offered Rate (LIBOR) plus a spread. The 2011 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 approximately 1 to 1 at September 30, 2011.

The 2011 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At September 30, 2011, the Company had $100 million outstanding under this facility with an interest rate of 1.22% and a maturity during October 2011. During October 2011, the Company rolled over the $100 million in borrowings at an interest rate of 1.24% and a maturity during November 2011.

Barclays has a $255 million participation under the 2011 credit facility.

Commercial Paper Program. On October 14, 2009, BlackRock established a commercial paper program (the CP Program) under which the Company could issue unsecured commercial paper notes (the CP Notes) on a private placement basis up to a maximum aggregate amount outstanding at any time of $3 billion. The proceeds of the commercial paper issuances during 2011 were used to fund a portion of the repurchase of BlackRock s Series B Preferred Stock from affiliates of Merrill Lynch. On May 13, 2011, BlackRock increased the maximum aggregate amount that may be borrowed under the CP Program from $3.0 billion to $3.5 billion. The CP Program is currently supported by the 2011 credit facility.

As of September 30, 2011, BlackRock had no CP Notes outstanding.

Convertible Debentures

On February 15, 2009, 2.625% convertible debentures that were due in 2035 became convertible at the option of the holder into cash and shares of the Company s common stock at any time prior to maturity and on February 20, 2010 the convertible debentures became callable by the Company. During the nine months ended September 30, 2011 and 2010, holders of $67 million and $176 million, respectively, of debentures converted their holdings into cash and shares.

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10. Borrowings (continued)

Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices included the following:

September 30, 2011

(Dollar amounts in millions)	2.25% Notes due 2012	Floating Rate Notes due 2013	3.50% Notes due 2014	6.25% Notes due 2017	5.00% Notes due 2019	4.25% Notes due 2021	Total Long-Term Borrowings
Maturity amount	$ 500	$ 750	$ 1,000	$ 700	$ 1,000	$ 750	$ 4,700
Unamortized discount			(1)	(3)	(2)	(4)	(10)
Carrying value	$ 500	$ 750	$ 999	$ 697	$ 998	$ 746	$ 4,690
Fair value	$ 507	$ 747	$ 1,067	$ 811	$ 1,090	$ 790	$ 5,012

Long-term borrowings at December 31, 2010 had a carrying value of $3,192 million and a fair value of $3,381 million.

2013 and 2021 Notes. In May 2011, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including $750 million of 4.25% notes and $750 million of floating rate notes maturing in May 2021 and 2013, respectively. Net proceeds of this offering were used to fund the repurchase of BlackRock s Series B Preferred Stock from affiliates of Merrill Lynch. Interest on the 4.25% notes due in 2021 (2021 Notes) is payable semi-annually on May 24 and November 24 of each year commencing November 24, 2011 and is approximately $32 million per year. Interest on the floating rate notes due in 2013 (2013 Floating Rate Notes) is payable quarterly on February 24, May 24, August 24 and November 24 of each year and commenced August 24, 2011 at three-month USD LIBOR plus 0.30%. The 2021 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole redemption price. The 2013 Floating Rate Notes may not be redeemed at the Company s option before maturity. The 2021 Notes were issued at a discount of $4 million that is being amortized over the term of the notes. The Company incurred approximately $5 million of debt issuance costs for the $1.5 billion note issuances, which are being amortized over the respective terms of the notes.

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

11. Commitments and Contingencies

Investment Commitments. At September 30, 2011, the Company had $143 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third party funds as third party non-controlling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the Company s condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company s Capital Committee, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

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

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits will have a material effect on BlackRock s earnings, financial position, or cash flows, although, at the present time, management is not in a position to determine whether any such pending or threatened matters will have a material effect on BlackRock s results of operations in any future reporting period.

Indemnifications. In the ordinary course of business, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined.

Under the transaction agreement relating to the acquisition of Merrill Lynch Investment Managers (MLIM), the Company has agreed to indemnify Merrill Lynch for losses it may incur arising from various items including certain specified tax covenants.

