BlackRock Inc.
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File No. 001-33099

BlackRock, 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)

(212) 810-5300

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
1.250% Notes due 2025	New York Stock Exchange

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

None

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

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

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 o

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 o

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

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

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

The aggregate market value of the voting common stock and nonvoting common stock equivalents held by nonaffiliates of the registrant as of June 30, 2015 was approximately $56.3 billion.

As of January 31, 2016, there were 163,941,835 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference herein:

Portions of the definitive Proxy Statement of BlackRock, Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2016 annual meeting of stockholders to be held on May 25, 2016 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

BlackRock, Inc.

Table of Contents

Part I

Item 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 with $4.645 trillion of assets under management (“AUM”) at December 31, 2015. With employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

Our 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. Our 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. We also offer our BlackRock Solutions® (“BRS”) investment and risk management technology platform, Aladdin®, risk analytics and advisory services and solutions to a broad base of institutional investors. The Company is highly regulated and serves its clients as a fiduciary. We do not engage in proprietary trading activities that could conflict with the interests of our clients.

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

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

BlackRock is an independent, publicly traded company, with no single majority shareholder and over two-thirds of its Board of Directors consisting of independent directors. At December 31, 2015, The PNC Financial Services Group, Inc. (“PNC”) held 21.1% of BlackRock’s voting common stock and 22.2% of BlackRock’s capital stock, which includes outstanding common stock and nonvoting preferred stock.

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

- the Company’s focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the Company’s global reach and commitment to best practices around the world, with approximately 48% of employees outside the United States supporting local investment capabilities and serving clients, and approximately 42% of total AUM managed for clients domiciled outside the United States;
- the Company’s diversified active and index product offerings, which enhance its ability to offer a variety of traditional and alternative investment products across the risk spectrum and to tailor single- and multi-asset investment solutions to address specific client needs;
- the Company’s differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to passive investing and ETFs, a focus on income and retirement, and barbelling of risk using index and active products, including alternatives; and

- the Company’s longstanding commitment to risk management and the continued development of, and increased interest in, BRS products and services.

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

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

Financial Highlights

(in millions, except per share data)	2015	2014	2013	2012	2011	5-Year CAGR[4]
Total revenue	$11,401	$11,081	$10,180	$9,337	$9,081	6 %
Operating income	$4,664	$4,474	$3,857	$3,524	$3,249	9 %
Operating margin	40.9 %	40.4 %	37.9 %	37.7 %	35.8 %	3 %
Nonoperating income (expense)[1]	$(69)	$(49)	$97	$(36)	$(116)	N/A
Net income attributable to BlackRock, Inc.	$3,345	$3,294	$2,932	$2,458	$2,337	10 %
Diluted earnings per common share	$19.79	$19.25	$16.87	$13.79	$12.37	13 %

(in millions, except per share data)	2015	2014	2013	2012	2011	5-Year CAGR[4]
As adjusted[2]:						
Operating income	$4,695	$4,563	$4,024	$3,574	$3,392	8 %
Operating margin[2]	42.9 %	42.9 %	41.4 %	40.4 %	39.7 %	2 %
Nonoperating income (expense)[1]	$(70)	$(56)	$7	$(42)	$(113)	N/A
Net income attributable to BlackRock, Inc.[3]	$3,313	$3,310	$2,882	$2,438	$2,239	9 %
Diluted earnings per common share[3]	$19.60	$19.34	$16.58	$13.68	$11.85	12 %

N/A— not applicable

(1) Net of net income (loss) attributable to noncontrolling interests (“NCI”) (redeemable and nonredeemable).

(2) BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”); however, management believes evaluating the Company’s ongoing operating results may be enhanced if investors have additional non-GAAP financial measures.

See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures, for further information on non-GAAP financial measures and for as adjusted items for 2015, 2014, and 2013. In 2012, operating income, as adjusted, included an adjustment related to estimated lease exit costs initially recorded in 2011 and the contribution to certain of the Company’s bank-managed short-term investment funds (“STIFs”). In 2011, operating income, as adjusted, included U.K. lease exit costs which represent costs to exit two locations in London and restructuring charges. In 2012 and 2011, the portion of compensation expense associated with certain long-term incentive plans (“LTIP”) funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately did not impact BlackRock’s book value. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in nonoperating income (expense).

(3) Net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted exclude the after-tax impact of the items listed above and also include the effect on deferred income tax expense resulting from certain income tax matters.

(4) Percentage represents compounded annual growth rate (“CAGR”) over a five-year period (2010-2015).

Assets Under Management

The Company's AUM by product type for the years 2011 through 2015 is presented below.

	December 31,					5-Year
(in millions)	2015	2014	2013	2012	2011	CAGR[(1)]
Equity	$2,423,772	$2,451,111	$2,317,695	$1,845,501	$1,560,106	7 %
Fixed income	1,422,368	1,393,653	1,242,186	1,259,322	1,247,722	5 %
Multi-asset	376,336	377,837	341,214	267,748	225,170	15 %
Alternatives	112,839	111,240	111,114	109,795	104,948	1 %
Long-term	4,335,315	4,333,841	4,012,209	3,482,366	3,137,946	7 %
Cash management	299,884	296,353	275,554	263,743	254,665	1 %
Advisory	10,213	21,701	36,325	45,479	120,070	(42 %)
Total	$4,645,412	$4,651,895	$4,324,088	$3,791,588	$3,512,681	5 %

(1) Percentage represents CAGR over a five-year period (2010-2015).

Component changes in AUM by product type for the five years ended December 31, 2015 are presented below.

(in millions)	December 31, 2010	Net Inflows (Outflows)	Adjustment/ Acquisitions[(1)]	Market Change	FX Impact	December 31, 2015	5-Year CAGR[(2)]
Equity	$ 1,694,467	$ 252,591	$ (16,112)	$605,577	$(112,751)	$ 2,423,772	7 %
Fixed income	1,141,324	122,375	2,968	230,218	(74,517)	1,422,368	5 %
Multi-asset	185,587	146,838	6,442	62,110	(24,641)	376,336	15 %
Alternatives	109,738	(6,541)	21,345	(6,310)	(5,393)	112,839	1 %
Long-term	3,131,116	515,263	14,643	891,595	(217,302)	4,335,315	7 %
Cash management	279,175	25,411	—	3,487	(8,189)	299,884	1 %
Advisory	150,677	(134,686)	—	1,676	(7,454)	10,213	(42 %)
Total	$ 3,560,968	$ 405,988	$ 14,643	$896,758	$(232,945)	$ 4,645,412	5 %

(1) Amounts include AUM acquired from Claymore Investments, Inc. ("Claymore") in March 2012, Swiss Re Private Equity Partners ("SRPEP") in September 2012, Credit Suisse's ETF franchise ("Credit Suisse ETF Transaction") in July 2013 and MGPA in October 2013. Amounts also include AUM acquired in the acquisitions of certain assets of BlackRock Kelso Capital Advisors LLC ("BKCA") in March 2015, Infraestructura Institucional and FutureAdvisor in October 2015, and other reclassifications to conform to current period combined AUM policy and presentation. Amounts also include Barclays Global Investors merger-related outflows due to manager concentration considerations prior to the third quarter of 2011 and outflows from scientific active equity performance prior to the second quarter of 2011. As a result of

2

client investment manager concentration limits and the scientific active equity performance, outflows were expected to occur for a period of time subsequent to the close of the transaction.
(2) Percentage represents CAGR over a five-year period (2010-2015).

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

Investment management fees are typically expressed as a percentage of AUM. We also earn performance fees on certain portfolios relative to an agreed-upon benchmark or return hurdle. On some products, we also may earn securities lending revenue. In addition, BlackRock offers its proprietary Aladdin investment system as well as risk management, outsourcing and advisory services, to institutional investors under the BRS name. Revenue for these services may be based on several criteria including value of positions, number of users, accomplishment of specific deliverables or other objectives.

At December 31, 2015, total AUM was $4.645 trillion, representing a CAGR of 5% over the last five years. AUM growth during the period was achieved through the combination of net market valuation gains, net inflows and acquisitions, including Claymore and SRPEP, which collectively added $13.7 billion of AUM in 2012, Credit Suisse and MGPA, which collectively added $26.9 billion of AUM in 2013 and BKCA, Infraestructura Institucional and FutureAdvisor, which collectively added $2.2 billion of AUM in 2015. Our AUM mix encompasses a broadly diversified product range, as described below.

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

Client Type	Product Type	Client Region
¨ Retail	¨ Equity	¨ Americas
¨ iShares	¨ Fixed Income	¨ Europe, the Middle East and Africa ("EMEA")
¨ Institutional	¨ Multi-asset	¨ Asia-Pacific
	¨ Alternatives	
	¨ Cash Management	

Client Type

Our organizational structure was designed to ensure that strong investment performance is our highest priority, and that we best align with our clients' needs to capitalize on broader industry trends. Furthermore, our structure facilitates strong teamwork globally across both functions and regions in order to enhance our ability to leverage best practices to serve our clients and continue to develop our talent. Specifically, our investments functions are split into distinct strategies: Active Equity and Fixed Income, Beta, Multi-Asset, Alternatives and Trading/Liquidity.

We serve a diverse mix of institutional and retail clients across the globe. Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supranationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors. iShares is presented as a separate client type below, with investments in iShares by institutions and retail clients excluded from figures and discussions in their respective sections below.

AUM by investment style and client type at December 31, 2015 is presented below.

(in millions)	Retail	iShares	Institutional	Total
Active	$499,820	$—	$962,852	$1,462,672
Non-ETF Index	41,305	—	1,738,777	1,780,082
iShares	—	1,092,561	—	1,092,561
Long-term	541,125	1,092,561	2,701,629	4,335,315
Cash management	27,406	—	272,478	299,884
Advisory	—	—	10,213	10,213
Total AUM	$568,531	$1,092,561	$2,984,320	$4,645,412

Retail

BlackRock serves retail investors globally through a wide array of vehicles across the active and passive spectrum, including separate accounts, open-end and closed-end funds, unit trusts and private investment funds. Retail investors are served principally through intermediaries, including broker-dealers, banks, trust companies, insurance companies and independent financial advisors. Clients invest primarily in mutual funds, which totaled $446.4 billion, or 83%, of retail long-term AUM at year-end, with the remainder invested in private investment funds and separately managed accounts ("SMAs"). The majority (92%) of long-term retail AUM is invested in active products, although this is impacted by iShares being shown separately. Retail represented 13% of long-term AUM at December 31, 2015 and 35% of long-term base fees for 2015.

Component changes in retail long-term AUM for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows	Acquisitions[1]	Market Change	FX Impact	December 31, 2015
Equity	$ 200,445	$8,543	$ —	$(10,040)	$(5,193)	$ 193,755
Fixed income	189,820	31,114	—	(5,691)	(2,590)	212,653
Multi-asset class	125,341	(1,307)	366	(8,108)	(985)	115,307
Alternatives	18,723	162	1,293	(177)	(591)	19,410
Total Retail	$ 534,329	$38,512	$ 1,659	$(24,016)	$(9,359)	$ 541,125

(1) Amounts represent $1.3 billion of AUM acquired in the BKCA acquisition in March 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.

The retail client base is diversified geographically, with 70% of long-term AUM managed for investors based in the Americas, 24% in EMEA and 6% in Asia-Pacific at year-end 2015.

- U.S. retail long-term net inflows of $18.7 billion, or 5% organic growth, were led by fixed income net inflows of $20.9 billion. Fixed income net inflows were diversified across exposures and products, with strong flows into our unconstrained, high yield and core bond offerings. Equity net inflows of $1.3 billion were driven by flows into our index mutual funds, and we continued to make progress on the reinvigoration and globalization of our fundamental active equity business. Multi-asset class net outflows of $2.5 billion were primarily due to a large single-client transition out of mutual funds into a series of iShares across asset classes.
- International retail long-term net inflows of $19.8 billion, representing 12% organic growth, were positive across major regions and diversified across asset classes. Fixed income products generated net inflows of $10.3 billion, led by short duration and unconstrained strategies as investors looked to manage duration and generate yield in their portfolios. Multi-asset class net inflows of $1.2 billion were driven by flows into managed volatility strategies and the cross-border version of our Multi-Asset Income fund. Equity net inflows of $7.2 billion reflected strong flows into international equities. Alternatives net inflows totaled $1.2 billion, and we remain committed to broadening the distribution of alternatives funds to bring institutional quality alternatives to retail investors.

iShares

iShares is the leading ETF provider in the world, with $1.1 trillion of AUM at December 31, 2015 and was the top asset gatherer globally in 2015[1] with $129.9 billion of net inflows for an organic growth rate of 13%. Equity net inflows of $78.4 billion were driven by flows into the Core Series and into funds with broad developed market equity exposures, partially offset by outflows from emerging market products. Record fixed income net inflows of $50.3 billion were diversified across exposures and product lines, led by flows into core, corporate and high yield bond funds. iShares multi-asset class and alternatives funds contributed a combined $1.2 billion of net inflows, primarily into core allocation funds. iShares represented 25% of long-term AUM at December 31, 2015 and 35% of long-term base fees for 2015.

Component changes in iShares AUM for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows	Market Change	FX Impact	December 31, 2015

Equity	$ 790,067	$78,408	$(32,349)	$(12,970)	$ 823,156
Fixed income	217,671	50,309	(7,508)	(6,282)	254,190
Multi-asset class	1,773	1,074	(90)	(27)	2,730
Alternatives(1)	14,717	61	(2,160)	(133)	12,485
Total iShares	$ 1,024,228	$129,852	$(42,107)	$(19,412)	$ 1,092,561

(1) Amounts include commodity iShares.

Our broad iShares product range offers investors a precise, transparent and efficient way to tap market returns and gain access to a full range of asset classes and global markets that have been difficult for many investors to access, as well as the liquidity required to make adjustments to their exposures quickly and cost-efficiently.

- U.S. iShares AUM ended 2015 at $811.4 billion with $97.2 billion of net inflows driven by strong demand for the Core Series and broad developed market equities as well as a diverse range of fixed income products.[2] In 2015, we saw increased investor focus on risk-aware, “smart beta” products, with our minimum volatility funds raising $8.3 billion.
- International iShares AUM ended 2015 at $281.1 billion with net inflows of $32.7 billion led by fixed income net inflows of $19.2 billion, primarily into yield-focused categories including high yield and investment grade corporate debt.[2] Our international Core Series ranges in Canada and Europe demonstrated solid results in their second year, raising a combined $14.1 billion in net inflows as we continue to expand our international presence among buy-and-hold investors.

Institutional

BlackRock’s institutional AUM is well diversified by both product and region, and we serve institutional investors on six continents in sub-categories including: pensions, endowments and foundations, official institutions, and financial institutions.

1 Source: BlackRock; Bloomberg

2 Regional iShares amounts based on jurisdiction of product, not underlying client

Component changes in Institutional long-term AUM for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows (Outflows)	Acquisition[1]	Market Change	FX Impact	December 31, 2015
Active:						
Equity	$ 125,143	$ (462)	$ —	$ 960	$ (4,199)	$ 121,442
Fixed income	518,590	5,690	—	(1,220)	(8,632)	514,428
Multi-asset class	242,913	18,409	—	1,074	(10,355)	252,041
Alternatives	72,514	3,109	560	(175)	(1,067)	74,941
Active subtotal	959,160	26,746	560	639	(24,253)	962,852
Index:						
Equity	1,335,456	(33,711)	—	6,157	(22,483)	1,285,419
Fixed income	467,572	(10,169)	—	2,317	(18,623)	441,097
Multi-asset class	7,810	(1,009)	—	(289)	(254)	6,258
Alternatives	5,286	1,793	—	(924)	(152)	6,003
Index subtotal	1,816,124	(43,096)	—	7,261	(41,512)	1,738,777
Total Institutional	$ 2,775,284	$ (16,350)	$ 560	$ 7,900	$ (65,765)	$ 2,701,629

(1) Amounts represent $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015.
Institutional active AUM ended 2015 at $962.9 billion, reflecting $26.8 billion of net inflows. Institutional active represented 22% of long-term AUM and 20% of long-term base fees. Growth in AUM reflected continued strength in multi-asset class products with net inflows of $18.4 billion reflecting ongoing demand for solutions offerings and the LifePath® target-date suite. Our top-performing fixed income platform generated net inflows of $5.7 billion, diversified across exposures. Alternatives net inflows of $3.1 billion were led by inflows into infrastructure and alternatives solutions offerings. In addition, 2015 was another strong fundraising year for illiquid alternatives, and we raised over $5 billion in new commitments, which will be a source of future net inflows. Equity net outflows of $0.5 billion reflected fundamental net outflows of $2.2 billion, which were partially offset by scientific net inflows of $1.7 billion.

