BlackRock Inc.
Form 10-Q
November 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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 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
Smaller reporting company			(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

PART II

OTHER INFORMATION

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(unaudited)

(in millions, except shares and per share data)	September 30, 2016	December 31, 2015
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

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, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 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

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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 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)

(in millions)	Additional Paid-in Capital[1]	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 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)	—

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)

(in millions)	Additional Paid-in Capital[1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 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.

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

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	
	Cost	Carrying Value	Cost	Carrying 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,

(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.

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)	Investments	Advisory Fee Receivables	Other Net Assets (Liabilities)	Maximum Risk of Loss[1]
At September 30, 2016				
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.

14

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

September 30, 2016 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV[1]	Other Assets 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).

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

December 31, 2015 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV(1)	Other Assets Not Held at Fair Value(2)	December 31, 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

(in millions)	June 30, 2016	Realized and Unrealized Gains (Losses) in Earnings and OCI	Purchases	Sales and Maturities	Issuances and other Settlements	Transfers into Level 3	Transfers out of Level 3	September 30, 2016	Total Net Unrealized Gains (Losses) Included in 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.

18

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 and OCI	Purchases	Sales and Maturities	Issuances and other Settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2016	Total Net Unrealized Gains (Losses) Included in Earnings[2]
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	$ 13	$ 53	$ (15)	$ —	$ —	$ (49)	$ 223	
Liabilities:									
Other liabilities[4]	$ 48	$ —	$ —	$ —	$ 70	$ —	$ —	$ 118	$ —

(1) Issuances and other settlements amount includes a contingent liability related to the BofA® Global Capital Management transaction in April 2016.

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

(3) Amounts include investments in CLOs.

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

19

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2015

(in millions)	June 30, 2015	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, 2015	Total Net Unrealized Gains (Losses) Included in Earnings[2]
Assets:									
Assets of consolidated VIEs:									
Private equity	$ 166	$ 6	$ —	$ —	$ —	$ —	$ —	$ 172	$ 6
Liabilities:									
Other liabilities[3]	$ 56	$ 4	$ —	$ —	$ (15)	$ —	$ —	$ 37	$ 4

(1) Issuances and other settlements amount includes payments of contingent liabilities related to certain acquisitions.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
(3) Other liabilities amount includes contingent liabilities in connection with certain acquisitions.

20

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2015

(in millions)	December 31, 2014	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, 2015	Total Net Unrealized Gains (Losses) Included in Earnings[3]
Assets:									
Investments									
Consolidated sponsored investment funds - Private Equity	$ 80	$ —	$ —	$ —	$ (80)	$ —	$ —	$ —	
Assets of consolidated VIEs:									
Bank loans	302	—	—	—	(302)	—	—	—	
Bonds	18	—	—	—	(18)	—	—	—	
Private equity	—	13	79	—	80	—	—	172	$ 13
Total Level 3 assets of consolidated VIEs	320	13	79	—	(240)	—	—	172	
Total Level 3 assets	$ 400	$ 13	$ 79	$ —	$ (320)	$ —	$ —	$ 172	
Liabilities:									
Borrowings of consolidated VIEs	$ 3,389	$ —	$ —	$ —	$ (3,389)	$ —	$ —	$ —	
Other liabilities[2]	39	1	—	—	(1)	—	—	37	$ 1
Total Level 3 liabilities	$ 3,428	$ 1	$ —	$ —	$ (3,390)	$ —	$ —	$ 37	

[1] Amounts primarily include the consolidation (deconsolidation) of VIEs due to the adoption of ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis, ("ASU 2015-12"). See Note 2, Significant Accounting Policies, in the 2015 10-K for further information on ASU 2015-02.

(2) Other liabilities amount includes contingent liabilities related to certain acquisitions.

