

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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

Incorporation or Organization)

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)

Edgar Filing: BlackRock Inc. - Form 10-Q

(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
Smaller reporting company

X

Accelerated filer

Non-accelerated filer
(Do not check if a 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, 2016, there were 162,069,345 shares of the registrant’s common stock outstanding.

BlackRock, Inc.

Index to Form 10-Q

PART I

FINANCIAL INFORMATION

	Page
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Statements of Financial Condition</u>	1
<u>Condensed Consolidated Statements of Income</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income</u>	3
<u>Condensed Consolidated Statements of Changes in Equity</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	65
Item 4. <u>Controls and Procedures</u>	67

PART II

OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	68
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	69
Item 6. <u>Exhibits</u>	70

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(unaudited)

	September 30, 2016	December 31, 2015
(in millions, except shares and per share data)		
Assets		
Cash and cash equivalents	\$ 5,454	\$ 6,083
Accounts receivable	2,601	2,237
Investments	1,731	1,578
Assets of consolidated variable interest entities:		
Cash and cash equivalents	161	148
Investments	1,411	1,030
Other assets	183	67
Separate account assets	153,330	150,851
Separate account collateral held under securities lending agreements	29,839	31,336
Property and equipment (net of accumulated depreciation of \$631 and \$570 at September 30, 2016		
and December 31, 2015, respectively)	564	581
Intangible assets (net of accumulated amortization of \$820 and \$745 at September 30, 2016		
and December 31, 2015, respectively)	17,387	17,372
Goodwill	13,124	13,123
Other assets	954	855
Total assets	\$ 226,739	\$ 225,261
Liabilities		
Accrued compensation and benefits	\$ 1,481	\$ 1,971
Accounts payable and accrued liabilities	1,354	1,068
Liabilities of consolidated variable interest entities	272	177
Borrowings	4,961	4,930
Separate account liabilities	153,330	150,851
Separate account collateral liabilities under securities lending agreements	29,839	31,336
Deferred income tax liabilities	4,832	4,851
Other liabilities	1,109	1,033
Total liabilities	197,178	196,217
Commitments and contingencies (Note 11)		
Temporary equity		
Redeemable noncontrolling interests	600	464
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	2	2

Edgar Filing: BlackRock Inc. - Form 10-Q

Shares authorized: 500,000,000 at September 30, 2016 and December 31, 2015;

Shares issued: 171,252,185 at September 30, 2016 and December 31, 2015;

Shares outstanding: 162,271,222 and 163,461,064 at September 30, 2016 and

December 31, 2015, respectively

Preferred stock (Note 15)	—	—
Additional paid-in capital	19,236	19,405
Retained earnings	13,183	12,033
Accumulated other comprehensive loss	(598)	(448)
Treasury stock, common, at cost (8,980,963 and 7,791,121 shares held at September 30, 2016 and December 31, 2015, respectively)	(2,919)	(2,489)
Total BlackRock, Inc. stockholders' equity	28,904	28,503
Nonredeemable noncontrolling interests	57	77
Total permanent equity	28,961	28,580
Total liabilities, temporary equity and permanent equity	\$ 226,739	\$ 225,261

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Income

(unaudited)

(in millions, except shares and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2016	2015	2016	2015	
Revenue					
Investment advisory, administration fees and securities lending revenue					
Related parties	\$1,768	\$1,719	\$5,098	\$5,166	
Other third parties	778	737	2,296	2,214	
Total investment advisory, administration fees and securities lending revenue	2,546	2,456	7,394	7,380	
Investment advisory performance fees	58	208	166	452	
BlackRock Solutions and advisory	174	167	517	475	
Distribution fees	10	14	32	44	
Other revenue	49	65	156	187	
Total revenue	2,837	2,910	8,265	8,538	
Expense					
Employee compensation and benefits	969	1,023	2,893	3,016	
Distribution and servicing costs	114	102	320	306	
Amortization of deferred sales commissions	8	12	27	37	
Direct fund expense	200	198	583	578	
General and administration	312	319	946	970	
Restructuring charge	—	—	76	—	
Amortization of intangible assets	25	34	75	104	
Total expense	1,628	1,688	4,920	5,011	
Operating income	1,209	1,222	3,345	3,527	
Nonoperating income (expense)					
Net gain (loss) on investments	31	(10) 49	59	
Interest and dividend income	22	12	33	21	
Interest expense	(52) (50) (154) (153)
Total nonoperating income (expense)	1	(48) (72) (73)
Income before income taxes	1,210	1,174	3,273	3,454	
Income tax expense	333	342	954	971	
Net income	877	832	2,319	2,483	
Less:					
Net income (loss) attributable to noncontrolling interests	2	(11) (2) (1)
Net income attributable to BlackRock, Inc.	\$875	\$843	\$2,321	\$2,484	
Earnings per share attributable to BlackRock, Inc.					
common stockholders:					
Basic	\$5.33	\$5.08	\$14.09	\$14.91	