Institutional index AUM totaled $1.739 trillion at December 31, 2015, reflecting net outflows of $43.1 billion. Equity net outflows of $33.7 billion were primarily due to low-fee global and regional index equity outflows as clients looked to re-allocate, re-balance or meet their cash needs. Fixed income net outflows of $10.2 billion were concentrated in local currency mandates, linked to outflows from liability management strategies. Institutional index represented 40% of long-term AUM at December 31, 2015 and accounted for 10% of long-term base fees for 2015.

The Company’s institutional clients consist of the following:

- Pensions, Foundations and Endowments. BlackRock is among the world’s largest managers of pension plan assets with $1.847 trillion, or 68%, of long-term institutional AUM managed for defined benefit, defined contribution and other pension plans for corporations, governments and unions at December 31, 2015. The market landscape is shifting from defined benefit to defined contribution, driving strong flows in our defined contribution channel, which had $36.2 billion of long-term net inflows for the year, or 6% organic growth, driven by continued demand for our LifePath target-date suite. Defined contribution represented $630.9 billion of total pension AUM, and we remain well positioned to capitalize on the on-going evolution of the defined contribution market and demand for outcome-oriented investments. An additional $52.8 billion, or 2% of long-term institutional AUM, was managed for other tax-exempt investors, including charities, foundations and endowments.

- Official Institutions. We also managed $185.0 billion, or 7%, of long-term institutional AUM for official institutions, including central banks, sovereign wealth funds, supranationals, multilateral entities and government ministries and agencies at year-end 2015. These clients often require specialized investment advice, the use of customized benchmarks and training support.
- Financial and Other Institutions. BlackRock is a top independent manager of assets for insurance companies, which accounted for $237.7 billion, or 9%, of institutional long-term AUM at year-end 2015. Assets managed for other taxable institutions, including corporations, banks and third-party fund sponsors for which we provide sub-advisory services, totaled $379.4 billion, or 14%, of long-term institutional AUM at year-end.

Product Type

Component changes in AUM by product type and investment style for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows (Outflows)	Acquisitions[1]	Market Change	FX Impact	December 31, 2015
Equity:						
Active	$ 292,802	$ 4,210	$ —	$ (7,738)	$ (7,955)	$ 281,319
iShares	790,067	78,408	—	(32,349)	(12,970)	823,156
Non-ETF index	1,368,242	(29,840)	—	4,815	(23,920)	1,319,297
Equity subtotal	2,451,111	52,778	—	(35,272)	(44,845)	2,423,772
Fixed income:						
Active	701,324	35,928	—	(6,907)	(10,692)	719,653
iShares	217,671	50,309	—	(7,508)	(6,282)	254,190
Non-ETF index	474,658	(9,293)	—	2,313	(19,153)	448,525
Fixed income subtotal	1,393,653	76,944	—	(12,102)	(36,127)	1,422,368
Multi-asset class	377,837	17,167	366	(7,413)	(11,621)	376,336
Alternatives:						
Core	88,006	4,080	1,853	(213)	(1,641)	92,085
Currency and commodities	23,234	1,045	—	(3,223)	(302)	20,754
Alternatives subtotal	111,240	5,125	1,853	(3,436)	(1,943)	112,839
Long-term	4,333,841	152,014	2,219	(58,223)	(94,536)	4,335,315
Cash management	296,353	7,510	—	267	(4,246)	299,884
Advisory	21,701	(9,629)	—	461	(2,320)	10,213
Total AUM	$ 4,651,895	$ 149,895	$ 2,219	$ (57,495)	$ (101,102)	$ 4,645,412

(1) Amounts represent $1.3 billion of AUM acquired in the BKCA acquisition in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.

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

Although many clients use both active and index strategies, the application of these strategies may differ. For example, clients may use index products to gain exposure to a market or asset class. In addition, institutional non-ETF index assignments tend to be very large (multi-billion dollars) and typically reflect low fee rates. This has the potential to exaggerate the significance of net flows in institutional index products on BlackRock’s revenues and earnings.

Equity

Year-end 2015 equity AUM totaled $2.424 trillion, reflecting net inflows of $52.8 billion. Net inflows included $78.4 billion and $4.2 billion into iShares and active products, respectively. iShares net inflows were driven by the Core Series and flows into broad developed market equity exposures, and active net inflows reflected demand for international equities. iShares and active net inflows were partially offset by non-ETF index net outflows of $29.8 billion.

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

Fixed Income

Fixed income AUM ended 2015 at $1.422 trillion, increasing $28.7 billion, or 2%, from December 31, 2014. The increase in AUM reflected $76.9 billion in net inflows, partially offset by $48.2 billion in net market depreciation and foreign exchange movements. In 2015, active net inflows of $35.9 billion were diversified across fixed income offerings, with strong flows into our unconstrained, total return and high yield strategies. Flagship funds in these product areas include our unconstrained Strategic Income Opportunities and Fixed Income Strategies funds, with net inflows of $7.0 billion and $3.7 billion, respectively; our Total Return fund with net inflows of $2.7 billion; and our High Yield Bond fund with net inflows of $3.5 billion. Fixed income iShares net inflows of $50.3 billion were led by flows into core, corporate and high yield bond funds. Active and iShares net inflows were partially offset by non-ETF index net outflows of $9.3 billion.

Multi-Asset Class

BlackRock's multi-asset class team manages a variety of balanced funds and bespoke mandates for a diversified client base that leverages our broad investment expertise in global equities, bonds, currencies and commodities, and our extensive risk management capabilities. Investment solutions might include a combination of long-only portfolios and alternative investments as well as tactical asset allocation overlays.

Component changes in multi-asset class AUM for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows (Outflows)	Acquisition[(1)]	Market Change	FX Impact	December 31, 2015
Asset allocation and balanced	$ 183,032	$ 12,926	$ —	$(6,731)	$(3,391)	$ 185,836
Target date/risk	128,611	218	—	(1,308)	(1,857)	125,664
Fiduciary	66,194	3,985	—	627	(6,373)	64,433
FutureAdvisor	—	38	366	(1)	—	403
Multi-asset	$ 377,837	$ 17,167	$ 366	$(7,413)	$(11,621)	$ 376,336

(1) Amounts represent $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.

Multi-asset class net inflows reflected ongoing institutional demand for our solutions-based advice with $17.4 billion of net inflows coming from institutional clients. Defined contribution plans of institutional clients remained a significant driver of flows, and contributed $7.3 billion to institutional multi-asset class net new business in 2015, primarily into target date and target risk product offerings. Retail net outflows of $1.3 billion were primarily due to a large single-client transition out of mutual funds into a series of iShares across asset classes. Notwithstanding this transition, retail flows reflected demand for our Multi-Asset Income fund family, which raised $4.6 billion in 2015.

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

- Asset allocation and balanced products represented 49% of multi-asset class AUM at year-end, with growth in AUM driven by net new business of $12.9 billion. These strategies combine equity, fixed income and alternative components for investors seeking a tailored solution relative to a specific benchmark and within a risk budget. In certain cases, these strategies seek to minimize downside risk through diversification, derivatives strategies and tactical asset allocation decisions. Flagship products in this category include our Global Allocation and Multi-Asset Income suites.
- Target date and target risk product flows were impacted by a large single-client transition out of mutual funds into a series of iShares across asset classes. Institutional investors represented 95% of target date and target risk AUM, with defined contribution plans accounting for over 88% of AUM. Flows were driven by defined contribution investments in our LifePath and LifePath Retirement Income® offerings. LifePath products utilize a proprietary asset allocation model that seeks to balance risk and return over an investment horizon based on the investor's expected retirement timing.
- Fiduciary management services are complex mandates in which pension plan sponsors or endowments and foundations retain BlackRock to assume responsibility for some or all aspects of plan management. These customized services require strong partnership with the clients' investment staff and trustees in order to tailor investment strategies to meet client-specific risk budgets and return objectives.
- FutureAdvisor is a leading digital wealth management platform, acquired by BlackRock in October 2015. FutureAdvisor operates as a service within BRS, providing financial institutions with high quality, technology-enabled advice capabilities to improve their clients' investment experience. As consumers increasingly engage with technology to invest, BlackRock and FutureAdvisor are positioned to empower distribution partners to better serve their clients by combining FutureAdvisor's high-quality technology-enabled advice with BlackRock's multi-asset investment capabilities, proprietary technology and risk analytics

Alternatives

BlackRock Alternative Investors ("BAI") focuses on sourcing and managing high-alpha investments with lower correlation to public markets and developing a holistic approach to address client needs in alternatives investing. Our alternatives products fall into two main categories — 1) core, and 2) currency and commodities. Core includes alternative solutions, direct hedge funds, hedge fund and private equity solutions (funds of funds), opportunistic private equity and credit, real estate and infrastructure offerings. The products offered under the BAI umbrella are described below.

In 2015, BlackRock returned $3.3 billion of capital to investors, which is included in outflows. In addition, we raised $5.7 billion of new commitments in 2015 across a variety of strategies, including private equity solutions, opportunistic credit, alternative solutions, real estate and infrastructure. At year-end, we had $10.9 billion of non-fee paying, unfunded commitments, which are expected to be deployed in future years; these commitments are not included in AUM until they are invested.

We believe that as alternatives become more conventional and investors adapt their asset allocation strategies, investors will further increase their use of alternative investments to complement core holdings. As a top ten alternative provider[3] our highly diversified $112.8 billion alternatives franchise is well positioned to meet growing demand from both institutional and retail investors.

3 Source: Towers Watson, July 2015

Component changes in alternatives AUM for 2015 are presented in the table below.

(in millions)	December 31, 2014	Net Inflows (Outflows)	Acquisitions[1]	Market Change	FX Impact	December 31, 2015	Memo: Return of Capital[2]
Core:							
Alternative solutions	$ 528	$ 1,367	$ —	$ (9)	$—	$ 1,886	$ (127)
Hedge funds:							
Direct hedge fund strategies	31,996	(452)	—	508	(1,001)	31,051	—
Hedge fund solutions	19,583	506	—	59	(31)	20,117	(47)
Hedge funds subtotal	51,579	54	—	567	(1,032)	51,168	(47)
Illiquid and opportunistic:							
Private equity solutions	12,340	690	—	(475)	(146)	12,409	(1,109)
Opportunistic private equity and credit strategies	802	295	1,293	(18)	-	2,372	(436)
Illiquid and opportunistic subtotal	13,142	985	1,293	(493)	(146)	14,781	(1,545)
Real assets:							
Real estate	22,001	(481)	—	(313)	(445)	20,762	(1,463)
Infrastructure	756	2,155	560	35	(18)	3,488	(76)
Real assets subtotal	22,757	1,674	560	(278)	(463)	24,250	(1,539)
Core subtotal	88,006	4,080	1,853	(213)	(1,641)	92,085	(3,258)
Currency and commodities	23,234	1,045	—	(3,223)	(302)	20,754	—
Alternatives	$ 111,240	$ 5,125	$ 1,853	$(3,436)	$(1,943)	$ 112,839	$ (3,258)

(1) Amounts represent $1.3 billion of AUM acquired in the BKCA acquisition in March 2015 and $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015.
(2) Return of capital is included in outflows.

Core.

- Alternative Solutions represent holistic, highly customized portfolios of alternative investments. In 2015, alternative solutions portfolios had $1.4 billion of net inflows.
- Hedge Funds net inflows of $0.1 billion were led by net inflows of $0.5 billion into hedge fund solutions, our funds of hedge funds offering, partially offset by $0.4 billion of net outflows from direct hedge funds. Direct hedge fund AUM includes a variety of single- and multi-strategy offerings.
- Illiquid and Opportunistic AUM included $12.4 billion in private equity solutions and $2.4 billion in opportunistic private equity and credit offerings. Net inflows of $1.0 billion were predominantly into private equity solutions. Our acquisition of certain assets of BKCA further enhanced our credit platform through the addition of a middle market, private credit capability.
- Real Assets AUM totaled $24.3 billion, up $1.5 billion, or 7%. Real assets, which include infrastructure and real estate, saw net inflows of $1.7 billion. In 2015, we continued to build our infrastructure capabilities through the acquisition of Infraestructura Institucional, a leading infrastructure investment business in Mexico. This acquisition advances our growth strategy in Mexico and Latin America and furthers our commitment to being a leader in infrastructure investing.

Currency and Commodities.

AUM in currency and commodities declined 11% from year-end 2014, reflecting portfolio valuation declines of $3.5 billion. Currency and commodities products include a range of active and passive products. Our iShares commodities products represented $12.5 billion of AUM and are not eligible for performance fees.

Cash Management

Cash management AUM totaled $299.9 billion at December 31, 2015, up $3.5 billion, or 1%, from year-end 2014. Cash management products include taxable and tax-exempt money market funds and customized separate accounts. Portfolios are denominated in U.S. dollars, Canadian dollars, Australian dollars, Euros or British pounds. We generated net inflows of $7.5 billion during 2015, a period marked by a near zero interest rate environment. BlackRock is working to bring all U.S. money market funds into full compliance with new regulatory requirements in advance of the 2016 deadlines, and is actively repurposing and streamlining our product lineup to meet the future requirements of clients. In Europe, we continue to be a market leader highlighted by our implementation of the reverse distribution mechanism in our euro funds when faced with negative rates. In November 2015, BlackRock and Bank of America's asset management business, BofA Global Capital Management ("BACM") entered into an agreement to transfer to BlackRock investment management responsibilities for approximately $87 billion of AUM in cash products currently managed by BACM. The transaction is expected to close in the first half of 2016, subject to customary approvals and closing conditions.

Client Region

Our footprints in the Americas, EMEA and Asia-Pacific regions reflect strong relationships with intermediaries and an established ability to deliver our global investment expertise in funds and other products tailored to local regulations and requirements.

AUM by product type and client region at December 31, 2015 is presented below.

(in millions)	Americas	EMEA	Asia-Pacific	Total
Equity	$1,610,776	$622,744	$ 190,252	$2,423,772
Fixed income	807,722	485,388	129,258	1,422,368
Multi-asset class	233,441	120,362	22,533	376,336
Alternatives	59,644	35,855	17,340	112,839
Long-term	2,711,583	1,264,349	359,383	4,335,315
Cash management	216,079	80,962	2,843	299,884
Advisory	7,364	2,849	—	10,213
Total	$2,935,026	$1,348,160	$ 362,226	$4,645,412

Component changes in AUM by client region for 2015 are presented below.

(in millions)	December 31, 2014	Net Inflows	Acquisitions[1]	Market Change	FX Impact	December 31, 2015
Americas	$ 2,867,353	$154,742	$ 2,219	$(66,714)	$(22,574)	$ 2,935,026
EMEA	1,413,441	(2,912)	—	10,631	(73,000)	1,348,160
Asia-Pacific	371,101	(1,936)	—	(1,411)	(5,528)	362,226
Total	$ 4,651,895	$149,894	$ 2,219	$(57,494)	$(101,102)	$ 4,645,412

(1) Amounts represent $1.3 billion of AUM acquired in the BKCA acquisition in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.