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

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

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

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At September 30, 2016 and December 31, 2015, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

	September 30, 2016		December 31, 2015			
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	
Financial Assets:						
Cash and cash equivalents	$5,454	$ 5,454	$6,083	$ 6,083	Level 1	(1),(2)
Accounts receivable	2,601	2,601	2,237	2,237	Level 1	(3)
Cash and cash equivalents of consolidated VIEs	161	161	148	148	Level 1	(1),(2)
Financial Liabilities:						
Accounts payable and accrued liabilities	1,354	1,354	1,068	1,068	Level 1	(3)
Long-term borrowings	4,961	5,403	4,930	5,223	Level 2	(4)

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

(2) At September 30, 2016 and December 31, 2015, approximately $134 million and $132 million, respectively, of money market funds were recorded within cash and cash equivalents, which includes money market funds of consolidated VREs, on the condensed consolidated statements of financial condition. In addition, at September 30, 2016 and December 31, 2015, approximately $34 million and $68 million, respectively, of money market funds were recorded within cash and cash equivalents of consolidated VIEs. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund.

(3) The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature.

(4) Long-term borrowings are recorded at amortized cost net of unamortized debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of September 2016 and December 2015, respectively. See Note 10, Borrowings, for the fair value of each of the Company's long-term borrowings.

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

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

September 30, 2016

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity method:[1]					
Hedge funds/funds of hedge funds	(a)	$ 230	$ 21	Daily/Monthly (22%) Quarterly (51%) N/R (27%)	1 – 90 days
Private equity funds	(b)	88	69	N/R	N/R
Real assets funds	(c)	67	34	Quarterly (36%) N/R (64%)	60 days
Other	(d)	14	5	Daily/Monthly (42%) N/R (58%)	3 – 5 days
Consolidated VIEs:					
Private equity funds of funds	(e)	109	17	N/R	N/R
Hedge fund	(a)	35	—	Quarterly	90 days
Real assets funds	(c)	34	17	N/R	N/R
Total		$ 577	$ 163		

December 31, 2015

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity method:[1]					
Hedge funds/funds of hedge funds	(a)	$ 217	$ 30	Daily/Monthly (22%) Quarterly (52%) N/R (26%)	30 – 90 days

Private equity funds	(b)	89	67	N/R	N/R
Real assets funds	(c)	94	31	Quarterly (25%) N/R (75%)	60 days
Other	(d)	44	5	Daily/Monthly (68%) N/R (32%)	3 – 5 days
Consolidated VIEs:					
Private equity funds of funds	(e)	145	19	N/R	N/R
Hedge fund	(a)	58	—	Quarterly	90 days
Total		$ 647	$ 152		

N/R – not redeemable

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

(a) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately one year at both September 30, 2016 and December 31, 2015.

(b) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately four years at both September 30, 2016 and December 31, 2015.

(c) This category includes several real assets funds that invest directly in real estate, real estate related assets and infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. A majority of the Company's investments are not subject to redemption or are not currently redeemable and are normally returned through distributions as a result of the liquidation of the underlying assets of the funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately six years at both September 30, 2016 and December 31, 2015, respectively.

(d) This category includes investments in several real estate funds. The investments are not subject to redemption; however, distributions as a result of the liquidation of the underlying assets will be used to settle certain deferred compensation liabilities over time. In addition, this category for 2015 also includes a multi-asset fund that is redeemable. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in partners' capital.

(e) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately five years at both September 30, 2016 and December 31, 2015. The total remaining unfunded commitments to other third-party funds were $17 million at September 30, 2016 and $19 million at December 31, 2015. The Company had contractual obligations to the consolidated funds of $24 million at September 30, 2016 and $31 million at December 31, 2015.

7. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At September 30, 2016, the Company had outstanding total return swaps and interest rate swaps with aggregate notional values of approximately $478 million and $48 million, respectively. At December 31, 2015, the Company had outstanding total return swaps and interest rate swaps with aggregate notional values of approximately $360 million and $46 million, respectively.

Gains (losses) on total return swaps are recorded in nonoperating income (expense) and were $(25) million and $(33) million for the three and nine months ended September 30, 2016, respectively. Gains (losses) on total return swaps were $35 million and $26 million for the three and nine months ended September 30, 2015, respectively.

Gains (losses) on interest rate swaps are recorded in nonoperating income (expense) and were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2016 and 2015.