Edgar Filing: BlackRock Inc. - Form 10-Q

Diluted	\$5.26	\$5.00	\$13.92	\$14.68
Cash dividends declared and paid per share	\$2.29	\$2.18	\$6.87	\$6.54
Weighted-average common shares outstanding:				
Basic	164,129,214	166,045,291	164,756,355	166,579,805
Diluted	166,256,598	168,665,303	166,760,912	169,157,188

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income	\$ 877	\$ 832	\$2,319	\$2,483
Other comprehensive income:				
Change in net unrealized gains (losses) from				
available-for-sale investments, net of tax:				
Unrealized holding gains (losses) ⁽¹⁾	—	(2)	—	(3)
Less: reclassification adjustment				
included in net income ⁽¹⁾	—	—	(1)	—
Net change from available-for-sale investments	—	(2)	1	(3)
Benefit plans	—	—	—	(1)
Foreign currency translation adjustments ⁽²⁾	(38)	(67)	(151)	(131)
Other comprehensive income (loss)	(38)	(69)	(150)	(135)
Comprehensive income	839	763	2,169	2,348
Less: Comprehensive income (loss) attributable to				
noncontrolling interests	2	(11)	(2)	(1)
Comprehensive income attributable to BlackRock, Inc.	\$ 837	\$ 774	\$2,171	\$2,349

⁽¹⁾The tax benefit (expense) was not material for the three and nine months ended September 30, 2015 and the nine months ended September 30, 2016.

⁽²⁾ Amounts for the three months ended September 30, 2016 and 2015 include losses from a net investment hedge of \$5 million (net of a tax benefit of \$4 million) and \$2 million, respectively. Amounts for the nine months ended September 30, 2016 and 2015 include losses from a net investment hedge of \$16 million (net of a tax benefit of \$10 million) and gains of \$5 million (net of tax of \$4 million), respectively.

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

			Accumulated		Total		Redeemable	
			Other		BlackRock		Noncontrolling	
	Additional	Retained	Comprehensive	Treasury	Stockholders'	Nonredeemable	Permanent	Interests /
	Paid-in	Earnings	Income	Stock	Equity	Interests	Equity	Temporary
(in millions)	Capital ⁽¹⁾		(Loss)	Common				Equity
December 31, 2015	\$ 19,407	\$ 12,033	\$ (448)	\$ (2,489)	\$ 28,503	\$ 77	\$ 28,580	\$ 464
Net income	—	2,321	—	—	2,321	(2)	2,319	—
Dividends paid	—	(1,171)	—	—	(1,171)	—	(1,171)	—
Stock-based compensation	408	—	—	—	408	—	408	—
PNC preferred stock capital contribution	172	—	—	—	172	—	172	—
Retirement of preferred stock	(172)	—	—	—	(172)	—	(172)	—
Issuance of common shares related to employee stock transactions	(654)	—	—	688	34	—	34	—
Employee tax withholdings related to employee stock transactions	—	—	—	(268)	(268)	—	(268)	—
Shares repurchased	—	—	—	(850)	(850)	—	(850)	—
Net tax benefit (shortfall) from stock-based compensation	77	—	—	—	77	—	77	—
Subscriptions (redemptions/ distributions) —	—	—	—	—	—	—	—	—
noncontrolling interest holders	—	—	—	—	—	(18)	(18)	1,017
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(881)
Other comprehensive income (loss)	—	—	(150)	—	(150)	—	(150)	—

Edgar Filing: BlackRock Inc. - Form 10-Q

September 30, 2016	\$ 19,238	\$ 13,183	\$ (598)	\$ (2,919)	\$ 28,904	\$ 57	\$ 28,961	\$ 600
--------------------	-----------	-----------	-----------	-------------	-----------	-------	-----------	--------

⁽¹⁾ Amounts include \$2 million of common stock at both September 30, 2016 and December 31, 2015.