Americas.

Long-term net new business of $144.6 billion was positive across all asset classes, with net inflows of $84.6 billion, $49.7 billion, $6.3 billion and $4.0 billion in equity, fixed income, multi-asset class and alternatives products, respectively. During the year, we served clients through offices in 31 states in the United States as well as Canada, Mexico, Brazil, Chile, Colombia and Spain.

EMEA.

During the year, clients awarded us long-term net new business of $8.7 billion, including inflows from investors in 23 countries across the region. EMEA net new business was led by fixed income net inflows of $10.8 billion, reflecting strong flows into iShares and unconstrained fixed income. Our offerings include fund families in the United Kingdom, the Netherlands, Luxembourg and Dublin and iShares listed on stock exchanges throughout Europe as well as separate accounts and pooled investment products.

Asia-Pacific.

Clients in the Asia-Pacific region are served through offices in Japan, Australia, Hong Kong, Malaysia, Singapore, Taiwan, Korea, China, and India. Long-term net outflows of $1.3 billion were due to equity net outflows of $20.2 billion, primarily from institutional index mandates. Fixed income, multi-asset class and alternatives saw net inflows of $16.5 billion, $2.3 billion and $0.1 billion, respectively.

Investment Performance

Investment performance across active and passive products as of December 31, 2015 was as follows:

	One-year period	Three-year period	Five-year period
Fixed Income:			
Actively managed AUM above benchmark or peer median			
Taxable	69 %	91 %	92 %
Tax-exempt	47 %	55 %	72 %
Index AUM within or above tolerance	94 %	99 %	99 %
Equity:			
Actively managed AUM above benchmark or peer median			
Fundamental	76 %	60 %	71 %
Scientific	65 %	90 %	95 %
Index AUM within or above tolerance	97 %	96 %	97 %

Product Performance Notes. Past performance is not indicative of future results. Except as specified, the performance information shown is as of December 31, 2015 and is based on preliminary data available at that time. The performance data shown reflects information for all actively and passively managed equity and fixed income accounts, including U.S. registered investment companies, European-domiciled retail funds and separate accounts for which performance data is available, including performance data for high net worth accounts available as of November 30, 2015. The performance data does not include accounts terminated prior to December 31, 2015 and accounts for which data has not yet been verified. If such accounts had been included, the performance data provided may have substantially differed from that shown.

Performance comparisons shown are gross-of-fees for institutional and high net worth separate accounts, and net-of-fees for retail funds. The performance tracking shown for index accounts is based on gross-of-fees performance and includes all institutional accounts and all iShares funds globally using an index strategy. AUM information is based on AUM available as of December 31, 2015 for each account or fund in the asset class shown without adjustment for overlapping management of the same account or fund. Fund performance reflects the reinvestment of dividends and distributions.

Source of performance information and peer medians is BlackRock, Inc. and is based in part on data from Lipper Inc. for U.S. funds and Morningstar, Inc. for non-U.S. funds.

BlackRock Solutions

BRS offers investment management technology systems, risk management services and advisory services on a fee basis. Aladdin is our proprietary technology platform, which serves as the risk management system for both BlackRock and a growing number of sophisticated institutional investors around the world. BRS also offers comprehensive risk reporting capabilities via the Green Package® and risk management advisory services; interactive fixed income analytics through our web-based calculator, AnSer®; middle and back office outsourcing services; and investment accounting. BRS' Financial Markets Advisory ("FMA") group advises global financial institutions, regulators, and government entities on complex financial and risk issues though core competencies across capital markets, data analysis and modeling; strategic advice regarding regulatory compliance, risk management, business transformations and transaction support; and integrated project management. FutureAdvisor, acquired by BlackRock in 2015, is a digital wealth management platform operating within BRS that provides financial institutions with high quality, technology-enabled advice capabilities to improve their clients' investment experience.

BRS record revenues of $646 million were up 2% year-over-year. Aladdin, which represented 82% of BRS revenue for the year, continues to benefit from trends favoring global investment platform consolidation and multi-asset risk solutions. Aladdin assignments are typically long-term contracts that provide significant recurring revenue.

Our FMA group continued to post solid revenues, even as the business transitions from a "crisis management" emphasis to a more institutionalized advisory business model, with a strong focus on helping clients navigate and implement requirements for the evolving regulatory environment. Advisory AUM decreased to $10.2 billion, driven by $9.6 billion of planned client distributions reflecting our continued success in disposing of assets for clients at, or above, targeted levels.

At year-end, BRS served clients, including banks, insurance companies, official institutions, pension funds, asset managers and other institutional investors across North America, Europe, Asia and Australia.

Securities Lending

Securities lending is managed by a dedicated team, supported by quantitative analysis, proprietary technology and disciplined risk management. BlackRock receives both cash (primarily for U.S. domiciled portfolios) and noncash collateral under securities lending arrangements. The cash management team invests the cash we receive as collateral for securities on loan in other portfolios. Fees for securities lending for U.S. domiciled portfolios can be structured as a share of earnings, or as a management fee based on a percentage of the value of the cash collateral or both. The value of the securities on loan and the revenue earned are captured in the corresponding asset class being managed. The value of the collateral is not included in AUM.

Outstanding loan balances ended the year at approximately $218 billion, up from $187 billion at year-end 2014. Liability spreads were generally flat compared to 2014 levels.

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

Risk & Quantitative Analysis

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

COMPETITION

BlackRock competes with investment management firms, mutual fund complexes, insurance companies, banks, brokerage firms and other financial institutions that offer products that are similar to, or alternatives to, those offered by BlackRock. In order to grow its business, BlackRock must be able to compete effectively for AUM. Key competitive factors include investment performance track records, the efficient delivery of beta for index products, investment style and discipline, client service and brand name recognition. Historically, the Company has competed principally on the basis of its long-term investment performance track record, its investment process, its risk management and analytic capabilities and the quality of its client service.

Geographic Information

At December 31, 2015, BlackRock served clients in more than 100 countries across the globe, including the United States, the United Kingdom and Japan. See Note 22, Segment Information, contained in Part II, Item 8 of this filing for more information.

Employees

At December 31, 2015, BlackRock had a total of approximately 13,000 employees, including approximately 6,200 located in offices outside the United States. Consistent with our commitment to continually expand and enhance our talent base to support our clients, we added approximately 800 employees during the year, including in strategic focus areas.

REGULATION

Virtually all aspects of BlackRock's business are subject to various laws and regulations around the world, some of which are summarized below. These laws and regulations are primarily intended to protect investment advisory clients, investors in registered and unregistered investment companies, trust customers of BlackRock Institutional Trust Company, N.A. ("BTC"), PNC and its bank subsidiaries and their customers and the financial system. Under these laws and regulations, agencies that regulate investment advisers, investment funds and bank holding companies and other individuals and entities have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity or person from carrying on business if it fails to comply with such laws and regulations. Possible sanctions for significant compliance failures include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines both for individuals and BlackRock.

The rules governing the regulation of financial institutions and their holding companies and subsidiaries are very detailed and technical. Accordingly, the discussion below is general in nature, does not purport to be complete and is current only as of the date of this report.

GLOBAL REGULATORY REFORM

BlackRock is subject to numerous regulatory reform initiatives around the world. Any such initiative, or any new laws or regulations or changes in enforcement of existing laws or regulations, could materially and adversely impact the scope or profitability of BlackRock's business activities, lead to business disruptions, require BlackRock to alter its business or operating activities and expose BlackRock to additional costs (including compliance and legal costs) as well as reputational harm. BlackRock's profitability also could be materially and adversely affected by modification of the rules and regulations that impact the business and financial communities in general, including changes to the laws governing banking, taxation, antitrust regulation and electronic commerce.

Dodd-Frank Wall Street Reform and Consumer Protection Act

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") was signed into law in the U.S. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions, many of which have been adopted. BlackRock has commenced a conformance program to address certain regulations adopted under the DFA, as well as financial reforms that have been introduced as part of the SEC's investment company modernization initiatives. The cost of these initial conformance activities have been absorbed by BlackRock; however, as the full extent of the DFA and other rules will only become evident over time, it is not yet possible to predict the ultimate effects that the DFA, or subsequent implementing regulations and decisions, will have upon BlackRock's business, financial condition, and operating activities.

Systemically Important Financial Institution Review

Both the Financial Stability Board ("FSB") working with the International Organization of Securities Commissions ("IOSCO") and the Financial Stability Oversight Council ("FSOC") are considering potential systemic risk related to asset management. In July 2014, the FSOC issued a statement indicating that their review would focus on products and activities, and FSOC subsequently released a request for information addressing: market liquidity and fund redemption risk, the use of leverage, operational risk, and the resolution of asset managers including the transition of client assets. In June 2015, IOSCO issued a statement indicating they also favored a products and activities approach in their review of asset managers, and in July 2015, the FSB made a similar announcement. In September 2015, the FSB released a statement indicating that their review would focus on: market liquidity and fund redemption risk, the use of leverage, securities lending practices, operational risk, and risks from pension funds and sovereign wealth funds.

Although FSOC, IOSCO and FSB have shifted from a focus on designating firms and/or funds as systemically important (i.e., G-SIFI or SIFI designations), the process is ongoing and may lead to designations in the future. In the event that BlackRock receives a SIFI designation, under the DFA, the Board of Governors of the Federal Reserve System (the "Federal Reserve") is charged with establishing enhanced regulatory requirements for nonbank financial institutions and BlackRock could become subject to direct supervision by the Federal Reserve. If BlackRock was designated a SIFI or G-SIFI, it could become subject to enhanced prudential, capital, supervisory and other requirements, such as risk-based capital requirements, leverage limits, liquidity requirements, resolution plan and credit exposure report requirements, concentration limits, a contingent capital requirement, enhanced public disclosures, short-term debt limits and overall risk management requirements. Requirements such as these, which were designed to regulate banking institutions, would be extremely burdensome for BlackRock, unless they were modified to be applicable to an asset manager. No proposals have been made indicating how such measures would be adapted for asset managers, if at all.

Securities and Exchange Commission Review of Asset Managers

BlackRock's business may also be impacted by Securities and Exchange Commission ("SEC") regulatory initiatives. The SEC and its staff continue to engage in various initiatives and reviews that seek to improve and modernize the regulatory structure governing the asset management industry, and registered investment companies in particular. During 2015, the SEC proposed, among other things: enhanced reporting by investment advisors, enhanced reporting on registered mutual funds, new rules for liquidity risk management in registered funds, and new rules governing the use of derivatives and leverage by registered investment companies and business development companies. Furthermore, in June 2015, the SEC issued a request for comments regarding practices related to exchange-traded funds ("ETFs"), which is widely expected to result in a future rulemaking. The SEC has also indicated an intention to propose new rules for the stress testing of registered investment companies and transition planning by asset managers, including the transfer of client assets. The SEC's focus has also been directed toward risk identification and controls in various areas, including the use of derivatives and other trading practices (as reflected in the SEC's late December 2015 rule proposal described more particularly under" – Regulation of Swaps and Derivatives below), cyber-security and the evaluation of systemic risks. While these proposals have yet to be finalized into new rules, any new rules, guidance or regulatory initiatives resulting from these efforts could expose BlackRock to additional compliance and reporting costs and may require the Company to change how it operates its business or manages funds.

Money Market Fund Reform

In July 2014, the SEC adopted new rules designed to reform the regulatory structure governing money market funds ("MMFs") and to address the perceived systemic risks that such funds present. The new rules, to which U.S. MMFs must conform by October 2016, require institutional prime and institutional municipal MMFs to employ a floating net asset value per share method of pricing, which allows the daily share prices of these funds to fluctuate along with changes in the market-based value of fund assets. Retail MMFs may continue operating with a constant net asset value per share. The rules also provide for new tools for institutional and retail MMFs' boards designed to address market shocks, including liquidity fees and redemption gates. The new rules do not apply to government (non-municipal) MMFs, although such funds may "opt-in" to the new liquidity fee and redemption gate provisions if previously disclosed to investors. Implementation of these new rules requires the development of new or additional systems by BlackRock and the funds' service providers. BlackRock has commenced efforts to move its MMFs into compliance in advance of the deadline. The impact of the rules that affect the structure of the funds on BlackRock's business remains uncertain as clients must decide which products fit their investment needs. The new rules will, however, affect certain of BlackRock's funds' investment strategies, portfolio liquidity and return potential. The new rules will also result in changes to BlackRock's existing U.S. MMFs and may reduce the attractiveness of certain U.S. MMFs to investors.

Regulation of Swaps and Derivatives

The SEC, the Internal Revenue Service ("IRS") and the Commodity Futures Trading Commission ("CFTC") each continue to review practices and regulations relating to the use of futures, swaps and other derivatives. Such reviews could result in regulations that restrict or limit the use of such products by funds or accounts. If adopted, these limitations could require BlackRock to change certain business practices or implement new reporting or compliance processes, which could result in additional costs and/or restrictions. In December 2015, the SEC proposed a new rule governing the use of derivatives and other financial commitment transactions by investment companies that, if enacted, would represent a fundamental change in the nature of the SEC's regulations governing the use of derivatives and other financial commitment transactions by investment companies. This proposal has the potential to require BlackRock to change or restrict certain investment strategies or practices for some investment companies and incur additional costs. In some circumstances the proposed rule could make certain products less competitive with other investment options in the marketplace, which could negatively impact assets under management.

Further, the full implementation of regulations under the DFA and similar regulations in the European Union ("EU") and other global jurisdictions relating to regulation of swaps and derivatives could impact the manner in which BlackRock-advised funds and accounts use and trade swaps and other derivatives, increasing the costs of derivatives trading for BlackRock's clients. For example, various global rules and regulations applicable to the use of financial products by funds, accounts and counterparties that have been adopted or proposed will require BlackRock to build and implement new compliance monitoring procedures to address the enhanced level of oversight to which it and its clients will be subject. These rules also introduce new requirements for centrally clearing certain swaps transactions and for executing certain swaps transactions on or through CFTC or SEC-registered trading venues (as opposed to over the phone or other execution methods).

Jurisdictions outside the U.S. in which BlackRock operates also have adopted and implemented, or are in the process of considering, adopting or implementing more pervasive regulation of many elements of the financial services industry, which could further impact BlackRock and the broader markets. This includes the implementation of mandated central clearing of swaps in the EU and the implementation of trade reporting, documentation, central clearing and other requirements in various jurisdictions globally.

In the United States, certain interest rate swaps and certain index credit default swaps are already subject to the DFA central clearing and electronic trading venue requirements, with additional products and asset classes potentially becoming subject to these requirements in 2016 and beyond. For swaps and security-based swaps that are not centrally cleared, U.S. bank regulators recently adopted rules that could require BlackRock-advised funds and accounts to post margin payments when trading with a swap dealer that is regulated by one of the U.S. bank regulators. The CFTC also recently adopted similar margin rules applicable when trading non-cleared swaps with swap dealers who are not regulated by one of the U.S. bank regulators. These rules have the potential to increase the complexity and cost of trading non-cleared derivatives for BlackRock's clients. In EMEA, central clearing requirements will be implemented in a phased manner and will apply to BlackRock funds and accounts beginning in the latter half of 2016. The new rules and regulations may produce regulatory inconsistencies in global derivatives trading rules and increase BlackRock’s operational and legal risks.

Regulation of Exchange Traded Funds

As a result of recent market volatility, regulators globally are examining the potential risks in ETFs, including those related to transparency, liquidity and structural resiliency. BlackRock and other large issuers of ETFs are working with market participants and regulators to address certain of these issues but there can be no assurance that structural or regulatory reforms will be implemented in a manner favorable to BlackRock, or at all. Depending on the outcome of this renewed regulatory analysis, or any associated structural reforms, ETF products may become subject to increased regulatory scrutiny or restrictions, which may require BlackRock to incur additional compliance and reporting expenses and adversely affect the Company’s business.