The Company has entered into a derivative providing credit protection to a counterparty of approximately $17 million, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company carries the derivative at fair value based on the expected discounted future cash outflows under the arrangement.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At September 30, 2016 and December 31, 2015, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately $121 million and $169 million, respectively. Gains (losses) on forward foreign currency exchange contracts are recorded in other general and administration expense and were not material to the condensed consolidated statements of income for the three and nine months ended September 30, 2016 and 2015.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The change in fair value of such derivatives, which is recorded in nonoperating income (expense) was not material for the three and nine months ended September 30, 2016 and 2015.

The fair value of the outstanding derivatives mentioned above were not material to the condensed consolidated statements of financial condition at September 30, 2016 and December 31, 2015.

See Note 12, Borrowings, in the 2015 Form 10-K for more information on the Company's net investment hedge.

8. Goodwill

Goodwill activity during the nine months ended September 30, 2016 was as follows:

(in millions)	
December 31, 2015	$13,123
BofA Global Capital Management[(1)]	15
Goodwill adjustment related to Quellos[(2)]	(14)
September 30, 2016	$13,124

(1) The $15 million increase represents goodwill from the BofA Global Capital Management transaction in April 2016 that transferred investment management responsibilities of approximately $80.6 billion of cash assets under management to the Company. Total consideration included $75 million of contingent consideration at fair value at time of close. BlackRock's platform provides clients with broad access to high quality, global liquidity investment solutions.

(2) The decrease in goodwill during the nine months ended September 30, 2016 primarily resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $208 million and $231 million at September 30, 2016 and December 31, 2015, respectively.

9. Intangible Assets

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

(in millions)	Indefinite-lived	Finite-lived	Total
December 31, 2015	$ 17,108	$ 264	$17,372
Amortization expense	—	(75)	(75)
BofA Global Capital Management	70	20	90
September 30, 2016	$ 17,178	$ 209	$17,387

In connection with the BofA Global Capital Management transaction, the Company acquired $70 million of indefinite-lived management contracts and $20 million of finite-lived management contracts with a weighted-average estimated life of approximately 10 years.

10. Borrowings

Short-Term Borrowings

2016 Revolving Credit Facility. The Company's credit facility has an aggregate commitment amount of $4.0 billion and was amended in April 2016 to extend the maturity date to March 2021 (the "2016 credit facility"). The 2016 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2016 credit facility to an aggregate principal amount not to exceed $5.0 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2016 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at September 30, 2016. The 2016 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At September 30, 2016, the Company had no amount outstanding under the 2016 credit facility.

Commercial Paper Program. The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4.0 billion. The commercial paper program is currently supported by the 2016 credit facility. At September 30, 2016, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices and foreign exchange rates at September 30, 2016 included the following:

(in millions)	Maturity Amount	Unamortized Discount and Debt Issuance Costs	Carrying Value	Fair Value
6.25% Notes due 2017	$ 700	$ (1)	$ 699	$ 734
5.00% Notes due 2019	1,000	(3)	997	1,109
4.25% Notes due 2021	750	(4)	746	834
3.375% Notes due 2022	750	(4)	746	810
3.50% Notes due 2024	1,000	(8)	992	1,095
1.25% Notes due 2025	787	(6)	781	821
Total Long-term Borrowings	$ 4,987	$ (26)	$ 4,961	$ 5,403

Long-term borrowings at December 31, 2015 had a carrying value of $4.9 billion and a fair value of $5.2 billion determined using market prices at the end of December 2015.

See Note 12, Borrowings, in the 2015 Form 10-K for more information regarding the Company’s borrowings.

11. Commitments and Contingencies

Investment Commitments. At September 30, 2016, the Company had $194 million of various capital commitments to fund sponsored investment funds, including consolidated VIEs. These funds include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. In addition to the capital commitments of $194 million, the Company had approximately $12 million of contingent commitments for certain funds which have investment periods that have expired. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

Contingencies

Contingent Payments Related to Business Acquisitions. In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at September 30, 2016 totaled $118 million, including $76 million related to the BofA Global Capital Management transaction, and is included in other liabilities on the condensed consolidated statement of financial condition.