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

	Accumulated					Total		Redeemable	
	Additional		Appropriated	Other Comprehensive	Treasury	BlackRock	Nonredeemable	Noncontrolling	
	Paid-in	Retained	Retained	Income	Stock	Stockholders'	Noncontrolling	Interests	/
(in millions)	Capital ⁽¹⁾	Earnings	Earnings (Loss)		Common	Equity	Interests	Equity	Equity
December 31, 2014	\$ 19,388	\$ 10,164	\$ (19)	\$ (273)	\$ (1,894)	\$ 27,366	\$ 119	\$ 27,485	\$ 35
Net income	—	2,484	—	—	—	2,484	3	2,487	(4)
Net consolidation (deconsolidation) of VIEs due to adoption of new accounting pronouncement	—	—	19	—	—	19	(8)	11	194
Dividends paid	—	(1,115)	—	—	—	(1,115)	—	(1,115)	—
Stock-based compensation	397	—	—	—	—	397	—	397	—
Issuance of common shares related to employee stock transactions	(542)	—	—	—	629	87	—	87	—
Employee tax withholdings related to employee stock transactions	—	—	—	—	(228)	(228)	—	(228)	—
Shares repurchased	—	—	—	—	(825)	(825)	—	(825)	—
Net tax benefit (shortfall) from stock-based compensation	86	—	—	—	—	86	—	86	—
Subscriptions (redemptions/distributions)- noncontrolling interest holders	—	—	—	—	—	—	(21)	(21)	298

Net consolidations
(deconsolidations)

of sponsored investment funds	—	—	—	—	—	—	(6)	(6)	(265)
Other comprehensive income (loss)	—	—	—	(135)	—	(135)	—	(135)	—
September 30, 2015	\$ 19,329	\$ 11,533	\$ —	\$ (408)	\$ (2,318)	\$ 28,136	\$ 87	\$ 28,223	\$ 258

⁽¹⁾ Amounts include \$2 million of common stock at both September 30, 2015 and December 31, 2014.

See accompanying notes to condensed consolidated financial statements.

are BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in millions)	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities		
Net income	\$2,319	\$2,483
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	171	196
Amortization of deferred sales commissions	27	37
Stock-based compensation	408	397
Deferred income tax expense (benefit)	(6)	(73)
Other gains	—	(40)
Net (gains) losses on nontrading investments	—	10
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	(127)	(26)
Net (gains) losses within consolidated VIEs	(34)	(2)
Net (purchases) proceeds within consolidated VIEs	(855)	(169)
(Earnings) losses from equity method investees	(71)	(59)
Distributions of earnings from equity method investees	16	32
Changes in operating assets and liabilities:		
Accounts receivable	(336)	(461)
Investments, trading	(278)	(402)
Other assets	(114)	(264)
Accrued compensation and benefits	(484)	(313)
Accounts payable and accrued liabilities	309	287
Other liabilities	17	214
Cash flows from operating activities	962	1,847
Cash flows from investing activities		
Purchases of investments	(292)	(329)
Proceeds from sales and maturities of investments	215	461
Distributions of capital from equity method investees	26	56
Net consolidations (deconsolidations) of sponsored investment funds	(74)	(82)
Acquisitions	(30)	(88)
Purchases of property and equipment	(88)	(160)
Cash flows from investing activities	(243)	(142)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	787
Repayments of long-term borrowings	—	(750)
Cash dividends paid	(1,171)	(1,115)
Proceeds from stock options exercised	26	79
Repurchases of common stock	(1,118)	(1,053)
Net (redemptions/distributions paid)/subscriptions received from noncontrolling	999	277

interest holders		
Excess tax benefit from stock-based compensation	81	86
Other financing activities	3	(11)
Cash flows from financing activities	(1,180)	(1,700)
Effect of exchange rate changes on cash and cash equivalents	(168)	(55)
Net increase (decrease) in cash and cash equivalents	(629)	(50)
Cash and cash equivalents, beginning of period	6,083	5,723
Cash and cash equivalents, end of period	\$5,454	\$5,673
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$144	\$139
Income taxes (net of refunds)	\$910	\$1,013
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	\$654	\$542
PNC preferred stock capital contribution	\$172	\$—
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of		
sponsored investment funds	\$(881)	\$(85)
Increase (decrease) in borrowings due to consolidation/deconsolidation of VIEs	\$—	\$(3,389)