Taxation

BlackRock’s businesses may be affected by new tax legislation or regulations, or the modification of existing tax laws, regulations and rulings, by U.S. or non-U.S. authorities. In particular, BlackRock may be impacted by the Foreign Account Tax Compliance Act (“FATCA”) and the Common Reporting Standard (“CRS”) which have introduced new investor onboarding, withholding and reporting rules aimed at ensuring persons with financial assets outside of the their tax residence country pay appropriate taxes. FATCA and CRS rules will impact both U.S. and non-U.S. funds and subject BlackRock to additional administrative burdens. In many instances, bilateral Intergovernmental Agreements ("IGAs") between the U.S. and the countries in which BlackRock does business will govern implementation of the new rules. While many of these IGAs have been put into place, others have yet to be concluded.

The Organization for Economic Co-operation and Development ("OECD") has also launched a base erosion and profit shifting ("BEPS") proposal that aims to rationalize tax treatment across jurisdictions. In October 2015, the OECD released its final BEPS package in an effort to curb the use of certain tax regimes and elements of tax planning, primarily in a cross-border context. The final package was endorsed by the G20 and is subject to implementation. In addition, in January 2016, the European Commission announced an Anti-Tax Avoidance Package ("EU Package") for consideration by the European Parliament and Council, containing measures to regulate certain elements of tax planning and to boost tax transparency. Once implemented, the BEPS package and the EU Package could curtail the amount of investments channeled by, and have unintended taxation consequences for funds as well as BlackRock's overall tax position, which could adversely affect BlackRock's financial condition and that of its clients.

In addition, certain EU Member States, such as France and Italy, have enacted financial transaction taxes ("FTTs") which impose taxation on a broad range of financial instruments and derivatives transactions. Several other Member States continue to discuss introducing FTTs. In general, any tax on securities and derivatives transactions would impact investors and would likely have a negative impact on the liquidity of the securities and derivatives markets, could diminish the attractiveness of certain types of products that BlackRock manages in those countries and could cause clients to shift assets away from such products. An FTT could significantly increase the operational costs of BlackRock entering into, on behalf of its clients, securities and derivatives transactions that would be subjected to an FTT, which could adversely impact BlackRock's financial results and clients' performance results.

Lastly, the application of tax regulations involves numerous uncertainties and, in the normal course of business, U.S. and non-U.S. tax authorities may review and challenge BlackRock's historical tax positions. These challenges may result in adjustments to BlackRock's tax position, or impact the timing or amount of taxable income, deductions or other tax allocations, which may adversely affect BlackRock's effective tax rate and overall financial condition.

Volcker Rule

Provisions of the DFA referred to as the "Volcker Rule" place limitations on the ability of banks and their subsidiaries to engage in proprietary trading and to invest in and transact with certain private investment funds, including hedge funds, private equity funds and funds of funds (collectively "covered funds"). Because the Federal Reserve currently treats BlackRock as a nonbank subsidiary of PNC, BlackRock may be required to conform its activities to the requirements of the Volcker Rule. On December 18, 2014, the Federal Reserve announced a second extension to the Volcker Rule conformance period, giving banking entities until July 21, 2016, to conform investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013 ("legacy covered funds"). The Federal Reserve also announced its intention to grant banking entities an additional one-year extension of the conformance period until July 21, 2017, to conform ownership interests in and relationships with these legacy covered funds. The Volcker Rule's restrictions may, among other things, limit BlackRock's ability to invest in covered funds and require BlackRock to remove its name from the names of its covered funds, which could subject BlackRock to additional expense. The Volcker Rule may also require BlackRock to sell certain seed and co-investments that it holds in covered funds which may occur at a discount to existing carrying value, depending on market conditions. The Volcker Rule may also reduce the level of market making and liquidity activities of several of BlackRock's trading counterparties, which may adversely impact the liquidity and, in some cases, the pricing of various financial instruments in which BlackRock client accounts invest. For a further discussion of the Volcker Rule, see "Item 1A — Risk Factors — Legal and Regulatory Risks."

Revised Department of Labor ("DoL") Fiduciary Rule

In April 2015, the DoL proposed a new regulation defining the term "fiduciary" for purposes of the fiduciary responsibility provisions of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the prohibited transaction exercise tax provisions of the IRS. The rule has been highly criticized by industry participants, particularly retail intermediaries, and BlackRock is engaging with the DoL, trade associations and industry participants in an effort to affect revisions to the proposed rule. To the extent the rule is enacted as written, it will require BlackRock to re-paper a number of its distribution relationships, create compliance and operational challenges for BlackRock’s distribution partners and may limit BlackRock’s ability to provide certain useful services and education to its clients.

Markets in Financial Instruments Directives

BlackRock is also subject to numerous regulatory reform initiatives in Europe. For example, in the EU rules and regulations made under the current Markets in Financial Instruments Directive (“MiFID”) regime (described more particularly under “— European Regulation” below) are in the process of being revised through implementation of the “MiFID II” package of measures made up of a recast Directive and a new Markets in Financial Instruments Regulation. MiFID II, which was originally scheduled to come into effect in January 2017, but is now scheduled to come into effect in January 2018, will be implemented through a number of Implementing and Regulatory Technical Standards to be made through Delegated Acts made by the European Commission following advice from the European Securities and Markets Authority (“ESMA”). MiFID II will build upon many of the measures introduced by MiFID, and will extend investor protection, trading transparency, clearing and trading venue access and reporting requirements. It is expected that MiFID II will have significant and wide-ranging impacts on EU securities and derivatives markets. In particular, there will be (i) enhanced governance and investor protection standards, (ii) prescriptive rules on portfolio management firms’ ability to receive and pay for investment research relating to all asset classes, (iii) enhanced regulation of algorithmic trading, (iv) the movement of trading in certain shares and derivatives on to regulated execution venues, (v) the extension of pre- and post-trade transparency requirements to wider categories of financial instruments, (vi) restrictions on the use of so-called dark pool trading, (vii) the creation of a new type of trading venue called the Organized Trading Facility for non-equity financial instruments, (viii) commodity derivative position limits and reporting requirements, (ix) a move away from vertical silos in execution, clearing and settlement, (x) an enhanced role for ESMA in supervising EU securities and derivatives markets and (xi) new requirements regarding non-EU investment firms’ access to EU financial markets. Implementation of these measures will have direct and indirect impacts on BlackRock and its subsidiaries and may require significant changes to client servicing models. A significant number of the impacts are yet to be determined because MiFID II contains a wide ranging and complex set of measures.

Undertakings for Collective Investment in Transferable Securities

The EU has also adopted directives on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“UCITS”). The latest initiative in this area, UCITS V seeks to align the UCITS depositary regime, UCITS remuneration rules and regulators’ power to sanction for breaches of the UCITS Directive with the requirements of the Alternative Investment Fund Managers Directive (“AIFMD”). UCITS V is required to be adopted in the national law of each EU member state by March 18, 2016 though further implementing measures will only become effective in late 2016. Compliance with the updated UCITS directive will subject BlackRock to additional expenses associated with new depositary oversight and other organizational requirements.

Reform of European Retail Distribution

BlackRock must also comply with retail distribution rules aimed at enhancing consumer protections, overhauling mutual fund fee structures by banning the payment of commissions to distributors and increasing professionalism in the retail investment sector. The rules were originally introduced in the United Kingdom in 2012 and similar rules have since been introduced in other jurisdictions where BlackRock operates such as the Netherlands, and are under discussion elsewhere. Similarly, MiFID II will contain a ban on certain advisers recovering commissions and other nonmonetary benefits from fund managers. These rules will lead to greater fragmentation of distribution rules and may lead to changes to BlackRock’s client servicing and distribution models, in particular affecting the fees BlackRock is able to charge to its clients and the commissions it is able to pay to its distribution partners.

EU Benchmarks Regulation

Political agreement on the EU Benchmarks Regulation was reached at the end of 2015. The Regulation provides the legislative framework to implement the 2013 IOSCO Principles for Financial Benchmarks. The scope of the Regulation is broad as it includes submission based benchmarks through to transaction based market indices. Proportionality is applied to create a stricter framework for the systemically relevant benchmarks such as LIBOR and EURIBOR. Although the Regulation creates a number of obligations on administrators of, and submitters to, benchmarks, it is less extensive as regards the obligations of users of benchmarks, such as asset managers. The Regulation formalizes due diligence procedures for users and implies other additional administrative requirements of users of third-party benchmarks. Managers using third-party and/or bespoke benchmarks to assess fund performance are also caught by the Regulation. It is expected that detailed rule-making underpinning the Regulation's framework will be developed during 2016 and implemented beginning in 2018. While it is not yet possible to assess the full effect of the Regulation on BlackRock's business, it may impose additional administrative and due diligence requirements on the Company, the burden of which is likely to increase as BlackRock makes additional enhancements to its indexing business.

Financial Crimes Enforcement Network (“FinCEN”) Proposed Rulemaking for Registered Investment Advisers

FinCEN has issued a Notice of Proposed Rulemaking (“Proposed Rule”) that would extend to a number of BlackRock’s subsidiaries, which are registered or required to be registered with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”), the requirement to establish anti-money laundering programs and report suspicious activity to FinCEN under the Bank Secrecy Act of 1970 (the “Bank Secrecy Act”). The Proposed Rule would extend to those BlackRock subsidiaries captured within the Bank Secrecy Act’s definition of “financial institutions”, which would require them to comply with the Bank Secrecy Act reporting and recordkeeping requirements. If enacted in its current form, the Proposed Rule would expose BlackRock to additional compliance costs.

Financial Conduct Authority (“FCA”) Asset Management Market Survey

As part of its strategic priorities, the FCA is undertaking a market study into the asset management sector. The aim of this study is to understand whether competition is working effectively to enable both institutional and retail investors to get value for money when purchasing asset management services. The FCA is interested in understanding whether there are any barriers to innovation or technological advances which may be preventing new ways of doing business that could benefit investors (Fintech). If the FCA concludes that competition is not working well, the FCA may intervene through rule-making, introducing firm-specific remedies or enforcement action, publishing general guidance or proposing enhanced industry self-regulation. BlackRock is one of 40 firms included in the study and is currently responding to an information request that consists of qualitative and quantitative data. The FCA is aiming to engage with firms throughout 2016 with the proposal to issue a draft report to the industry in the summer of 2016. The FCA expect to publish their final report in early 2017.

EXISTING U.S. REGULATION - OVERVIEW

BlackRock and certain of its U.S. subsidiaries are currently subject to extensive regulation, primarily at the federal level, by the SEC, the DoL, the Federal Reserve, the Office of the Comptroller of the Currency (“OCC”), the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”), the CFTC and other government agencies and regulatory bodies. Certain of BlackRock’s U.S. subsidiaries are also subject to various anti-terrorist financing, privacy, anti-money laundering regulations and economic sanctions laws and regulations established by various agencies.

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

BlackRock’s trading and investment activities for client accounts are regulated under the Securities Exchange Act of 1934 (the “Exchange Act”), as well as the rules of various securities exchanges and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of technical requirements (e.g., short sale limits, volume limitations and reporting obligations) and market regulation policies. Violation of any of these laws and regulations could result in restrictions on BlackRock’s activities and damage its reputation. Furthermore, one of BlackRock's subsidiaries, BTC, was required to register as a municipal advisor (as that term is defined in the statute) with the SEC and Municipal Securities Rulemaking Board ("MSRB") as a result of SEC rules giving effect to a section of the DFA requiring such registration. The rules subject BTC to new and additional regulation by the SEC and MSRB.

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

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

BlackRock has seven subsidiaries that are registered as commodity pool operators ("CPOs") and/or commodity trading advisors ("CTAs") with the CFTC and are members of the NFA. The CFTC and NFA each administer a comparable regulatory system covering futures contracts and various other financial instruments, including swaps as a result of the DFA, in which certain BlackRock clients may invest. Two of BlackRock's other subsidiaries, BlackRock Investments, LLC ("BRIL") and BlackRock Execution Services, are registered with the SEC as broker-dealers and are member-firms of FINRA. Each broker-dealer has a membership agreement with FINRA that limits the scope of such broker-dealer's permitted activities. BRIL is also an approved person with the New York Stock Exchange ("NYSE") and a member of the MSRB, subject to MSRB rules.

U.S. Banking Regulation

PNC is a bank holding company and regulated as a "financial holding company" by the Federal Reserve under the Bank Holding Company Act of 1956 (the "BHC Act"). As described in "Item 1-Business", as of December 31, 2015 PNC owned approximately 22% of BlackRock's capital stock. Based on the Federal Reserve's interpretation of the BHC Act, the Federal Reserve currently takes the position that this ownership interest causes BlackRock to be treated as a nonbank subsidiary of PNC for purposes of the BHC Act, thereby subjecting BlackRock to banking regulation, including the supervision and regulation of the Federal Reserve and to most banking laws, regulations and orders that apply to PNC, including the Volcker Rule. The supervision and regulation of PNC and its subsidiaries under applicable banking laws are intended primarily for the protection of its banking subsidiaries, its depositors, the Deposit Insurance Fund of the Federal Deposit Insurance Corporation, and the financial system as a whole, rather than for the protection of stockholders, creditors or clients of PNC or BlackRock.

BlackRock generally may conduct only activities that are authorized for a financial holding company under the BHC Act. Investment management is an authorized activity, but must be conducted within applicable regulatory requirements, which in some cases are more restrictive than those BlackRock faces under applicable securities laws. BlackRock may also invest in investment companies and private investment funds to which it provides advisory, administrative or other services, only to the extent consistent with applicable law and regulatory interpretations. Based on the Federal Reserve's position that BlackRock is a nonbank subsidiary of PNC, the Federal Reserve has broad powers to approve, deny or refuse to act upon applications or notices for BlackRock to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations, and there are limits on the ability of bank subsidiaries of PNC to extend credit to or conduct other transactions with BlackRock or its funds. PNC and its subsidiaries are also subject to examination by various banking regulators, which results in examination reports and ratings that may adversely impact the conduct and growth of BlackRock’s businesses. Furthermore, the Federal Reserve has broad enforcement authority over nonbank subsidiaries, including the power to prohibit them from conducting any activity that, in the Federal Reserve’s opinion, is unauthorized or constitutes an unsafe or unsound practice. The Federal Reserve may also impose substantial fines and other penalties for violations of applicable banking laws, regulations and orders. The DFA strengthened the Federal Reserve’s supervisory and enforcement authority over a bank holding company’s nonbank subsidiaries.

Any failure of PNC to maintain its status as a financial holding company could result in substantial limitations on certain BlackRock activities and its growth. Such a change of status could be caused by any failure of PNC or one of PNC’s bank subsidiaries to remain “well capitalized” and “well managed,” by any examination downgrade of one of PNC’s bank subsidiaries, or by any failure of one of PNC’s bank subsidiaries to maintain a satisfactory rating under the Community Reinvestment Act.

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

Regulation of Securities Lending Financing Transactions

In its 2014 Annual Report, the FSOC identified securities lending indemnification by asset managers who act as lending agents as a potential systemic risk that required further review and monitoring. The Federal Reserve is also considering whether to impose specific margin or minimum haircut requirements for securities financing transactions (“SFTs”). In addition, in October 2015, the European Parliament adopted the European Commission’s proposal for a European regulation on the reporting and transparency of SFTs. The SFT regulation aims to improve the transparency surrounding SFTs and limit the perceived risks of SFTs by, among other things, requiring central reporting of SFTs, requiring disclosure of SFTs to investors and imposing minimum requirements relating to the difference in prices at which a market maker can buy and sell a security in SFTs. If the recent scrutiny of SFTs results in additional regulatory requirements or reporting obligations, BlackRock may be required to introduce additional compliance measures, which will subject BlackRock to additional expenses and could lead to modifications in BlackRock's SFT activities, including potential adjustments to its activities as agent lender for its clients.