Under the transaction agreement in the Barclays Global Investors (BGI) acquisition from Barclays (the BGI Transaction), the Company has agreed to indemnify Barclays for losses it may incur arising from (1) breach by the Company of certain representations, (2) breach by the Company of any covenant in the agreement, (3) liabilities of the entities acquired in the transaction other than liabilities assumed by Barclays or for which it is providing indemnification, and (4) certain taxes.

Management believes that the likelihood of any liability arising under the indemnification provisions for the MLIM transaction or the BGI Transaction is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of BlackRock. Consequently, no liability has been recorded on the condensed consolidated statements of financial condition.

Other Contingent Payments. The Company acts as the portfolio manager in a series of credit default swap transactions and has a maximum potential exposure of $17 million under a credit default swap. See Note 7, Derivatives and Hedging, for further discussion of this transaction and the related commitment.

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12. Stock-Based Compensation

The components of the Company s stock-based compensation expense are comprised of the following:

(Dollar amounts in millions)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Stock-based compensation:				
Restricted stock and restricted stock units (RSUs)	$ 115	$ 96	$ 323	$ 282
Long-term incentive plans funded by PNC	15	15	43	44
Stock options	3	3	9	9
Total stock-based compensation	$ 133	$ 114	$ 375	$ 335

RSUs and Restricted Stock

RSUs outstanding at September 30, 2011 and changes during the nine months ended September 30, 2011 are summarized below:

Outstanding at	RSUs	Weighted-Average Grant Date Fair Value
December 31, 2010	6,742,469	$ 187.24
Granted	2,291,358	$ 200.35
Converted	(3,288,721)	$ 162.29
Forfeited	(200,923)	$ 204.67
September 30, 2011[1]	5,544,183	$ 197.93

[1] At September 30, 2011, 39,027 RSUs have vested but have not been converted.

In January 2011, the Company granted the following awards under the BlackRock, Inc. 1999 Stock Award and Incentive Plan:

- 1,594,259 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant, and
- 609,733 RSUs to employees that cliff vest 100% on January 31, 2014.

The Company values RSUs at their grant-date fair value as measured by BlackRock s common stock price.

As of September 30, 2011, there was $513 million in total unrecognized stock-based compensation expense related to unvested RSUs. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

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12. Stock-Based Compensation (continued)

Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to four million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans (LTIP). The current share surrender agreement commits PNC to provide BlackRock series C non-voting participating preferred stock to fund the remaining committed shares.

On September 29, 2011, 1.3 million shares vested and were funded by PNC. During 2007 through September 2011, approximately 2.5 million shares were surrendered. Subsequent to September 29, 2011, approximately 0.2 million of the 1.5 million remaining shares committed by PNC will vest in January 2013 and the remaining 1.3 million will be available to fund future grants of long-term incentive awards.

Stock Options

Options outstanding at September 30, 2011 and changes during the nine months ended September 30, 2011 were as follows:

Outstanding at	Shares Under Option	Weighted-Average Exercise Price
December 31, 2010	2,344,734	$ 105.60
Exercised	(125,595)	$ 103.84
Forfeited	(2,253)	$ 167.76
September 30, 2011	2,216,886	$ 105.64

The aggregate intrinsic value of options exercised during the nine months ended September 30, 2011 was $12 million.

As of September 30, 2011, the Company had no remaining unrecognized stock-based compensation expense related to unvested stock options.

13. Net Capital Requirements

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

Capital Requirements as of September 30, 2011. At September 30, 2011, the Company was required to maintain approximately $1,195 million in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a chartered national bank whose powers are limited to trust activities and is subject to various regulatory capital requirements administered by the Federal banking agencies), entities regulated by the Financial Services Authority in the United Kingdom and the Company s broker-dealers. At September 30, 2011, the Company was in compliance with all applicable regulatory net capital requirements.

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14. Capital Stock

Non-voting Participating Preferred Stock

The Company s preferred shares authorized, issued and outstanding consisted of the following:

	September 30, 2011	December 31, 2010
Series A		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding		
Series B		
Shares authorized, $0.01 par value	150,000,000	150,000,000
Shares issued and outstanding	38,328,737	57,108,553
Series C		
Shares authorized, $0.01 par value	6,000,000	6,000,000
Shares issued and outstanding	1,517,237	2,866,439
Series D		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding		

Stock Repurchase Agreement. On June 1, 2011, BlackRock completed its repurchase of Bank of America s remaining ownership interest of 13,562,878 Series B Convertible Preferred Shares for $2.545 billion, or $187.65 per share.