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

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

At September 30, 2016, The PNC Financial Services Group, Inc. (“PNC”) held 21.3% of the Company’s voting common stock and 22.0% of the Company’s capital stock, which includes outstanding common and nonvoting preferred stock.

2. Significant Accounting Policies

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

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission (“SEC”) on February 26, 2016 (“2015 Form 10-K”).

The interim financial information at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company's results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

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

Recent Accounting Pronouncements Adopted in the Nine Months Ended September 30, 2016

Accounting for Measurement-Period Adjustments. In September 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16").

Under ASU 2015-16, an acquirer must recognize, upon determination, adjustments to the original amounts recorded for a business acquisition that are identified during the one-year period following the acquisition date. Previously, prior period information was required to be restated. The Company adopted ASU 2015-16 prospectively on January 1, 2016 and will apply the ASU to any adjustments related to business acquisitions.

Transition to Equity Method Accounting. In March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"). ASU 2016-07 eliminates the requirement to apply the equity

method of accounting retrospectively to an investment that subsequently qualifies for such accounting as a result of obtaining significant influence. The Company adopted ASU 2016-07 prospectively on January 1, 2016.

Fair Value Measurements.

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

Level 1 Inputs:

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

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

Level 2 Inputs:

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

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

Level 3 Inputs:

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

Level 3 assets may include direct private equity investments held within consolidated funds and investments in CLOs.

Level 3 liabilities include contingent liabilities related to acquisitions valued primarily based upon discounted cash flow analysis using unobservable market data.

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

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

A significant number of inputs used to value equity, debt securities and investments in CLOs is sourced from third-party pricing vendors. Generally, prices obtained from pricing vendors are categorized as Level 1 inputs for identical securities traded in active markets or as Level 2 for other similar securities if the vendor uses observable inputs in determining the price. Annually, BlackRock’s internal valuation committee or other designated groups review both the valuation methodologies, including the general assumptions and methods used to value various asset classes,

and operational processes with these vendors. On a quarterly basis, meetings are held with key vendors to identify any significant changes to the vendors' processes.

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

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

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

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

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is different from U.S. dollars. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within accumulated other comprehensive income on the condensed consolidated statements of financial condition. The Company reassesses the effectiveness of its net investment hedge on a quarterly basis.

Money Market Fee Waivers. The Company is currently voluntarily waiving a portion of its management fees on certain money market funds to ensure that they maintain a minimum level of daily net investment income (the "Yield Support waivers"). During the three and nine months ended September 30, 2016, these waivers resulted in a reduction of management fees of approximately \$17 million and \$42 million, respectively. During the three and nine months ended September 30, 2015, these waivers resulted in a reduction of management fees of approximately \$32 million and \$112 million, respectively. Approximately 45% of year-to-date Yield Support waivers for both nine months ended September 30, 2016, and 2015 were offset by a reduction of BlackRock's distribution and servicing costs paid to a financial intermediary. BlackRock has provided Yield Support waivers in prior periods and may increase or decrease the level of fee waivers in future periods.

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

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

administration fees and securities lending revenue on the condensed consolidated statements of income.

9

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income. During the nine months ended September 30, 2016 and 2015, the Company had not resold or repledged any of the collateral received under these arrangements. At September 30, 2016 and December 31, 2015, the fair value of loaned securities held by separate accounts was approximately \$27.5 billion and \$28.8 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately \$29.8 billion and \$31.3 billion, respectively.

Recent Accounting Pronouncements Not Yet Adopted

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance.

In March 2016, the FASB issued ASU 2016-08, Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net) (“ASU 2016-08”). ASU 2016-08 amends the principal-versus-agent implementation guidance in ASU 2014-09, impacting whether an entity reports revenue on a gross or net basis.

In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing (“ASU 2016-10”). ASU 2016-10 clarifies aspects of ASU 2014-09 pertaining to the identification of performance obligations and the licensing implementation guidance, while retaining the related principles for those areas.