EXISTING INTERNATIONAL REGULATION — OVERVIEW

BlackRock's international operations are subject to the laws and regulations of a number of international jurisdictions, as well as oversight by numerous regulatory agencies and bodies in those jurisdictions. In some instances, these operations are also affected by U.S. laws and regulations that have extra-territorial application.

Below is a summary of certain international regulatory standards to which BlackRock is subject. It is not meant to be comprehensive as there are parallel legal and regulatory arrangements in force in many jurisdictions where BlackRock's subsidiaries conduct business.

Of note among the various other international regulations to which BlackRock is subject, are the extensive and complex regulatory reporting requirements that necessitate the monitoring and reporting of issuer exposure levels (thresholds) across the holdings of managed funds and accounts and those of the Company.

European Regulation

The FCA currently regulates certain BlackRock subsidiaries in the United Kingdom ("U.K."). It also regulates those U.K. subsidiaries' branches established in other European Union countries and the U.K. branches of certain of BlackRock's U.S. subsidiaries. In addition, the Prudential Regulation Authority ("PRA") regulates one BlackRock U.K. insurance subsidiary. Authorization by the FCA and (where relevant) the PRA is required to conduct certain financial services related business in the U.K. under the Financial Services and Markets Act 2000 (the "FSMA"). The FCA's rules adopted under the FSMA govern the majority of a firm's capital resources requirements, senior management arrangements, conduct of business, interaction with clients, and systems and controls, whereas the rules of the PRA focus solely on the prudential requirements that apply to BlackRock's U.K.-regulated insurance subsidiary. The FCA supervises BlackRock's U.K.-regulated subsidiaries through a combination of proactive engagement, event-driven and reactive supervision and thematic based reviews in order to monitor BlackRock's compliance with regulatory requirements. Breaches of the FCA's rules may result in a wide range of disciplinary actions against BlackRock's U.K.-regulated subsidiaries and/or its employees.

In addition, BlackRock's U.K.-regulated subsidiaries and other European subsidiaries and branches, must comply with the pan-European regulatory regime established by MiFID, which regulates the provision of investment services and activities throughout the wider EEA. MiFID, the scope of which is being enhanced through MiFID II (which is described more particularly under "— Global Regulatory Reform" above), sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes pre- and post-trade transparency requirements for equity and non-equity markets and extensive transaction reporting requirements. Certain BlackRock European subsidiaries must also comply with the Consolidated Life Directive and Insurance Mediation Directive. In addition, relevant entities must comply with revised obligations on capital resources for banks and certain investment firms (the Capital Requirements Directive). These include requirements on capital, as well as matters of governance and remuneration. The obligations introduced through these directives will have a direct effect on some of BlackRock's European operations.

BlackRock's EU-regulated subsidiaries are also subject to an EU regulation on OTC derivatives, central counterparties and trade repositories, which requires (i) the central clearing of standardized OTC derivatives, (ii) the application of risk-mitigation techniques to non-centrally cleared OTC derivatives and (iii) the reporting of all derivative contracts since February 2014.

Regulation in the Asia-Pacific Region

In Japan, a BlackRock subsidiary is subject to the Financial Instruments and Exchange Law (“FIEL”) and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (“JFSA”), which establishes standards for compliance, including capital adequacy and financial soundness requirements, customer protection requirements and conduct of business rules. The JFSA is empowered to conduct administrative proceedings that can result in censure, fines, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL. This Japanese subsidiary also holds a license for real estate brokerage activity which subjects it to the regulations set forth in the Real Estate Brokerage Business Act.

In Australia, BlackRock’s subsidiaries are subject to various Australian federal and state laws, and certain subsidiaries are regulated by the Australian Securities and Investments Commission (“ASIC”). ASIC regulates companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. Failure to comply with applicable laws and regulations could result in the cancellation, suspension or variation of the regulated subsidiaries’ licenses in Australia.

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

BlackRock’s operations in Taiwan are regulated by the Taiwan Financial Supervisory Commission, which is responsible for regulating securities markets (including the Taiwan Stock Exchange and the Taiwan Futures Exchange), the banking industry and the insurance sector. Other financial regulators oversee BlackRock subsidiaries, branches, and representative offices across the Asia-Pacific region, including in Singapore and South Korea. Regulators in these jurisdictions have authority with respect to financial services including, among other things, the authority to grant or cancel required licenses or registrations. In addition, these regulators may subject certain BlackRock subsidiaries to net capital requirements.

AVAILABLE INFORMATION

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

Item 1A. Risk Factors

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

MARKET AND COMPETITION RISKS

Changes in the value levels of equity, debt, real estate, commodities, currency or other asset markets may cause assets under management ("AUM"), revenue and earnings to decline.

BlackRock's investment management revenue is primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees which are normally expressed as a percentage of returns to the client. Numerous factors, including price movements in the equity, debt or currency markets, or in the price of real estate, commodities or alternative investments in which BlackRock invests, could cause:

- the value of AUM, or the returns BlackRock realizes on AUM, to decrease;
- the withdrawal of funds from BlackRock's products in favor of products offered by competitors;
- the rebalancing or reallocating of assets into BlackRock products that yield lower fees;
- an impairment to the value of intangible assets and goodwill; or
- a decrease in the value of seed or co-investment capital.

The occurrence of any of these events may cause the Company's AUM, revenue and earnings to decline.

BlackRock's investment advisory contracts may be terminated or may not be renewed by clients or fund boards on favorable terms and the liquidation of certain funds may be accelerated at the option of investors.

BlackRock derives a substantial portion of its revenue from its investment advisory business. The advisory or management contracts BlackRock has entered into with its clients, including the agreements that govern many of BlackRock's investment funds, provide investors or, in some cases, the independent directors of private investment funds, with significant latitude to terminate such contracts, withdraw funds or liquidate funds by simple majority vote with limited notice or penalty, or to remove BlackRock as a fund's investment advisor (or equivalent). BlackRock also manages its U.S. mutual funds, closed-end and exchange-traded funds under management contracts that must be renewed and approved annually by the funds' respective boards of directors, a majority of whom are independent from the Company. BlackRock's fee arrangements under any of its advisory or management contracts may be subject to reduction (including at the behest of a fund's board of directors). In addition, if a number of BlackRock's clients terminate their contracts, remove BlackRock from advisory roles, liquidate funds or fail to renew management contracts on favorable terms, the fees or carried interest BlackRock earns could be reduced which may cause BlackRock's AUM, revenue and earnings to decline.

Increased competition may cause BlackRock's AUM, revenue and earnings to decline.

The investment management industry is highly competitive and has relatively low barriers to entry. BlackRock competes based on a number of factors including: investment performance, the level of fees charged, the quality and diversity of services and products provided, name recognition and reputation, and the ability to develop new investment strategies and products to meet the changing needs of investors. Increased competition on the basis of any of these factors, including competition leading to fee reductions on existing or new business, may cause the Company's AUM, revenue and earnings to decline.

Failure to maintain Aladdin's competitive position in a dynamic market for risk analytics could lead to a loss of clients and could impede BlackRock's productivity and growth.

The sophisticated risk analytics that BlackRock provides via the Aladdin technology platform to support investment advisory and BlackRock Solutions clients are an important element of BlackRock's competitive success. Aladdin's competitive position is based in part on its ability to combine sophisticated risk analytics with comprehensive portfolio management, trading and operations tools on a single platform. Increased competition from risk analytics and investment management technology providers or a shift in client demand away to standalone or internally developed solutions, whether due to market-based or regulatory factors, may weaken Aladdin's competitive position and may cause the Company's revenue and earnings to decline. In addition, there can be no assurance that the Company will be able to effectively protect and enforce its intellectual property rights in Aladdin.

The impairment or failure of other financial institutions may cause BlackRock's AUM, revenue and earnings to decline.

BlackRock's investment management activities expose the products and accounts it manages to many different industries and counterparties, including brokers and dealers, commercial and investment banks, clearing organizations, mutual and hedge funds, and other institutional clients. Transactions with counterparties expose the products and accounts BlackRock manages to credit risk in the event the applicable counterparty defaults. Although BlackRock regularly assesses risks posed by its counterparties, such counterparties may be subject to sudden swings in the financial and credit markets that may impair their ability to perform or they may otherwise fail to meet their obligations. Any such impairment or failure could negatively impact the performance of products or accounts managed by BlackRock, which could lead to the loss of clients and may cause BlackRock's AUM, revenue and earnings to decline.

The failure or negative performance of products offered by competitors may cause AUM in similar BlackRock products to decline irrespective of BlackRock's performance.

Many competitors offer similar products to those offered by BlackRock and the failure or negative performance of competitors' products could lead to a loss of confidence in similar BlackRock products, irrespective of the performance of such products. Any loss of confidence in a product type could lead to withdrawals, redemptions and liquidity issues in such products, which may cause the Company's AUM, revenue and earnings to decline.

Changes in the value of seed and co-investments that BlackRock owns could affect its nonoperating income and could increase the volatility of its earnings.

At December 31, 2015, BlackRock's net economic investment exposure of approximately $1.5 billion in its investments (see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations-Investments") primarily resulted from co-investments and seed investments in its sponsored investment funds. Movements in the equity, debt or currency markets, or in the price of real estate, commodities or alternative investments, could lower the value of these investments, increase the volatility of BlackRock's earnings and may cause earnings to decline.

Acts of terror and the continued threat of terrorism, as well as increased geopolitical unrest could adversely affect the global economy or specific international, regional and domestic markets, which may cause BlackRock's AUM, revenue and earnings to decline.

Terrorist activity and the continued threat of terrorism and acts of civil or international hostility, both within the United States and abroad, as well as ongoing military and other actions and heightened security measures in response to these types of threats, may cause significant volatility and declines in the global markets, loss of life, property damage, disruptions to commerce and reduced economic activity. Acts of terror may also result in increased border security between countries which could adversely affect trade, impede growth and exacerbate refugee crises arising out of civil or international conflicts. Continued geopolitical unrest and terrorist activity that adversely affect the global economy or capital markets may cause BlackRock's AUM, revenue and earnings to decline.

Risks Related to INVESTMENT PERFORMANCE

Poor investment performance could lead to the loss of clients and may cause AUM, revenue and earnings to decline.

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

- client withdrawals in favor of better performing products;
- client shifts from active to passive products which charge lower fees;
- the diminishing ability to attract additional funds from existing and new clients;
- the Company earning reduced, minimal or no performance fees;
- an impairment to the value of intangible assets and goodwill; or
- a decrease in investment returns on seed and co-investment capital.

Performance fees may increase volatility of both revenue and earnings.

A portion of BlackRock's revenue is derived from performance fees on investment advisory assignments. Performance fees represented $621 million, or 5%, of total revenue for the year ended December 31, 2015. Generally, the Company is entitled to a performance fee only if the agreement pursuant to which it is managing the assets provides for one and if returns on the related portfolio exceed agreed-upon periodic or cumulative return targets. If these targets are not exceeded, a performance fee for that period will not be earned and, if targets are based on cumulative returns, the Company may not earn performance fees in future periods, which may cause AUM, revenue and earnings to decline.

Failure to identify errors in the quantitative models BlackRock utilizes to manage its business could adversely impact product performance and client relationships.

BlackRock employs various quantitative models to support its investment decisions and allocations, including those related to risk assessment, portfolio management, trading and hedging activities and product valuations. Any errors in the underlying models or model assumptions could have unanticipated and adverse consequences on BlackRock's business and reputation.

TECHNOLOGY AND OPERATIONAL RISKS

A failure in BlackRock's operational systems or infrastructure, including business continuity plans, could disrupt operations, damage the Company's reputation and may cause BlackRock's AUM, revenue and earnings to decline.

BlackRock's infrastructure, including its technological capacity, data centers and office space, is vital to the competitiveness of its business. Moreover a significant portion of BlackRock's critical business operations are concentrated in a limited number of geographic areas, including San Francisco, New York, London and Gurgaon. The failure to maintain an infrastructure commensurate with the size and scope of BlackRock's business, or the occurrence of a business outage or event outside BlackRock's control, including a major earthquake, hurricane, fire, terrorist act, pandemic or other catastrophic event in any location at which BlackRock maintains a major presence, could materially impact operations, result in disruption to the business or impede its growth. Notwithstanding BlackRock's efforts to ensure business continuity, if it fails to keep business continuity plans up-to-date or if such plans, including secure back-up facilities and systems and the availability of back-up employees, are improperly implemented or deployed during a disruption, the Company's ability to operate could be adversely impacted which may cause AUM, revenue and earnings to decline or impact the Company's ability to comply with regulatory obligations leading to reputational harm, regulatory fines and/or sanctions.

A cyber-attack or a failure to implement effective information and cyber security policies, procedures and capabilities could disrupt operations and cause financial losses that may cause BlackRock's AUM, revenue and earnings to decline.

BlackRock is dependent on the effectiveness of the information and cyber security policies, procedures and capabilities it maintains to protect its computer and telecommunications systems and the data that reside on or are transmitted through them. An externally caused information security incident, such as a hacker attack, virus, phishing scam or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information.

There have been a number of recent highly publicized cases involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information, as well as cyber-attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties, including actions by terrorist organizations and hostile foreign governments. BlackRock has been the target of attempted cyber-attacks, as well as the co-opting of its brand to create fraudulent websites, and must continuously monitor and develop its systems to protect its technology infrastructure and data from misappropriation or corruption, as the failure to do so could disrupt BlackRock's operations and cause financial losses. In addition, due to BlackRock's interconnectivity with third-party vendors, central agents, exchanges, clearing houses and other financial institutions, BlackRock may be adversely affected if any of them are subject to a successful cyber-attack or other information security event. Any information security incident or cyber-attack against BlackRock or third parties with whom it is connected could result in material financial loss, loss of competitive position, regulatory fines and/or sanctions, breach of client contracts, reputational harm or legal liability, which, in turn, may cause BlackRock's AUM, revenue and earnings to decline.

Failure or unavailability of third-party dependencies may adversely affect Aladdin operations and could lead to a loss of clients and could impede BlackRock's productivity and growth

BlackRock relies on its ability to maintain a robust and secure technological framework to maximize the benefit of the Aladdin platform. The analytical capabilities of Aladdin depend on the ability of a number of third parties to provide data and other information as inputs into Aladdin analytical calculations. The failure of these third parties to provide such data or information, or disruption of such information flows, could result in operational difficulties and adversely impact BlackRock's ability to provide services to its investment advisory and BlackRock Solutions clients.

Operating risks associated with BlackRock's securities lending program may result in client losses.

BlackRock lends securities to banks and broker-dealers on behalf of certain of its clients. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock must manage this process and is charged with mitigating the associated operational risks. The failure of BlackRock's controls to mitigate such operational risks could result in financial losses for the Company's clients that participate in its securities lending programs (separate from the risks of collateral investments), and BlackRock may be held liable for any failure to manage any such risks.

BlackRock indemnifies certain securities lending clients for specified losses as a result of a borrower default.

BlackRock provides borrower default indemnification to certain of its securities lending clients. In the event of a borrower default, BlackRock would use the collateral pledged by the borrower to repurchase securities out on loan in order to replace them in a client's account. Borrower default indemnification is limited to the shortfall that occurs in the event the collateral available at the time of the borrower's default is insufficient to repurchase those securities out on loan. BlackRock requires all borrowers to mark to market their pledged collateral daily to levels in excess of the value of the securities on loan to mitigate the likelihood of the indemnity being triggered. Where the collateral is in the form of cash, the indemnities BlackRock provides do not guarantee, assume or otherwise insure the investment performance or return of any cash collateral vehicle into which that cash collateral is invested. The amount of securities on loan as of December 31, 2015 and subject to indemnification was $169.3 billion. BlackRock held, as agent, cash and securities totaling $179.6 billion as collateral for indemnified securities on loan at December 31, 2015. Significant borrower defaults occurring simultaneously with rapid declines in the value of collateral pledged and/or increases in the value of the securities loaned may create collateral shortfalls, which could result in material liabilities under these indemnities and may cause the Company's AUM, revenue and earnings to decline.