Barclays Sale and Conversion. In May 2011, 2,356,750 shares of Series B Convertible Preferred Shares owned by Barclays were automatically converted to shares of common stock upon their disposition.

Institutional Investor Capital Exchange. In September 2011, an institutional investor exchanged 2,860,188 shares of Series B Convertible Preferred Shares for common shares.

PNC Capital Contribution. In September 2011, PNC surrendered approximately 1.3 million shares of BlackRock series C non-voting participating preferred stock to fund certain LTIP awards.

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15. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS) for the three months ended September 30, 2011 and 2010:

	Three Months Ended September 30,			
	2011		2010	
(Dollar amounts in millions, except per share data)	Basic	Diluted	Basic	Diluted
Net income attributable to BlackRock	$ 595	$ 595	$ 551	$ 551
Less:				
Dividends distributed to common shares	246	246	190	190
Dividends distributed to participating RSUs	3	3	3	3
Undistributed net income attributable to BlackRock	346	346	358	358
Percentage of undistributed net income allocated to common shares[a]	98.8%	98.8%	98.6%	98.6%
Undistributed net income allocated to common shares	342	342	353	353
Plus:				
Common share dividends	246	246	190	190
Net income attributable to common shares	$ 588	$ 588	$ 543	$ 543
Weighted-average shares outstanding	179,034,837	179,034,837	190,494,905	190,494,905
Dilutive effect of:				
Non-participating RSUs		2,225,498		942,113
Stock options		564,994		667,973
Convertible debt				221,850
Total diluted weighted-average shares outstanding		181,825,329		192,326,841
Earnings per share attributable to BlackRock, common stockholders	$ 3.28	$ 3.23	$ 2.85	$ 2.83

[a] Allocation to common shareholders is based on the total of common and participating security shareholders (which represent unvested RSUs that contain nonforfeitable rights to dividends). For the three months ended September 30, 2011 and 2010, average outstanding participating securities were 2.2 million and 2.7 million, respectively.

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15. Earnings Per Share (continued)

The following table sets forth the computation of basic and diluted EPS for the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,			
	2011		2010	
(Dollar amounts in millions, except per share data)	Basic	Diluted	Basic	Diluted
Net income attributable to BlackRock	$ 1,782	$ 1,782	$ 1,406	$ 1,406
Less:				
Dividends distributed to common shares	760	760	574	574
Dividends distributed to participating RSUs	9	9	8	8
Undistributed net income attributable to BlackRock	1,013	1,013	824	824
Percentage of undistributed net income allocated to common shares[(a)]	98.8%	98.8%	98.5%	98.5%
Undistributed net income allocated to common shares	1,001	1,001	812	812
Plus:				
Common share dividends	760	760	574	574
Net income attributable to common shares	$ 1,761	$ 1,761	$ 1,386	$ 1,386
Weighted-average shares outstanding	186,187,318	186,187,318	190,385,046	190,385,046
Dilutive effect of:				
Non-participating RSUs		1,812,687		869,713
Stock options		741,587		708,430
Convertible debt		51,360		317,490
Total diluted weighted-average shares outstanding		188,792,952		192,280,679
Earnings per share attributable to BlackRock, common stockholders	$ 9.46	$ 9.33	$ 7.28	$ 7.21

(a) Allocation to common shareholders is based on the total of common and participating security shareholders (which represent unvested RSUs that contain nonforfeitable rights to dividends). For the nine months ended September 30, 2011 and 2010, average outstanding participating securities were 2.3 million and 2.8 million, respectively.

Basic EPS is calculated pursuant to the two-class method to determine income attributable to common shareholders. Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common shareholders by the weighted-average number of common shares outstanding. Diluted EPS includes the determinants of basic EPS and in addition, reflects the impact of other potentially dilutive shares, including RSU awards that do not contain nonforfeitable rights to dividends, unexercised stock options and convertible debentures. The dilutive effect of participating securities is calculated under the more dilutive of either the treasury method or the two-class method.