In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”). ASU 2016-12 clarifies aspects of ASU 2014-09, including clarification of noncash consideration, and provides a practical expedient for reflecting contract modifications at transition.

The Company is currently evaluating the impact of adopting ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12, which are effective for the Company on January 1, 2018.

Recognition and Measurement of Financial Instruments. In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 amends guidance on the classification and measurement of financial instruments, including significant revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the fair value option is elected. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. The Company is currently evaluating the impact of adopting ASU 2016-01, which is effective for the Company on January 1, 2018.

Leases. In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize assets and liabilities arising from most operating leases on the statement of financial position. The Company is currently evaluating the impact of adopting ASU 2016-02, which is effective for the Company on January 1, 2019.

Accounting for Share-Based Payments. In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 simplifies accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for the Company on January 1, 2017. The Company does not expect the adoption of the forfeiture provision of ASU 2016-09 to be material to the condensed consolidated financial statements. The Company is currently evaluating the impact of adopting the other provisions of ASU 2016-09.

Accounting for Credit Losses. In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which amends the guidance for evaluating the impairment of financial instruments. The new guidance adds an impairment model that is based on expected losses rather than incurred losses. The Company is currently evaluating the impact of adopting ASU 2016-13, which is effective for the Company on January 1, 2020 with early adoption permitted on January 1, 2019.

Cash Flow Classification. In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which amends and clarifies the current guidance to reduce diversity in practice of the classification of certain cash receipts and payments in the statement of cash flows. The Company is currently evaluating the impact of adopting ASU 2016-15, which is effective for the Company on January 1, 2018 with early adoption permitted. The Company must apply the guidance retrospectively to all periods presented.

Income Taxes. In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”), which removes the prohibition against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The Company is currently evaluating the impact of adopting ASU 2016-16, which is effective for the Company on January 1, 2018 with early adoption permitted on January 1, 2017.

Interests Held through Related Parties That Are under Common Control. In October 2016, the FASB issued ASU 2016-17, Interests Held through Related Parties That Are under Common Control (“ASU 2016-17”), which alters how a decision maker needs to consider indirect interests in a variable interest entity (“VIE”) held through an entity under common control. The Company is currently evaluating the impact of adopting ASU 2016-17, which is effective for the Company on January 1, 2017 with early adoption permitted.

3. Investments

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

(in millions)	September 30, 2016	December 31, 2015
Available-for-sale investments	\$ 85	\$ 44
Held-to-maturity investments	192	108
Trading investments:		
Consolidated sponsored investment funds	575	700
Other equity and debt securities	32	20
Deferred compensation plan mutual funds	59	65
Total trading investments	666	785
Other investments:		
Equity method investments	663	513
Deferred compensation plan equity method		
investments	8	14
Cost method investments ⁽¹⁾	91	95
Carried interest	26	19
Total other investments	788	641

Total investments	\$ 1,731	\$ 1,578
-------------------	----------	----------

⁽¹⁾ Amounts primarily include Federal Reserve Bank (“FRB”) Stock.

Available-for-Sale Investments

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

(in millions)				
	Cost	Gross Unrealized		Carrying
		Gains	Losses	Value
September 30, 2016	\$85	\$ 1	\$ (1)	\$ 85
December 31, 2015	\$45	\$ 2	\$ (3)	\$ 44

Edgar Filing: BlackRock Inc. - Form 10-Q

At September 30, 2016 and December 31, 2015, available-for-sale investments included certain investments in CLOs and seed investments in BlackRock sponsored mutual funds.

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was \$192 million and \$108 million at September 30, 2016 and December 31, 2015, respectively. Held-to-maturity investments included foreign government debt held primarily for regulatory purposes and certain investments in CLOs. The amortized cost (carrying value) of these investments approximated fair value. At September 30, 2016, \$161 million of these investments mature in less than one year, \$11 million mature between five to ten years and \$20 million mature after ten years.