BlackRock's decision to provide support to particular products from time to time, or the inability to provide support, may cause AUM, revenue and earnings to decline.

BlackRock may, at its option, from time to time support investment products through capital or other credit support. Such support may utilize capital and liquidity that would otherwise be available for other corporate purposes. Losses on such support, as well as regulatory restrictions on the Company's ability to provide such support or the failure to have available or devote sufficient capital or liquidity to support products, may cause AUM, revenue and earnings to decline.

Failure to maintain adequate corporate and contingent liquidity may cause BlackRock's AUM, liquidity and earnings to decline, as well as harm its prospects for growth.

BlackRock's ability to meet anticipated cash needs depends upon a number of factors, including its ability to maintain and grow AUM, its creditworthiness and operating cash flows. Failure to maintain adequate liquidity could lead to unanticipated costs and force BlackRock to revise existing strategic and business initiatives. BlackRock's access to equity and debt markets and its ability to issue public or private debt, or secure lines of credit or commercial paper back-up lines, on reasonable terms may be limited by adverse market conditions, a reduction in its long- or short-term credit ratings, or changes in government regulations, including tax and interest rates. Failure to obtain funds and/or financing, or any adverse change to the cost of obtaining such funds and/or financing, may cause BlackRock's AUM, revenue and earnings to decline, curtail its operations and limit or impede its prospects for growth.

Fraud, or the circumvention of controls and risk management policies, could have an adverse effect on BlackRock's reputation, which may cause the Company's AUM, revenue and earnings to decline.

Although BlackRock has adopted a comprehensive risk management process and continues to enhance various controls, procedures, policies and systems to monitor and manage risks, it cannot assure that such controls, procedures, policies and systems will successfully identify and manage internal and external risks to its businesses. BlackRock is subject to the risk that its employees, contractors or other third parties may deliberately seek to circumvent established controls to commit fraud or act in ways that are inconsistent with the Company's controls, policies and procedures. Persistent attempts to circumvent policies and controls or repeated incidents involving fraud, conflicts of interests or transgressions of policies and controls could have an adverse effect on BlackRock's reputation, which could cause costly regulatory inquiries, fines and/or sanctions and may cause the Company's AUM, revenue and earnings to decline.

BlackRock may be unable to develop new products and services and the development of new products and services may expose BlackRock to additional costs or operational risk.

BlackRock's financial performance depends, in part, on its ability to develop, market and manage new investment products and services. The development and introduction of new products and services require continued innovative efforts on the part of BlackRock and may require significant time and resources as well as ongoing support and investment. Substantial risk and uncertainties are associated with the introduction of new products and services, including the implementation of new and appropriate operational controls and procedures, shifting client and market preferences, the introduction of competing products or services and compliance with regulatory requirements. A failure to continue to innovate to introduce new products and services or to successfully manage the risks associated with such products and services may cause BlackRock's costs to fluctuate, which may cause its AUM, revenue and earnings to decline.

The failure to recruit and retain employees and develop and implement effective executive succession could lead to the loss of clients and may cause AUM, revenue and earnings to decline.

BlackRock's success is largely dependent on the talents and efforts of its highly skilled workforce and the Company's ability to plan for the future long-term growth of the business by identifying and developing those employees who can ultimately transition into key roles within BlackRock. The market for qualified fund managers, investment analysts, technology and risk specialists and other professionals is competitive, and factors that affect BlackRock's ability to attract and retain such employees include the Company's reputation, the compensation and benefits it provides, and its commitment to effectively managing executive succession, including the development and training of qualified individuals. BlackRock's ability to attract and retain talent may also be affected if European regulations instituting bonus caps or limiting the amount of compensation that asset managers can pay to certain employees are enacted in the varying formats in which they have been proposed.

In addition, a percentage of the deferred compensation that BlackRock pays to its employees is tied to the Company's share price. As such, if BlackRock's share price were to decrease materially, the retention value of such deferred compensation would decrease. There can be no assurance that the Company will continue to be successful in its efforts to recruit and retain employees and effectively manage executive succession. If BlackRock is unable to offer competitive compensation or otherwise attract and retain talented individuals, or if it fails to effectively manage executive succession, the Company's ability to compete effectively and retain its existing clients may be materially impacted.

Future inorganic transactions may harm the Company's competitive or financial position if they are not successful.

BlackRock employs a variety of organic and inorganic strategies intended to enhance earnings, increase product offerings, access new clients, leverage advances in technology and expand into new geographies. Inorganic strategies have included hiring smaller-sized investment teams, and acquiring investment management businesses and other small and medium-sized companies. Inorganic transactions involve a number of financial, accounting, tax, regulatory, geographical and operational challenges and uncertainties, including in some cases the assumption of pre-existing liabilities. Any failure to identify and mitigate these risks through due diligence and indemnification provisions could adversely impact BlackRock's reputation, may cause its AUM, revenue and earnings to decline, and may harm the Company's competitive position in the investment management industry. Moreover, there can be no assurances that BlackRock will be able to successfully integrate or realize the intended benefits from future inorganic transactions.

Investments in real assets such as real estate, infrastructure and energy assets may expose BlackRock and its funds and accounts to new or increased risks and liabilities, as well as reputational harm.

Investments in real assets, including real estate, infrastructure and energy assets, may expose BlackRock and its funds and accounts to increased risks and liabilities that are inherent in the ownership and management of such assets. These may include:

- construction risks, including labor disputes or work stoppages, shortages of material or interruptions to the availability of necessary equipment;
- accidents, adverse weather, force majeure or catastrophic events, such as explosions, fires or terrorist activity beyond BlackRock's control;
- personal injury or property damage;
- failures on the part of third-party managers or sub-contractors appointed in connection with investments or projects to adequately perform their contractual duties or operate in accordance with applicable laws;
- exposure to stringent and complex foreign, federal, state and local laws, ordinances and regulations, including those related to permits, government contracting, conservation, exploration and production, tenancy, occupational health and safety, foreign investment and environmental protection;
- environmental hazards, such as natural gas leaks, product and waste spills, pipeline and tank ruptures, and unauthorized discharges of products, wastes and other pollutants;
- changes to the supply and demand for properties and/or tenancies or fluctuations in the price of commodities;

- the financial resources of tenants; and
- contingent liabilities on disposition of assets.

The above risks may expose BlackRock's funds and accounts to additional expenses and liabilities, including costs associated with delays or remediation costs, and increased legal or regulatory costs, all of which could impact the returns earned by BlackRock's clients. These risks could also result in direct liability for BlackRock by exposing BlackRock to regulatory sanction or litigation, including claims for compensatory or punitive damages. Similarly, market conditions may change during the course of developments or projects in which BlackRock invests that make such development or project less attractive than at the time it was commenced and potentially harm the investment returns of BlackRock's clients. The occurrence of any such events may expose BlackRock to reputational harm, divert management's time and attention away from BlackRock's business activities or cause AUM, revenue and earnings to decline.

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

As a result of BlackRock's extensive international operations, the Company faces associated operational, regulatory, reputational, political and foreign exchange rate risks, many of which are outside of the Company's control. The failure of the Company's systems of internal control to mitigate such risks, or of its operating infrastructure to support its global activities, could result in operational failures and regulatory fines and/or sanctions, which may cause the Company's AUM, revenue and earnings to decline.

Risks Related to KEY THIRD-PARTY Relationships

The failure of a key vendor to BlackRock to fulfill its obligations could have a material adverse effect on BlackRock's reputation or business, which may cause the Company's AUM, revenue and earnings to decline.

BlackRock depends on a number of key vendors for various fund administration, accounting, custody, risk analytics, market data, market indices and transfer agent roles and other distribution and operational needs. BlackRock performs focused diligence on its vendors in an effort to ensure they operate in accordance with expectations; however, to the extent any significant deficiencies are uncovered, there may be few, or no, feasible alternative vendors available to BlackRock in certain areas. The failure or inability of BlackRock to diversify its sources for key services or the failure of any key vendor to fulfill its obligations could lead to operational and regulatory issues for the Company, including with respect to certain of its products, which could result in reputational harm and may cause BlackRock's AUM, revenue and earnings to decline.

Any disruption to the Company's distribution channels may cause BlackRock's AUM, revenue and earnings to decline.

BlackRock relies on a number of third parties to provide distribution, portfolio administration and servicing for certain BlackRock investment management products and services through their various distribution channels. In particular, BlackRock entered into a global distribution agreement with Bank of America/Merrill Lynch in 2006, which is subject to renegotiation at the end of 2016. BlackRock's ability to maintain strong relationships with its distributors is material to the Company's future performance. If BlackRock is unable to distribute its products and services successfully, if it experiences an increase in distribution-related costs, or if it is unable to replace or renew existing distribution arrangements, BlackRock's AUM, revenue and earnings may decline.

Disruption to the operations of third parties whose functions are integral to BlackRock's Exchange Traded Fund ("ETF") platform may adversely affect the prices at which ETFs trade, particularly during periods of market volatility.

BlackRock is the largest provider of ETFs globally. Shares of ETFs trade on stock exchanges at prices at, above or below the ETF's most recent net asset value ("NAV"). The NAV of an ETF is calculated at the end of each business day and fluctuates with changes in the market value of the ETF's holdings. The trading price of the ETF's shares fluctuates continuously throughout trading hours. While an ETF's creation/redemption feature and the arbitrage mechanism are designed to make it more likely that the ETF's shares normally will trade at prices close to the ETF's NAV, exchange prices may deviate significantly from the ETF's NAV. ETF market prices are subject to numerous potential risks, including trading halts invoked by a stock exchange, inability or unwillingness of market markers, authorized participants, settlement systems or other market participants to perform functions necessary for an ETF's arbitrage mechanism to function effectively, or significant market volatility. Although BlackRock and other large issuers of ETFs are working with market participants to enhance U.S. equity market resiliency, there can be no assurance that structural reforms will be implemented in a timely or effective fashion, or at all. Moreover, if market events lead to incidences where ETFs trade at prices that deviate significantly from an ETF's NAV, or trading halts are invoked by the relevant stock exchange or market, investors may lose confidence in ETF products and redeem their holdings, which may cause BlackRock's AUM, revenue and earnings to decline.

Legal and Regulatory Risks

BlackRock is subject to extensive and pervasive regulation around the world.

BlackRock's business is subject to extensive regulation around the world. These regulations subject BlackRock's business activities to a pervasive array of increasingly detailed operational requirements, compliance with which is costly, time-consuming and complex. BlackRock may be adversely affected by its failure to comply with current laws and regulations or by changes in the interpretation or enforcement of existing laws and regulations. Challenges associated with interpreting regulations issued in numerous countries in a globally consistent manner may add to such risks, if regulators in different jurisdictions have inconsistent views or provide only limited regulatory guidance. In particular, violation of applicable laws or regulations could result in fines and/or sanctions, temporary or permanent prohibition of certain activities, reputational harm and related client terminations, suspensions of employees or revocation of their licenses, suspension or termination of investment adviser, broker-dealer or other registrations, or suspension or termination of bank charter or other sanctions, which could have a material adverse effect on BlackRock's reputation or business and may cause the Company's AUM, revenue and earnings to decline. For a more extensive discussion of the laws, regulations and regulators to which BlackRock is subject, see "Item 1 – Business – Regulation."

Regulatory reforms in the United States and internationally expose BlackRock and its clients to increasing regulatory scrutiny.

In recent years a number of proposals for regulatory reform have been introduced, and the level of regulatory scrutiny to which BlackRock is subject is expected to increase. See "Item 1 – Business – Regulation." A number of regulatory reforms that have been proposed may require BlackRock to alter its business or operating activities, which could be time-consuming and costly and which may impede the Company's growth and may cause AUM, revenue and earnings to decline. Regulatory reform may also impact BlackRock's banking, insurance company and pension fund clients, which could cause them to change their investment strategies or allocations in manners that may be adverse to BlackRock. Key regulatory reforms that may impact the Company include:

- Designation as a systemically important financial institution: Both the FSB, working with IOSCO, and FSOC are considering potential systemic risk related to asset management. In July 2014, the FSOC issued a statement indicating that their review would focus on products and activities, and FSOC subsequently released a request for information addressing: market liquidity and fund redemption risk, the use of leverage, operational risk, and the resolution of asset managers including the transition of client assets. In June 2015, IOSCO issued a statement indicating they also favored a products and activities approach in their review of asset managers, and in July 2015, the FSB made a similar announcement. In September 2015, the FSB released a statement indicating that their review would focus on: market liquidity and fund redemption risk, the use of leverage, securities lending practices, operational risk, and risks from pension funds and sovereign wealth funds. Although FSOC, IOSCO and FSB have shifted from a focus on designating firms and/or funds as systemically important (i.e., G-SIFI or SIFI designations), the process is ongoing and may lead to designations in the future. In the event that BlackRock receives a SIFI designation, under the DFA, the Federal Reserve System is charged with establishing enhanced regulatory requirements for nonbank financial institutions and BlackRock could become subject to its direct supervision. If BlackRock were designated a SIFI or G-SIFI, it could become subject to enhanced prudential, capital, supervisory and other requirements, such as risk-based capital requirements, leverage limits, liquidity requirements, resolution plan and credit exposure report requirements, concentration limits, a contingent capital requirement, enhanced public disclosures, short-term debt limits and overall risk management requirements. Requirements such as these, which were designed to regulate banking institutions, would be extremely burdensome for BlackRock, unless they were modified to be applicable to an asset manager. No proposals have been made indicating how such measures would be adapted for asset managers, if at all.
- The Volcker Rule: Provisions of the DFA referred to as the "Volcker Rule" created a new section of the BHC Act that places limitations on the ability of banks and their subsidiaries to engage in proprietary trading and to invest in and transact with certain private investment funds, including hedge funds, private equity funds and funds of funds (collectively "covered funds"). Conformance with the Volcker Rule's requirements may reduce the level of market making and liquidity activities of several of BlackRock's trading counterparties, which may adversely impact the liquidity and, in some cases, the pricing of various financial instruments in which BlackRock client accounts invest. Because the Federal Reserve currently treats BlackRock as a nonbank subsidiary of PNC, BlackRock may be required to conform its activities to the requirements of the Volcker Rule. On December 18, 2014, the Federal Reserve announced a second extension to the Volcker Rule conformance period, giving banking entities until July 21, 2016, to conform investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013 ("legacy covered funds"). The Federal Reserve also announced its intention to grant banking entities an additional one-year extension of the conformance period until July 21, 2017, to conform ownership interests in and relationships with these legacy covered funds. BlackRock has chosen to commence a conformance program for covered funds, including legacy covered funds. The Volcker Rule's restrictions may, among other things, limit BlackRock's ability to invest in covered funds and require BlackRock to remove its name from the names of its covered funds. The Volcker Rule may also require BlackRock to sell certain seed and co-investments that it holds in covered funds, which may occur at a discount to existing carrying value, depending on market conditions.