Due to the similarities in terms between BlackRock non-voting participating preferred stock and the Company s common stock, the Company considers participating preferred stock to be a common stock equivalent for purposes of EPS calculations. As such, the Company has included the outstanding non-voting participating preferred stock and dividends paid for these series in the calculation of average basic and diluted shares outstanding for the three and nine months ended September 30, 2011 and 2010.

For the three months ended September 30, 2011, 1,160,753 options were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. For the three and nine months ended September 30, 2010, 340,526 and zero options, respectively, were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. For the three and nine months ended September 30, 2010, 1,412,212 and 1,155,977 RSUs, respectively, were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. There were no anti-dilutive RSUs for the three and nine months ended September 30, 2011.

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16. Income Taxes

In April 2011, New Jersey enacted legislation that changed the calculation of taxes in the state, with the change to be phased in over three years starting in 2012. The legislation resulted in a $52 million non-cash income tax benefit related to the revaluation of certain deferred income tax assets and liabilities.

The three months ended September 30, 2011 included a $129 million non-cash income tax benefit related to the revaluation of certain deferred income tax liabilities, primarily associated with a state tax election and United Kingdom enacted legislation, reducing corporate income taxes.

17. Segment Information

The Company s management directs BlackRock s operations as one business, the asset management business. As such, the Company operates in one business segment in accordance with ASC 280-10, Segment Reporting.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions*® and advisory revenue, distribution fees and other revenue for the three and nine months ended September 30, 2011 and 2010, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollar amounts in millions)	**2011**	**2010**	**2011**	**2010**
Equity	$ 1,078	$ 958	$ 3,404	$ 2,912
Fixed income	419	390	1,227	1,118
Multi-asset class	232	186	676	530
Alternatives	225	245	652	606
Cash management	86	129	298	387
Total investment advisory, administration fees, securities lending revenue and performance fees	2,040	1,908	6,257	5,553
BlackRock Solutions and advisory	117	101	361	328
Distribution fees	23	29	78	89
Other revenue	45	54	158	149
Total revenue	$ 2,225	$ 2,092	$ 6,854	$ 6,119

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17. Segment Information (continued)

The following table illustrates the Company s total revenue for the three and nine months ended September 30, 2011 and 2010, respectively, by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(Dollar amounts in millions) Revenue	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Americas	$ 1,481	$ 1,395	$ 4,602	$ 4,148
Europe	625	576	1,869	1,609
Asia-Pacific	119	121	383	362
Total revenue	$ 2,225	$ 2,092	$ 6,854	$ 6,119

The following table illustrates the Company s long-lived assets, including goodwill and property and equipment, at September 30, 2011 and December 31, 2010 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

(Dollar amounts in millions)

Long-lived Assets	September 30, 2011	December 31, 2010
Americas	$ 13,149	$ 13,092
Europe	119	42
Asia-Pacific	74	99
Total long-lived assets	$ 13,342	$ 13,233

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

18. Subsequent Events

In addition to the subsequent events included in the notes to the condensed consolidated financial statements, the Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or disclosures.

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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, comfortabl expect, anticipate, current, intention, estimate, position, assume, outlook, continue, remain, maintain, sustain, seek, expressions, or future or conditional verbs such as will, would, should, could, may or similar expressions.

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

In addition to risk factors previously disclosed in BlackRock s Securities and Exchange Commission (SEC) reports and those identified elsewhere in this report the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (3) the relative and absolute investment performance of BlackRock s investment products; (4) the impact of increased competition; (5) the impact of capital improvement projects; (6) the impact of future acquisitions or divestitures; (7) the unfavorable resolution of legal proceedings; (8) the extent and timing of any share repurchases; (9) the impact, extent and timing of technological changes and the adequacy of intellectual property and information security protection; (10) the impact of legislative and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock, Barclays Bank PLC (Barclays) or The PNC Financial Services Group, Inc. (PNC); (11) 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; (12) the ability to attract and retain highly talented professionals; (13) fluctuations in the carrying value of BlackRock s economic investments; (14) the impact of changes to tax legislation and, generally, the tax position of the Company; (15) BlackRock s success in maintaining the distribution of its products; (16) the impact of BlackRock electing to provide support to its products from time to time; (17) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions; and (18) the ability of BlackRock to complete the integration of the operations of Barclays Global Investors (BGI).