Trading Investments

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

(in millions)	September 30, 2016		December 31, 2015	
	Carrying		Carrying	
	Cost	Value	Cost	Value
Trading investments:				
Deferred compensation plan mutual funds	\$ 41	\$ 59	\$ 48	\$ 65
Equity securities/multi-asset mutual funds	238	248	294	279
Debt securities/fixed income mutual funds:				
Corporate debt	188	194	194	190
Government debt	70	81	202	202
Asset/mortgage backed debt	84	84	49	49
Total trading investments	\$ 621	\$ 666	\$ 787	\$ 785

At September 30, 2016, trading investments included \$351 million of debt securities and \$224 million of equity securities held by consolidated sponsored investment funds accounted for as voting rights entities ("VREs"), \$59 million of certain deferred compensation plan mutual fund investments and \$32 million of other equity and debt securities.

At December 31, 2015, trading investments included \$437 million of debt securities and \$263 million of equity securities held by consolidated sponsored investment funds accounted for as VREs, \$65 million of certain deferred compensation plan mutual fund investments and \$20 million of other equity and debt securities.

Other Investments

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

September 30, December 31,

Edgar Filing: BlackRock Inc. - Form 10-Q

(in millions)	2016	2015
Other investments:		
Equity method investments	\$ 663	\$ 513
Deferred compensation plan equity method		
investments	8	14
Cost method investments:		
Federal Reserve Bank stock	89	93
Other	2	2
Total cost method investments	91	95
Carried interest ⁽¹⁾	26	19
Total other investments	\$ 788	\$ 641

⁽¹⁾ Carried interest of consolidated VREs.

Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds.

In addition, the Company accounts for its interest in PennyMac Financial Services, Inc. (“PennyMac”) as an equity method investment. At September 30, 2016 and December 31, 2015 the Company’s investment in PennyMac was excluded from the amounts in the table above and included in other assets on the condensed consolidated statements of financial condition. The carrying value and fair value of the Company’s interest (approximately 20% or 16 million shares and units) was approximately \$270 million and \$265 million, respectively, at September 30, 2016 and approximately \$222 million and \$239 million, respectively, at December 31, 2015. The fair value of the Company’s interest reflected the PennyMac stock price at September 30, 2016 and December 31, 2015, respectively (a Level 1 input). The Company performed an other-than-temporary impairment analysis as of September 30, 2016 and determined the decline in fair value below the carrying value to be temporary.

Cost method investments include nonmarketable securities, primarily FRB stock, which is held for regulatory purposes and is restricted from sale. At September 30, 2016 and December 31, 2015, there were no indicators of impairment on these investments.

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

4. Consolidated Voting Rights Entities

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

(in millions)	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 60	\$ 100
Trading investments	575	700
Other assets	14	18
Other liabilities	(72)	(77)
Noncontrolling interests	(64)	(125)
BlackRock’s net interests in consolidated VREs	\$ 513	\$ 616

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

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

5. Variable Interest Entities

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

Consolidated VIEs. The Company's consolidated VIEs as of September 30, 2016 and December 31, 2015 include certain sponsored investment funds in which BlackRock has an investment and as the investment manager is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment funds. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company.

Edgar Filing: BlackRock Inc. - Form 10-Q

Consolidated VIE assets and liabilities are presented after intercompany eliminations at September 30, 2016 and December 31, 2015 in the following table:

(in millions)	September 30, 2016	December 31, 2015
Assets of consolidated VIEs:		
Cash and cash equivalents	\$ 161	\$ 148
Investments	1,411	1,030
Other assets	183	67
Total investments and other assets	1,594	1,097
Liabilities of consolidated VIEs	(272)	(177)
Noncontrolling interests of consolidated VIEs	(593)	(416)
BlackRock's net interests in consolidated VIEs	\$ 890	\$ 652

The Company recorded a \$19 million and a \$34 million nonoperating net gain, respectively, during the three and nine months ended September 30, 2016 related to consolidated VIEs. The net income attributable to noncontrolling interest was \$1 million and the net loss attributable to noncontrolling interest was \$2 million for the three and nine months ended September 30, 2016, respectively, related to consolidated VIEs.

The Company recorded a \$14 million nonoperating net loss and a \$2 million nonoperating net gain, respectively, during the three and nine months ended September 30, 2015 related to consolidated VIEs. The net loss attributable to noncontrolling interests related to consolidated VIEs during the three and nine months ended September 30, 2015 was \$9 million and \$2 million, respectively.