Other Contingent Payments. The Company acts as the portfolio manager in a series of derivative transactions and has a maximum potential exposure of $17 million between the Company and counterparty. See Note 7, Derivatives and Hedging, for further discussion.

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

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

26

District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited (collectively, the "Defendants") under the caption In re BlackRock Mutual Funds Advisory Fee Litigation. The Consolidated Complaint, which purports to be brought derivatively on behalf of the Funds, alleges that the Defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On February 24, 2015, the same plaintiffs filed another complaint in the same court against BlackRock Investment Management, LLC and BlackRock Advisors, LLC. The allegations and legal claims in both complaints are substantially similar, with the new complaint purporting to challenge fees received by Defendants after the plaintiffs filed their prior complaint. Both complaints seek, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by Defendants in the twelve month period preceding the start of each lawsuit, along with purported lost investment returns on those amounts, plus interest. On March 25, 2015, Defendants' motion to dismiss the Consolidated Complaint was denied. The Defendants believe the claims in both lawsuits are without merit and intend to vigorously defend the actions.

Between November 12, 2015 and November 16, 2015, BlackRock, Inc., BlackRock Realty Advisors, Inc. ("BRA") and the BlackRock Granite Property Fund, Inc. ("Granite Fund"), along with certain other Granite Fund-related entities (collectively, the "BlackRock Parties") were named as defendants in thirteen separate lawsuits filed in the Superior Court of the State of California for the County of Alameda arising out of the June 16, 2015 collapse of a balcony at the Library Gardens apartment complex in Berkeley, California (the "Property"). The Property is indirectly owned by the Granite Fund, which is managed by BRA. The plaintiffs also named as defendants in the lawsuits Greystar, which is the property manager of the Property, and certain other entities, including the developer of the Property, building contractors and building materials suppliers. The plaintiffs allege, among other things, that the BlackRock Parties were negligent in their ownership, control and maintenance of the Property's balcony, and seek monetary, including punitive, damages. Additionally, on March 16, 2016, three former tenants of the Library Gardens apartment unit that experienced the balcony collapse sued the BlackRock Parties. The former tenants, who witnessed (but were not physically injured in) the accident make allegations virtually identical to those in the previously filed actions and claim that as a result of the collapse, they suffered unspecified emotional damage. Several defendants have also filed cross-complaints alleging a variety of claims, including claims against the BlackRock Parties for contribution, negligence, and declaratory relief. BlackRock believes the claims against it are without merit and intends to vigorously defend the actions.

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

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

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. At September 30, 2016, the Company indemnified certain of its clients for their securities lending loan balances of approximately $171.8 billion. The Company held as agent, cash and securities totaling $182.5 billion as collateral for indemnified securities on loan at

September 30, 2016. The fair value of these indemnifications was not material at September 30, 2016.

12. Stock-Based Compensation

Restricted Stock and RSUs. Restricted stock and restricted stock units (“RSUs”) activity for the nine months ended September 30, 2016 is summarized below:

Outstanding at	Restricted Stock and RSUs	Weighted-Average Grant Date Fair Value
December 31, 2015	3,067,737	$ 308.42
Granted	1,433,207	$ 298.90
Converted	(1,408,438)	$ 282.19
Forfeited	(54,915)	$ 314.88
September 30, 2016[1]	3,037,591	$ 315.98

[1] At September 30, 2016, approximately 2.7 million awards are expected to vest and 0.3 million awards have vested but have not been converted.

In the first quarter of 2016, the Company granted 1,030,964 RSUs to employees as part of 2015 annual incentive compensation that vest ratably over three years from the date of grant and 303,587 RSUs to employees that cliff vest 100% on January 31, 2019. The Company values RSUs at their grant-date fair value as measured by BlackRock’s common stock price. The total fair value of RSUs granted to employees during the nine months ended September 30, 2016 was $428 million at time of grant.

At September 30, 2016, the intrinsic value of outstanding RSUs was $1.1 billion reflecting a closing stock price of $362.46.

At September 30, 2016, total unrecognized stock-based compensation expense related to unvested RSUs was $378 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.2 years.

Market Performance-based RSUs.