- Money market mutual fund reform: Approximately 3% of BlackRock's AUM as of December 31, 2015, consisted of assets in U.S. MMFs, of which institutional prime or institutional municipal MMFs (including offshore funds that feed into such MMFs) comprised approximately 2%. In July 2014, the SEC adopted new rules designed to reform the regulatory structure governing MMFs and to address the perceived systemic risks that such funds present. The new rules, to which U.S. MMFs must conform by October 2016, require institutional prime and institutional municipal MMFs to employ a floating net asset value per share method of pricing, which allows the daily share prices of these funds to fluctuate along with changes in the market-based value of fund assets. Retail MMFs may continue operating with a constant net asset value per share. The rules also provide for new tools for institutional and retail MMFs' boards designed to address market shocks, including liquidity fees and redemption gates. The new rules do not apply to government (non-municipal) MMFs, although such funds may "opt-in" to the new liquidity fee and redemption gate provisions if previously disclosed to investors. Implementation of these new rules requires the development of new or additional systems by BlackRock and the funds' service providers. BlackRock has commenced efforts to move its MMFs into compliance in advance of the deadline. The impact of the rules that affect the structure of the funds on BlackRock's business remains uncertain as clients must decide which products fit their investment needs. The new rules will, however, affect certain of BlackRock's funds' investment strategies, portfolio liquidity and return potential. The new rules will also result in changes to BlackRock's existing U.S. MMFs and may reduce the attractiveness of certain U.S. MMFs to investors.
- Regulation of swaps and derivatives: The implementation of DFA regulations, similar regulations in the EU and other global jurisdictions relating to swaps and derivatives could impact the manner in which BlackRock-advised funds and accounts use and trade swaps and other derivatives, increasing the costs of derivatives trading for BlackRock's clients. Various global rules and regulations applicable to the use of financial products by funds, accounts and counterparties that have been adopted or proposed will require BlackRock to build and implement new compliance monitoring procedures to address the enhanced level of oversight to which it and its clients will be subject. These rules will also introduce new central clearing requirements for certain swap transactions and will require that certain swaps be executed only on or through electronic trading venues (as opposed to over the phone or other execution methods), with which BlackRock will have to comply. In the United States, certain interest rate swaps and certain index credit default swaps are already subject to the DFA central clearing and electronic trading venue requirements, with additional products and asset classes potentially becoming subject to these requirements in 2016 and beyond. For swaps and security-based swaps that are not centrally cleared, U.S. bank regulators recently adopted rules that could require BlackRock-advised funds and accounts to post margin payments when trading with a swap dealer that is regulated by one of the U.S. bank regulators. The CFTC also recently adopted similar margin rules applicable when trading non-cleared swaps with swap dealers who are not regulated by one of the U.S. bank regulators. These rules have the potential to increase the complexity and cost of trading non-cleared derivatives for BlackRock's clients. In EMEA, central clearing requirements will be implemented

in a phased manner and will apply to BlackRock funds and accounts beginning in the latter half of 2016. The new rules and regulations may produce regulatory inconsistencies in global derivatives trading rules and increase BlackRock's operational and legal risks.

- SEC asset management industry initiatives: The SEC and its staff continue to engage in various initiatives and reviews that seek to improve and modernize the regulatory structure governing the asset management industry, and registered investment companies in particular. During 2015, the SEC proposed, among other things: enhanced reporting by investment advisors, enhanced reporting on registered mutual funds, new rules for liquidity risk management in registered funds, and new rules governing the use of derivatives and leverage by registered investment companies and business development companies. Furthermore, in June 2015, the SEC issued a request for comments regarding practices related to ETFs, which is widely expected to result in a future rulemaking. The SEC has also indicated an intention to propose new rules for the stress testing of registered investment companies and transition planning by asset managers, including the transfer of client assets. The SEC's focus has also been directed toward risk identification and controls in various areas, including the use of derivatives and other trading practices (as reflected in the SEC's late December 2015 rule proposal referenced in "Item 1 – Business – Regulation – Regulation of Swaps and Derivatives" above), cyber-security and the evaluation of systemic risks. While these proposals have yet to be finalized into new rules, any new rules, guidance or regulatory initiatives resulting from these efforts could require BlackRock to alter its business or operating activities or fund management practices, or increase its public reporting and disclosure requirements, which could be time-consuming and costly and which may impede BlackRock's growth and may cause AUM, revenue and earnings to decline.
- Revised DoL Fiduciary Rule: In April 2015, the DoL proposed a new regulation defining the term "fiduciary" for purposes of the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction exercise tax provisions of the IRS. The rule has been highly criticized by industry participants, particularly retail intermediaries, and BlackRock is engaging with the DoL, trade associations and industry participants in an effort to affect revisions to the proposed rule. To the extent the rule is enacted as written, it will require BlackRock to re-paper a number of its distribution relationships, create compliance and operational challenges for BlackRock's distribution partners and may limit BlackRock's ability to provide certain useful services and education to its clients.
- Increased international regulatory scrutiny: In addition to the extensive scrutiny BlackRock faces from U.S.-based regulators, the Company and its subsidiaries are also subject to the authority of numerous governmental and regulatory bodies globally, in particular in Europe and the Asia-Pacific region. These regulators have imposed numerous regulations, guidelines and standards on the activities of BlackRock and its subsidiaries covering a variety of areas, including capital resources requirements, marketing activities, client and investor protections, senior management arrangements, and system and control requirements. In the event that BlackRock or any of its subsidiaries fails to comply with these often complex guidelines, regulations and standards, the regulators have broad powers to suspend or revoke any licenses they may have granted and/or to impose fines and/or sanctions.

- European Union Directives: In the aftermath of the financial crisis, the European Commission ("EC") initiated a plan for EU financial reform, including a number of consultations and initiatives intended to improve retail investor protections, which the EC reflected in new or updated Directives and regulations. The resulting review of MiFID, introduction of AIFMD, the introduction of MiFID II and the revision of the UCITS Directive have increased the compliance, disclosure and other obligations BlackRock faces in the European Economic Area. Once fully implemented, these Directives will have significant and wide-ranging impacts on EU securities and derivative markets, products and distribution, and internal governance arrangements, which will directly and indirectly impact BlackRock's EU regulated subsidiaries and other group companies.
- Reform of European Retail Distribution: BlackRock must also comply with retail distribution rules aimed at enhancing consumer protections, overhauling mutual fund fee structures by banning the payment of commissions to distributors and increasing professionalism in the retail investment sector. The rules were originally introduced in the United Kingdom in 2012 and similar rules have since been introduced in other jurisdictions where BlackRock operates such as the Netherlands, and are under discussion elsewhere. Similarly, MiFID II will contain a ban on certain advisers recovering commissions and other nonmonetary benefits from fund managers. These rules will lead to greater fragmentation of distribution rules and may lead to changes to BlackRock's client servicing and distribution

models, in particular affecting the fees BlackRock is able to charge to its clients and the commissions it is able to pay to its distribution partners.

Legal proceedings may cause the Company's AUM, revenue and earnings to decline.

BlackRock is subject to a number of sources of potential legal liability and the Company, certain of the investment funds it manages and certain of its subsidiaries and employees have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with BlackRock's activities. Certain of BlackRock's subsidiaries and employees are also subject to periodic examination, special inquiries and potential proceedings by regulatory authorities, including the SEC, Federal Reserve, OCC, DoL, CFTC and FCA. Similarly, from time to time, BlackRock receives subpoenas or other requests for information from various U.S. and non-U.S. governmental and regulatory authorities in connection with certain industry-wide, company-specific or other investigations or proceedings. These examinations, inquiries and proceedings, have in the past and could in the future, if compliance failures or other violations are found, cause the relevant regulator to institute proceedings and impose sanctions for violations. Any such action may also result in litigation by investors in BlackRock's funds, other BlackRock clients or by BlackRock's shareholders, which could harm the Company's reputation and may cause its AUM, revenue and earnings to decline, potentially harm the investment returns of the applicable fund, or result in the Company being liable for damages.

In addition, when clients retain BlackRock to manage their assets or provide them with products or services, they typically specify contractual requirements or guidelines that BlackRock must observe in the provision of its services. A failure to comply with these guidelines or requirements could expose BlackRock to lawsuits, harm its reputation or cause clients to withdraw assets or terminate contracts.

As BlackRock's business continues to grow, the Company must routinely address conflicts of interest, as well as the perception of conflicts of interest, between itself and its clients, employees or vendors. In addition, the SEC and other regulators have increased their scrutiny of potential conflicts. BlackRock has procedures and controls in place that are designed to detect and address these issues. However, appropriately dealing with conflicts of interest is complex and if the Company fails, or appears to fail, to appropriately deal with any conflict of interest, it may face reputational damage, litigation, regulatory proceedings, or penalties, fines and/or sanctions, any of which may cause BlackRock's AUM, revenue and earnings to decline.

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

As described in "Item 1-Business-Regulation", PNC owns approximately 22% of BlackRock's capital stock. Based on the Federal Reserve's interpretation of the BHC Act, the Federal Reserve takes the position that this ownership interest causes BlackRock to be treated as a nonbank subsidiary of PNC for purposes of the BHC Act, thereby subjecting BlackRock to banking regulation, including the supervision and regulation of the Federal Reserve. Such banking regulation limits the activities and the types of businesses that a nonbank subsidiary may conduct. The Federal Reserve has broad enforcement authority over nonbank subsidiaries, including the power to prohibit them from conducting any activity that, in the Federal Reserve's opinion, is unauthorized or constitutes an unsafe or unsound practice, and to impose substantial fines and other penalties for violations. PNC is regulated as a "financial holding company" under the BHC Act, which allows PNC and BlackRock to engage in a much broader set of activities than would otherwise be permitted under the BHC Act; any failure of PNC to maintain its status as a financial holding company could result in substantial limitations on certain BlackRock activities and its growth.

In addition, BlackRock's trust bank subsidiary, which is organized as a national bank, is separately subject to banking regulation by the OCC. The OCC has broad supervisory and enforcement authority over BlackRock's trust bank subsidiary and also subjects it to capital requirements. Being subject to banking regulation may put BlackRock at a competitive disadvantage because certain of its competitors are not subject to these limitations.

Failure to comply with ownership reporting requirements could result in harm to BlackRock's reputation and may cause its AUM, revenue and earnings to decline.

Of note among the various international regulations to which BlackRock is subject are the extensive and increasingly stringent regulatory reporting requirements that necessitate the monitoring and reporting of issuer exposure levels (thresholds) across the holdings of managed funds and accounts and those of the Company. The specific triggers and the reporting methods that these threshold filings entail vary significantly by regulator and across jurisdictions. BlackRock continues to invest in technology, training and its employees to enhance its monitoring and reporting functions and improve the timeliness and accuracy of its disclosures. Despite these investments, the complexity of the various threshold reporting requirements combined with the breadth of the assets managed by the Company and high volume of securities trading have caused errors and omissions to occur in the past, and pose a risk that errors or omissions will occasionally occur in the future. Any such errors may expose BlackRock to monetary penalties, which could have an adverse effect on BlackRock's reputation and may cause its AUM, revenue and earnings to decline.

New tax legislation or changes in U.S. and foreign tax laws, treaties and regulations or challenges to BlackRock's historical taxation practices may adversely affect BlackRock's effective tax rate, business and overall financial condition.

BlackRock's businesses may be affected by new tax legislation or regulations, or the modification of existing tax laws, regulations and rulings, by U.S. or non-U.S. authorities. In particular, FATCA and the CRS have introduced new investor onboarding, withholding and reporting rules aimed at ensuring persons with financial assets outside of their tax residence country pay appropriate taxes. FATCA and CRS will impact both U.S. and non-U.S. funds and subject BlackRock to additional administrative burdens. Similarly, certain EU Member States have enacted FTTs, which impose taxation on a broad range of financial instrument and derivatives transactions. Several other EU Member States continue to discuss introducing FTTs. If introduced as proposed, FTTs could have an adverse effect on BlackRock's financial results and on clients' performance results. In addition, in October 2015 the OECD released its final BEPS package in an effort to curb the use of certain tax regimes and elements of tax planning, primarily in a cross-border context. The final package was endorsed by the G20 and is subject to implementation. BEPS contains a number of provisions that may negatively impact cross-border investing using commingled investment vehicles. In addition, in January 2016, the European Commission announced an Anti-Tax Avoidance Package ("EU Package") for consideration by the European Parliament and Council containing measures to regulate certain elements of tax planning further and to boost tax transparency. Once implemented, the BEPS package and the EU Package could curtail the amount of investments channeled by, and have unintended taxation consequences for, funds as well as the BlackRock’s overall tax position, which could adversely affect BlackRock’s financial condition and that of its clients.

The Company also manages significant assets in products and accounts that have specific tax objectives, which could be adversely impacted by changes in tax law or policy, particularly with respect to U.S. municipal income, the U.S. individual income tax rate on qualified dividends and long-term capital gains and, globally, alternative products. The application of complex tax regulations involves numerous uncertainties and, in the normal course of business, U.S. and non-U.S. tax authorities may review and challenge BlackRock’s historical tax positions. These challenges may result in adjustments to BlackRock’s tax position, or impact the timing or amount of, taxable income, deductions or other tax allocations, which may adversely affect BlackRock’s effective tax rate and overall financial condition.

Risks Related to BlackRock’s SIGNIFICANT SHAREHOLDER

PNC owns a large portion of BlackRock’s capital stock. Future sales or distributions of BlackRock’s common stock in the public market by the Company or PNC could adversely affect the trading price of BlackRock’s common stock.

As of December 31, 2015, PNC owned 22% of the Company’s capital stock. Sales or distributions of a substantial number of shares of BlackRock’s common stock in the public market, or the perception that these sales or distributions might occur, may cause the market price of BlackRock’s common stock to decline.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

BlackRock's common stock is listed on the NYSE and is traded under the symbol "BLK". At the close of business on January 31, 2016, there were 272 common stockholders of record. Common stockholders include institutional or omnibus accounts that hold common stock for many underlying investors.

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

	Common Stock			Cash
	Price Ranges		Closing	Dividend
	High	Low	Price	Declared
2015				
First Quarter	$380.33	$340.51	$365.84	$ 2.18
Second Quarter	$377.85	$344.54	$345.98	$ 2.18
Third Quarter	$354.54	$293.52	$297.47	$ 2.18
Fourth Quarter	$363.72	$295.92	$340.52	$ 2.18
2014				
First Quarter	$323.89	$286.39	$314.48	$ 1.93
Second Quarter	$319.85	$293.71	$319.60	$ 1.93
Third Quarter	$336.47	$301.10	$328.32	$ 1.93
Fourth Quarter	$364.40	$303.91	$357.56	$ 1.93

BlackRock's closing common stock price as of February 25, 2016 was $313.62.

Dividends

On January 14, 2016, the Board of Directors approved BlackRock's quarterly dividend of $2.29 to be paid on March 23, 2016 to stockholders of record at the close of business on March 7, 2016.

PNC receives dividends on shares of nonvoting participating preferred stock, which are equivalent to the dividends received by common stockholders.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2015, the Company made the following purchases of its common stock, which is registered pursuant to Section 12(b) of the Exchange Act.

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[1]
October 1, 2015 through October 31, 2015	244,379	(2)	$331.76	243,705	6,825,131
November 1, 2015 through November 30, 2015	491,287	(2)	$355.43	488,869	6,336,262
December 1, 2015 through December 31, 2015	62,180	(2)	$358.99	56,484	6,279,778
Total	797,846		$348.46	789,058	

(1) In January 2015, the Board of Directors approved an increase in the availability of shares that may be repurchased under the Company's existing share repurchase program to allow for the repurchase of up to a total of 9.4 million additional shares of BlackRock common stock with no stated expiration date.