Nonconsolidated VIEs. At September 30, 2016 and December 31, 2015, the Company's carrying value of assets and liabilities included on the condensed consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)		Advisory	Other Net	
At September 30, 2016	Investments	Fee Receivables	Assets (Liabilities)	Maximum Risk of Loss ⁽¹⁾
Sponsored investment products	\$ 121	\$ 7	\$ (7)	\$ 145
At December 31, 2015				
Sponsored investment products	\$ 64	\$ 3	\$ (7)	\$ 84

⁽¹⁾At both September 30, 2016 and December 31, 2015, BlackRock's maximum risk of loss associated with these VIEs primarily related to collecting advisory fee receivables and BlackRock's investments.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated \$3 billion at both September 30, 2016 and December 31, 2015.

6. Fair Value Disclosures

Fair Value Hierarchy

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

	Quoted					
	Prices in					
	Active	Significant				
	Markets for	Other	Significant			
	Identical	Observable	Unobservable	Investments		
				Measured	Other Assets	
September 30, 2016 (in millions)	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	at NAV ⁽¹⁾	Not Held at Fair Value ⁽²⁾	September 30, 2016
Assets:						
Investments						
Available-for-sale:	\$ 13	\$ 48	\$ 24	\$ —	\$ —	\$ 85
Held-to-maturity securities	—	—	—	—	192	192
Trading:						
Deferred compensation plan mutual funds	59	—	—	—	—	59
Equity securities/Multi-asset mutual funds	248	—	—	—	—	248
Debt securities / fixed income mutual funds	2	352	5	—	—	359
Total trading	309	352	5	—	—	666
Other investments:						
Equity method:						
Equity and fixed income mutual funds	264	—	—	6	—	270
Other	—	—	—	385	8	393
Total equity method	264	—	—	391	8	663
Deferred compensation plan equity method investments	—	—	—	8	—	8
Cost method investments	—	—	—	—	91	91
Carried interest	—	—	—	—	26	26
Total investments	586	400	29	399	317	1,731
Separate account assets	110,510	41,917	—	—	903	153,330
Separate account collateral held under securities lending						
agreements:						
Equity securities	23,181	—	—	—	—	23,181
Debt securities	—	6,658	—	—	—	6,658
Total separate account collateral held under securities	23,181	6,658	—	—	—	29,839

lending agreements						
Investments of consolidated VIEs:						
Private / public equity ⁽³⁾	7	2	194	109	—	312
Equity securities	472	—	—	—	—	472
Debt securities	—	476	—	—	—	476
Other	—	—	—	69	—	69
Carried interest	—	—	—	—	82	82
Total investments of consolidated VIEs	479	478	194	178	82	1,411
Total	\$ 134,756	\$ 49,453	\$ 223	\$ 577	\$ 1,302	\$ 186,311
Liabilities:						
Separate account collateral liabilities under securities						
lending agreements	\$ 110,510	\$ 41,917	\$ —	\$ —	\$ 903	\$ 153,330
Other liabilities ⁽⁴⁾	—	7	118	—	—	125
Total	\$ 110,510	\$ 41,924	\$ 118	\$ —	\$ 903	\$ 153,455

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

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

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

(4) Amounts primarily include recorded contingent liabilities related to certain acquisitions (see Note 11, Commitments and Contingencies, for more information).