Market Performance-based RSUs activity for the nine months ended September 30, 2016 is summarized below:

Outstanding at	Market Performance-Based RSUs	Weighted-Average Grant Date Fair Value
December 31, 2015	1,378,177	$ 137.07
Converted	(548,227)	$ 115.03

Forfeited	(19,513)	$ 153.74
September 30, 2016[1]	810,437	$ 151.58

[1] The market performance-based RSUs require that separate 15%, 25% and 35% share price appreciation targets be achieved during the six-year term of the awards. The awards are split into three tranches and each tranche may vest if the specified target increase in share price is met. At September 30, 2016, approximately 0.7 million awards are expected to vest and an immaterial amount of awards have vested and have not been converted.

At September 30, 2016, the intrinsic value of outstanding market performance-based RSUs was $294 million reflecting a closing stock price of $362.46.

See Note 14, Stock-Based Compensation, in the 2015 Form 10-K for more information on market performance-based RSUs.

At September 30, 2016, total unrecognized stock-based compensation expense related to unvested market performance-based awards was $22 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of less than one year.

Performance-Based RSUs.

Performance-based RSU activity for the nine months ended September 30, 2016 is summarized below:

Outstanding at	Performance-Based RSUs	Weighted-Average Grant Date Fair Value
December 31, 2015	255,868	$ 343.86
Granted	375,242	$ 296.97
Forfeited	(10,056)	$ 333.55
September 30, 2016	621,054	$ 315.69

In the first quarter of 2016, the Company granted 375,242 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2019. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures.

At September 30, 2016, total unrecognized stock-based compensation expense related to unvested performance-based awards was $114 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.9 years.

The Company values performance-based RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total grant-date fair market value of performance-based RSUs granted to employees during the nine months ended September 30, 2016 was $111 million.

At September 30, 2016, the intrinsic value of outstanding performance-based RSUs was $225 million reflecting a closing stock price of $362.46.

Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans ("LTIP"). The current share surrender agreement commits PNC to provide BlackRock Series C nonvoting participating preferred stock to fund the remaining committed shares. As of September 30, 2016, 3.2 million shares had been surrendered by PNC.

At September 30, 2016, the remaining shares committed by PNC of 0.8 million were available to fund certain future long-term incentive awards.

Stock Options. Stock option activity for the nine months ended September 30, 2016 is summarized below:

Outstanding at	Shares	Weighted

	under option	average exercise price
December 31, 2015	154,094	$ 167.76
Exercised	(154,094)	$ 167.76
September 30, 2016	—	

The aggregate intrinsic value of options exercised during the nine months ended September 30, 2016 was $30 million.

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

Capital Requirements. At September 30, 2016, the Company was required to maintain approximately $1.3 billion in net capital in certain regulated subsidiaries, including BlackRock Institutional Trust Company, N.A. (a wholly owned subsidiary of the Company that is chartered as a national bank whose powers are limited to trust and other fiduciary activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

14. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in accumulated other comprehensive income (loss) ("AOCI") by component for the three and nine months ended September 30, 2016 and 2015:

(in millions)	Unrealized gains (losses) on available-for-sale investments[1]	Benefit plans	Foreign currency translation adjustments[2]	Total
For the Three Months Ended September 30, 2016				
June 30, 2016	$ —	$ 5	$ (565)	$(560)
Net other comprehensive income (loss) for the three months ended September 30, 2016	—	—	(38)	(38)
September 30, 2016	$ —	$ 5	$ (603)	$(598)
For the Nine Months Ended September 30, 2016				
December 31, 2015	$ (1)	$ 5	$ (452)	$(448)
Other comprehensive income (loss) before reclassifications	—	—	(151)	(151)
Amount reclassified from AOCI[3]	1	—	—	1
Net other comprehensive income (loss) for the nine months ended September 30, 2016	1	—	(151)	(150)
September 30, 2016	$ —	$ 5	$ (603)	$(598)

(1) All amounts are net of tax. The tax benefit (expense) was not material for the three and nine months ended September 30, 2016.

(2) Amount for the three months ended September 30, 2016 includes a loss from a net investment hedge of $5 million, net of a tax benefit of $4 million. Amount for the nine months ended September 30, 2016 includes a loss from a net investment hedge of $16 million, net of a tax benefit of $10 million.