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Overview

BlackRock, Inc. (BlackRock or the Company) is the largest publicly traded investment management firm. As of September 30, 2011, the Company managed $3.345 trillion of assets under management (AUM) on behalf of institutional and individual investors worldwide. The Company provides a wide array of products including passively and actively managed products in various equities, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds and funds of funds. In addition, *BlackRock Solutions*® provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation of illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On June 1, 2011, BlackRock completed its repurchase of Bank of America Corporation s (Bank of America) remaining ownership interest of 13,562,878 Series B Convertible Preferred Shares for $2.545 billion, or $187.65 per share.

On September 30, 2011, equity ownership of BlackRock was as follows:

	Voting Common Stock	Capital Stock(1)
PNC	23.9%	21.0%
Barclays	2.2%	19.7%
Other	73.9%	59.3%
	100.0%	100.0%

(1) Includes outstanding common and non-voting preferred stock.

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Overview (continued)

Financial Highlights

(Dollar amounts in millions, except per share data)

(unaudited)

The following tables summarize BlackRock s operating performance for each of the three months ended September 30, 2011 and 2010 and the nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Variance vs. Three Months Ended September 30, 2010	
	2011	2010	Amount	% Change
GAAP basis:				
Total revenue	$ 2,225	$ 2,092	$ 133	6%
Total expenses	1,448	1,385	63	5%
Operating income	$ 777	$ 707	$ 70	10%
Operating margin	34.9%	33.8%	1.1%	3%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests	($ 87)	$ 45	($ 132)	*
Net income attributable to BlackRock, Inc.	$ 595	$ 551	$ 44	8%
Diluted earnings per common share [e]	$ 3.23	$ 2.83	$ 0.40	14%
Effective tax rate	13.7%	26.7%	(13.0%)	(49%)
As adjusted:				
Operating income[a]	$ 849	$ 737	$ 112	15%
Operating margin[a]	40.1%	38.4%	1.7%	4%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests[b]	($ 79)	$ 39	($ 118)	*
Net income attributable to BlackRock, Inc.[c] [d]	$ 521	$ 537	($ 16)	(3%)
Diluted earnings per common share[c] [d] [e]	$ 2.83	$ 2.75	$ 0.08	3%
Effective tax rate[d]	32.3%	30.8%	1.5%	5%
Other:				
Assets under management (end of period)	$ 3,345,067	$ 3,446,066	($ 100,999)	(3%)
Diluted weighted-average common shares outstanding[e]	181,825,329	192,326,841	(10,501,512)	(5%)
Shares outstanding (end of period)	178,861,410	190,246,551	(11,385,141)	(6%)
Book value per share**	$ 137.81	$ 133.02	$ 4.79	4%
Cash dividends declared and paid per share	$ 1.375	$ 1.00	$ 0.375	37.5%

* - Not applicable.
** - Total BlackRock stockholders equity, excluding appropriated retained earnings, divided by total common and preferred shares outstanding.

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Overview (continued)

Financial Highlights

(Dollar amounts in millions, except per share data)

(unaudited)

	Nine Months Ended September 30,		Variance vs. Nine Months Ended September 30, 2010	
	2011	**2010**	**Amount**	**% Change**
GAAP basis:				
Total revenue	$ 6,854	$ 6,119	$ 735	12%
Total expenses	4,413	4,061	352	9%
Operating income	$ 2,441	$ 2,058	$ 383	19%
Operating margin	35.6%	33.6%	2.0%	6%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests	($ 95)	$ 10	($ 105)	*
Net income attributable to BlackRock, Inc.	$ 1,782	$ 1,406	$ 376	27%
Diluted earnings per common share(e)	$ 9.33	$ 7.21	$ 2.12	29%
Effective tax rate	24.0%	32.0%	(8.0	