Edgar Filing: BlackRock Inc. - Form 10-Q

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

	Quoted Prices in					
	Active		Significant			
	Markets for		Significant Other	Unobservable	Other Assets	
December 31, 2015	Identical Assets	Observable Inputs	Inputs	Investments Measured at NAV ⁽¹⁾	Not Held at Fair Value ⁽²⁾	December 31, 2015
(in millions)	(Level 1)	(Level 2)	(Level 3)	NAV ⁽¹⁾	Value ⁽²⁾	2015
Assets:						
Investments						
Available-for-sale	\$ 19	\$ 2	\$ 23	\$ —	\$ —	\$ 44
Held-to-maturity securities	—	—	—	—	108	108
Trading:						
Deferred compensation plan mutual funds	65	—	—	—	—	65
Equity/Multi-asset mutual funds	278	—	—	—	—	278
Debt securities / fixed income mutual funds	2	438	2	—	—	442
Total trading	345	438	2	—	—	785
Other investments:						
Equity method:						
Equity and fixed income mutual funds	73	—	—	30	—	103
Other	—	—	—	400	10	410
Total equity method	73	—	—	430	10	513
Deferred compensation plan equity method investments	—	—	—	14	—	14
Cost method investments	—	—	—	—	95	95
Carried interest	—	—	—	—	19	19
Total investments	437	440	25	444	232	1,578
Separate account assets	109,761	40,152	—	—	938	150,851
Separate account collateral held under securities lending agreements:						
Equity securities	26,062	—	—	—	—	26,062
Debt securities	—	5,274	—	—	—	5,274
Total separate account collateral held under securities lending agreements	26,062	5,274	—	—	—	31,336
Investments of consolidated VIEs:						
Private / public equity ⁽³⁾	6	4	196	145	—	351
Equity securities	298	—	—	—	—	298
Debt securities	—	242	—	—	—	242
Other	—	—	—	58	—	58
Carried interest	—	—	—	—	81	81
Total investments of consolidated VIEs	304	246	196	203	81	1,030
Total	\$ 136,564	\$ 46,112	\$ 221	\$ 647	\$ 1,251	\$ 184,795
Liabilities:						

Separate account collateral liabilities						
under securities lending agreements	\$ 26,062	\$ 5,274	\$ —	\$ —	\$ —	\$ 31,336
Other liabilities ⁽⁴⁾	—	6	48	—	—	54
Total	\$ 26,062	\$ 5,280	\$ 48	\$ —	\$ —	\$ 31,390

- (1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.
- (2) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
- (3) Level 3 amounts include direct investments in private equity companies held by private equity funds.
- (4) Amounts primarily include recorded contingent liabilities related to certain acquisitions (see Note 11, Commitments and Contingencies, for more information).

Level 3 Assets. Level 3 investments of consolidated VIEs of \$194 million and \$196 million at September 30, 2016 and December 31, 2015, respectively, related to direct investments in private equity companies held by consolidated private equity funds. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (“EBITDA”) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For investments utilizing the market-comparable valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

Level 3 assets may include investments in CLOs and bonds valued based on single-broker nonbinding quotes, and direct private equity investments valued using the market approach or the income approach as described above.

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

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2016

	Realized		and		Unrealized		Gains		Total Net	
							(Losses)		Unrealized	
							in		Gains (Losses)	
							Issuances Transferred		Transfers	
							and		into out of	
							other		Level Level	
(in millions)	June 30, and	OCI	Purchases	Maturities	Settlements	Level	Level	September 30,	Included in	
	2016					3	3	2016	Earnings ⁽¹⁾	
Assets:										
Investments:										
Available-for-sale securities ⁽²⁾	\$ —	\$ —	\$ 24	\$ —	\$ —	\$ —	\$ —	\$ 24		
Trading	3	—	2	—	—	—	—	5		
Total investments	3	—	26	—	—	—	—	29		
Assets of consolidated VIEs -										
Private equity	189	11	—	(6)	—	—	—	194	\$ 11	
Total Level 3 assets	\$ 192	\$ 11	\$ 26	\$ (6)	\$ —	\$ —	\$ —	\$ 223		
Liabilities:										
Other liabilities ⁽³⁾	\$ 121	\$ (2)	\$ —	\$ —	\$ (5)	\$ —	\$ —	\$ 118	\$ (2)	

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

(2) Amounts include investments in CLOs.

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

Edgar Filing: BlackRock Inc. - Form 10-Q

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2016

(in millions)	December 31, 2015	Realized and Unrealized Gains (Losses) in Earnings						September 30, 2016	Total Net Unrealized Gains (Losses) Included in Earnings ⁽²⁾
		OCI	Purchases	Sales and Maturities	Issuances and Settlements	Transfers into Level 3 ⁽¹⁾	Transfers out of Level 3		
Assets:									
Investments:									
Available-for-sale securities ⁽³⁾	\$ 23	\$ —	\$ 47	\$ —	\$ —	\$ —	\$ (46)	\$ 24	
Trading	2	—	6	—	—	—	(3)	5	
Total investments	25	—	53	—	—	—	(49)	29	
Assets of consolidated VIEs -									
Private equity	196	13	—	(15)	—	—	—	194	\$ 13
Total Level 3 assets	\$ 221	\$							