(3)

The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the condensed consolidated statement of income.

(in millions)	Unrealized gains (losses) on available-for-sale investments[1]	Benefit plans	Foreign currency translation adjustments[2]	Total
For the Three Months Ended September 30, 2015				
June 30, 2015	$ 1	$ 3	$ (343)	$(339)
Net other comprehensive income (loss) for the three months ended September 30, 2015	(2)	—	(67)	(69)
September 30, 2015	$ (1)	$ 3	$ (410)	$(408)
For the Nine Months Ended September 30, 2015				
December 31, 2014	$ 2	$ 4	$ (279)	$(273)
Net other comprehensive income (loss) for the nine months ended September 30, 2015	(3)	(1)	(131)	(135)
September 30, 2015	$ (1)	$ 3	$ (410)	$(408)

[1] All amounts are net of tax. The tax benefit (expense) was not material for the three and nine months ended September 30, 2015.

[2] Amounts for the three months ended September 30, 2015 include losses from a net investment hedge of $2 million. Amount for the nine months ended September 30, 2015 included gains from a net investment hedge of $5 million, net of tax of $4 million.

15. Capital Stock

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

	September 30, 2016	December 31, 2015
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[1]	823,188	823,188
Series C		
Shares authorized, $0.01 par value	6,000,000	6,000,000
Shares issued and outstanding[1]	763,660	1,311,887

Series D		
Shares authorized, $0.01 par value	20,000,000	20,000,000
Shares issued and outstanding	—	—

(1) Shares held by PNC.

Share Repurchases. The Company repurchased 2.4 million common shares in open-market transactions under the share repurchase program for approximately $850 million during the nine months ended September 30, 2016. At September 30, 2016, there were 3.8 million shares still authorized to be repurchased.

PNC Capital Contribution. During the three months ended March 31, 2016, PNC surrendered to BlackRock 548,227 shares of BlackRock Series C Preferred to fund certain LTIP awards.

16. Restructuring Charge

A restructuring charge of $76 million ($53 million after-tax), comprised of $44 million of severance and $32 million of expense related to the accelerated amortization of previously granted deferred cash and equity compensation awards, was recorded in the first quarter of 2016 in connection with a project to streamline and simplify the organization.

The following table presents a rollforward of the Company’s restructuring liability for the nine months ended September 30, 2016, which is included within other liabilities on the condensed consolidated statements of financial condition:

(in millions)	Nine Months Ended September 30, 2016
Liability as of December 31, 2015	$ —
Additions	76
Cash payments	(42)
Accelerated amortization expense of equity-based awards	(28)
Liability as of September 30, 2016	$ 6

17. Income Taxes

The three and nine months ended September 30, 2016 income tax expense included a $26 million net noncash tax benefit, primarily related to the revaluation of certain deferred income tax liabilities as a result of legislation enacted in the United Kingdom, and domestic state and local income tax changes. The three and nine months ended September 30, 2016 also included nonrecurring tax benefits of $16 million and $35 million, respectively, primarily due to the resolution of certain outstanding tax matters.

The three and nine months ended September 30, 2015 income tax expense included a $6 million net noncash tax benefit and $10 million net noncash expense, respectively, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes. The nine months ended September 30, 2015 also included nonrecurring tax benefits of $75 million, primarily due to the realization of losses from changes in the Company’s organizational tax structure and the resolution of certain outstanding tax matters.

18. Earnings Per Share

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

The following table sets forth the computation of basic and diluted EPS for the three and nine months ended September 30, 2016 and 2015 under the treasury stock method:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares and per share data)	2016	2015	2016	2015
Net income attributable to BlackRock	$875	$843	$2,321	$2,484
Basic weighted-average shares outstanding	164,129,214	166,045,291	164,756,355	166,579,805
Dilutive effect of nonparticipating RSUs and stock options	2,127,384	2,620,012	2,004,557	2,577,383
Total diluted weighted-average shares outstanding	166,256,598	168,665,303	166,760,912	169,157,188
Basic earnings per share	$5.33	$5.08		