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

Item 6. Selected Financial Data

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

	Year ended December 31,				
(in millions, except per share data)	2015	2014	2013	2012	2011
Income statement data:					
Revenue					

Related parties[1]	$7,084	$6,994	$6,260	$5,501	$5,431
Other third parties	4,317	4,087	3,920	3,836	3,650
Total revenue	11,401	11,081	10,180	9,337	9,081
Expense					
Restructuring charges	—	—	—	—	32
Other operating expenses	6,737	6,607	6,323	5,813	5,800
Total expenses	6,737	6,607	6,323	5,813	5,832
Operating income	4,664	4,474	3,857	3,524	3,249
Total nonoperating income (expense)	(62)	(79)	116	(54)	(114)
Income before income taxes	4,602	4,395	3,973	3,470	3,135
Income tax expense	1,250	1,131	1,022	1,030	796
Net income	3,352	3,264	2,951	2,440	2,339
Less: Net income (loss) attributable to noncontrolling interests	7	(30)	19	(18)	2
Net income attributable to BlackRock, Inc.	$3,345	$3,294	$2,932	$2,458	$2,337
Per share data:[2]					
Basic earnings	$20.10	$19.58	$17.23	$14.03	$12.56
Diluted earnings	$19.79	$19.25	$16.87	$13.79	$12.37
Book value[3]	$172.12	$164.06	$156.69	$148.20	$140.07
Cash dividends declared and paid per share	$8.72	$7.72	$6.72	$6.00	$5.50

(1) BlackRock's related party revenue includes fees for services provided to registered investment companies that it manages, which include mutual funds and exchange-traded funds, as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties due to the Company's influence over the financial and operating policies of the investee. See Note 16, Related Party Transactions, to the consolidated financial statements for more information.

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

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

28

(in millions)	December 31, 2015	2014	2013	2012	2011
Balance sheet data:					
Cash and cash equivalents	$6,083	$5,723	$4,390	$4,606	$3,506
Goodwill and intangible assets, net	30,495	30,305	30,481	30,312	30,148
Total assets(1)	225,261	239,792	219,859	200,433	179,880
Less:					
Separate account assets(2)	150,851	161,287	155,113	134,768	118,871
Collateral held under securities lending agreements(2)	31,336	33,654	21,788	23,021	20,918
Consolidated investment vehicles(3)	678	3,787	2,714	2,813	2,006
Adjusted total assets	$42,396	$41,064	$40,244	$39,831	$38,085
Short-term borrowings	$—	$—	$—	$100	$100
Long-term borrowings	4,930	4,922	4,925	5,669	4,674
Total borrowings	$4,930	$4,922	$4,925	$5,769	$4,774
Total BlackRock, Inc. stockholders' equity	$28,503	$27,366	$26,460	$25,403	$25,048
Assets under management:					
Equity:					
Active	$281,319	$292,802	$317,262	$287,215	$275,156
iShares	823,156	790,067	718,135	534,648	419,651
Non-ETF index	1,319,297	1,368,242	1,282,298	1,023,638	865,299
Equity subtotal	2,423,772	2,451,111	2,317,695	1,845,501	1,560,106
Fixed income:					
Active	719,653	701,324	652,209	656,331	614,804
iShares	254,190	217,671	178,835	192,852	153,802
Non-ETF index	448,525	474,658	411,142	410,139	479,116
Fixed income subtotal	1,422,368	1,393,653	1,242,186	1,259,322	1,247,722
Multi-asset	376,336	377,837	341,214	267,748	225,170
Alternatives:					
Core	92,085	88,006	85,026	68,367	63,647
Currency and commodities(4)	20,754	23,234	26,088	41,428	41,301
Alternatives subtotal	112,839	111,240	111,114	109,795	104,948
Long-term	4,335,315	4,333,841	4,012,209	3,482,366	3,137,946
Cash management	299,884	296,353	275,554	263,743	254,665
Advisory(5)	10,213	21,701	36,325	45,479	120,070
Total	$4,645,412	$4,651,895	$4,324,088	$3,791,588	$3,512,681

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

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

(3) Amounts include assets held by consolidated sponsored investment products. During 2015, the Company adopted new accounting guidance on consolidations effective January 1, 2015 using the modified retrospective method. As a result of the adoption, the Company's balance sheet at December 31, 2015 reflects the deconsolidation of the Company's previously consolidated collateralized loan obligations.

(4) Amounts include commodity iShares.

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

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

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

In addition to risk factors previously disclosed in BlackRock's Securities and Exchange Commission ("SEC") reports and those identified elsewhere in this report, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management ("AUM"); (3) the relative and absolute investment performance of BlackRock's investment products; (4) the impact of increased competition; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the extent and timing of any share repurchases; (8) the impact, extent and timing of technological changes and the adequacy of intellectual property, information and cyber security protection; (9) the impact of legislative and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock or The PNC Financial Services Group, Inc. ("PNC"); (10) terrorist activities, international hostilities and natural disasters, which may adversely affect the general economy, domestic and local financial and capital markets, specific industries or BlackRock; (11) the ability to attract and retain highly talented professionals; (12) fluctuations in the carrying value of BlackRock's economic investments; (13) the impact of changes to tax legislation, including income, payroll and transaction taxes, and taxation on products or transactions, which could affect the value proposition to clients and, generally, the tax position of the Company; (14) BlackRock's success in maintaining the distribution of its products; (15) the impact of BlackRock electing to provide support to its products from time to time and any potential liabilities related to securities lending or other indemnification obligations; and (16) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

Overview

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a leading publicly traded investment management firm with $4.645 trillion of AUM at December 31, 2015. With approximately 13,000 employees in more than 30 countries, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

For further information see Note 1, Introduction and Basis of Presentation, in the notes to the consolidated financial statements beginning on page F-1 of this Form 10-K.

Executive Summary

(in millions, except per share data)	2015	2014	2013
GAAP basis:			
Total revenue	$11,401	$11,081	$10,180
Total expense	6,737	6,607	6,323
Operating income	$4,664	$4,474	$3,857
Operating margin	40.9 %	40.4 %	37.9 %
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests(1)	(69)	(49)	97
Income tax expense	(1,250)	(1,131)	(1,022)
Net income attributable to BlackRock	$3,345	$3,294	$2,932
Diluted earnings per common share	$19.79	$19.25	$16.87
Effective tax rate	27.2 %	25.6 %	25.8 %
As adjusted(2):			
Total revenue	$11,401	$11,081	$10,180
Total expense	6,706	6,518	6,156
Operating income	$4,695	$4,563	$4,024
Operating margin	42.9 %	42.9 %	41.4 %
Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests(1)	(70)	(56)	7
Income tax expense	(1,312)	(1,197)	(1,149)
Net income attributable to BlackRock	$3,313	$3,310	$2,882
Diluted earnings per common share	$19.60	$19.34	$16.58
Effective tax rate	28.4 %	26.6 %	28.5 %
Other:			
Assets under management (end of period)	$4,645,412	$4,651,895	$4,324,088
Diluted weighted-average common shares outstanding(3)	169,038,571	171,112,261	173,828,902
Common and preferred shares outstanding (end of period)	165,596,139	166,921,863	168,724,763
Book value per share(4)	$172.12	$164.06	$156.69
Cash dividends declared and paid per share	$8.72	$7.72	$6.72

(1) Net of net income (loss) attributable to noncontrolling interests (“NCI”) (redeemable and nonredeemable).
(2) As adjusted items are described in more detail in Non-GAAP Financial Measures.
(3) Nonvoting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.
(4) Total BlackRock stockholders’ equity, excluding an appropriated retained deficit of $19 million for 2014 and appropriated retained earnings of $22 million for 2013, divided by total common and preferred shares outstanding at December 31 of the respective year-end.

2015 Compared with 2014

GAAP. Operating income of $4,664 million increased $190 million and operating margin of 40.9% increased 50 bps from 2014. Operating income reflected growth in base fees and performance fees, partially offset by higher expense. The Company’s 2015 expense reflected higher revenue-related expense, including compensation, and distribution and servicing costs, partially offset by lower general and administration expense and lower amortization of intangible assets. In connection with the Barclays Global Investors ("BGI") acquisition, BlackRock recorded a $50 million indemnification asset for unrecognized tax benefits. Due to the resolution of outstanding tax matters in 2014, BlackRock recorded $50 million of general and administration expense in 2014 to reflect the reduction of the indemnification asset and an offsetting $50 million tax benefit. Results for 2014 also included $11 million of closed-end fund launch costs. Nonoperating income (expense), less net income (loss) attributable to NCI, decreased $20 million from 2014 due to lower net gains on investments in 2015.

Income tax expense for 2015 included a $54 million net noncash benefit associated with the revaluation of certain deferred income tax liabilities, including the effect of tax legislation enacted in the United Kingdom and state and local income tax changes and benefited from $75 million of nonrecurring items. Income tax expense for 2014 included $94 million of tax benefits, including the $50 million tax benefit mentioned above, a $9 million net noncash benefit, primarily associated with the revaluation of certain deferred income tax liabilities as a result of domestic state and local tax changes, and a $73 million net tax benefit related to several favorable nonrecurring items.

Diluted earnings per common share rose $0.54, or 3%, compared with the prior year period, reflecting higher operating income and the benefit of share repurchases, partially offset by the impact of a higher 2015 effective tax rate and lower nonoperating income.

As Adjusted. Operating income of $4,695 million increased $132 million from 2014 and the operating margin for both 2015 and 2014 was 42.9%. Income tax expense on an as adjusted basis for 2015 included a $75 million net benefit and excluded the net noncash benefit of $54 million described above. General and administration expense for 2014 excluded the $50 million related to the reduction of the indemnification asset described above. Income tax expense for 2014 included a $73 million net benefit and excluded a $50 million tax benefit associated with the reduction of the same indemnification asset and $9 million of net noncash benefits described above. Diluted earnings per common share rose $0.26, or 1%, from 2014.

2014 Compared with 2013

GAAP. Operating income of $4,474 million increased $617 million from 2013, reflecting growth in base fees and BlackRock Solutions and advisory revenue, partially offset by higher expense. The Company's 2014 expense reflected higher revenue-related expense, including compensation and direct fund expense. Expense for 2014 also included the previously mentioned $50 million general and administration expense related to the reduction of an indemnification asset and $11 million of closed-end fund launch costs. The 2013 expense included $124 million of expense related to the Charitable Contribution described below and $18 million of closed-end fund launch costs.

Nonoperating income (expense), less net income (loss) attributable to NCI, decreased $146 million from 2013. Expense for 2013 included a $39 million noncash, nonoperating pre-tax gain related to the carrying value of the Company's equity method investment as a result of an initial public offering of PennyMac Financial Services, Inc. (the "PennyMac IPO"). In addition, in 2013, the Company made a charitable contribution of approximately six million units of the Company's investment in PennyMac to a donor advised fund (the "Charitable Contribution"). In connection with the Charitable Contribution, the Company also recorded a noncash, nonoperating pre-tax gain of $80 million related to the contributed investment. The decrease in nonoperating income (expense) also reflected net lower returns on the co-investment and seed portfolio and higher interest expense resulting from a long-term debt issuance in March 2014, partially offset by the positive impact of the monetization of a nonstrategic, opportunistic private equity investment during 2014.

Income tax expense of $1,131 million included $94 million of tax benefits, including the $50 million tax benefit mentioned above. Income tax expense for 2014 and 2013 reflected the revaluation of deferred income tax liabilities related to intangible assets and goodwill. Income tax expense for 2014 included a $9 million net noncash benefit arising primarily from state and local income tax changes and a $73 million net benefit related to several favorable nonrecurring items. Income tax expense for 2013 included a $69 million noncash benefit, primarily related to legislation enacted in the United Kingdom and state and local income tax changes. In addition, 2013 income tax expense included a benefit of approximately $48 million recognized in connection with the Charitable Contribution, a benefit of approximately $29 million, primarily due to the realization of tax loss carryforwards, and benefits from certain nonrecurring items.

Diluted earnings per common share rose $2.38, or 14%, from 2013 due to higher net income and the benefit of share repurchases.

As Adjusted. Operating income of $4,563 million and operating margin of 42.9% increased $539 million and 150 basis points, respectively, from 2013. Results for 2014 excluded a $50 million general and administrative expense related to the reduction of an indemnification asset. The 2014 income tax expense included a $73 million net benefit and excluded a $50 million tax benefit associated with the reduction of the same indemnification asset and $9 million of net noncash benefits described above. The 2013 results excluded the financial impact of the Charitable Contribution, but included the $39 million pre-tax nonoperating gain related to the PennyMac IPO. The 2013 income tax expense included a benefit of approximately $29 million and benefits from certain nonrecurring items and excluded the $69 million net noncash benefit, described above. Diluted earnings per common share rose $2.76, or 17%, from 2013.

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

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

Business Outlook

BlackRock's framework for long-term value creation is predicated on generating differentiated organic growth, leveraging scale to increase operating margins over time, and returning capital to shareholders on a consistent basis. BlackRock's diversified platform, in terms of style, product, client and geography, enables it to generate more stable cash flows through market cycles, positioning BlackRock to invest for the long-term by striking an appropriate balance between investing for future growth and practical discretionary expense management.

BlackRock's highly diversified multi-product platform was created to meet the needs of its clients in all market environments. BlackRock is positioned to provide active and index investment solutions across asset classes and geographies and leverage BlackRock Solutions' world-class risk management, analytics and advisory capabilities on behalf of clients. BlackRock serves a diverse mix of institutional and retail clients across the globe, including investors in iShares ETFs, maintaining differentiated client relationships and a fiduciary focus.

BlackRock's Retail strategy is focused on an outcome-oriented approach to creating client solutions, including active, index and alternative products, and enhanced distribution. In the United States, BlackRock is leveraging its integrated wholesaler force to further penetrate wirehouse distribution platforms and gain share among registered investment advisors. Internationally, BlackRock continues to diversify the range of investment solutions available to clients, penetrate new distribution channels and capitalize on regulatory change impacting retrocession arrangements.

iShares growth strategy is centered on increasing global iShares market share and driving global market expansion. BlackRock intends to achieve these goals by pursuing global growth themes in client and product segments including core investments, fixed income, financial instruments and precision exposures.

BlackRock believes Institutional results will be driven by strength in specialty areas, including Defined Contribution, Financial Institutions, Official Institutions and Foundations, Family Offices and Endowments; deepening client relationships through effective cross-selling efforts; enhancing BlackRock's solutions-oriented approach and leveraging BlackRock Solutions' analytical and risk management expertise.

Non-GAAP Financial Measures

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

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

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

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

Management believes operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock's financial performance over time and, therefore, provide useful disclosure to investors.

(in millions)	2015	2014	2013
Operating income, GAAP basis	$4,664	$4,474	$3,857
Non-GAAP expense adjustments:			
PNC LTIP funding obligation	30	32	33
Compensation expense related to appreciation (depreciation) on deferred compensation plans	1	7	10
Reduction of indemnification asset	—	50	—
Charitable Contribution	—	—	124
Operating income, as adjusted	4,695	4,563	4,024
Product launch costs and commissions	5	11	18
Operating income used for operating margin measurement	$4,700	$4,574	$4,042
Revenue, GAAP basis	$11,401	$11,081	$10,180
Non-GAAP adjustments:			
Distribution and servicing costs	(409)	(364)	(353)
Amortization of deferred sales commissions	(48)	(56)	(52)
Revenue used for operating margin measurement	$10,944	$10,661	$9,775
Operating margin, GAAP basis	40.9 %	40.4 %	37.9 %
Operating margin, as adjusted	42.9 %	42.9 %	41.4 %

- Operating income, as adjusted, includes non-GAAP expense adjustments. The portion of compensation expense associated with certain long-term incentive plans ("LTIP") funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately does not impact BlackRock's book value. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in nonoperating income (expense). In 2014, general and administration expense relating to the reduction of an indemnification asset has been excluded since it is directly offset by a tax benefit of the same amount and, consequently, does not impact BlackRock's book value. In 2013, the $124 million expense related to the Charitable Contribution was excluded from operating income, as adjusted, due to its nonrecurring nature and because the noncash, nonoperating pre-tax gain of $80 million directly related to the contributed PennyMac investment is reported in nonoperating income (expense).
- Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of product launch costs (e.g. closed-end fund launch costs) and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact BlackRock's results until future periods.

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

(2) Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted:

Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, equals nonoperating income (expense), GAAP basis, less net income (loss) attributable to NCI, adjusted for compensation expense associated with (appreciation) depreciation on investments related to certain BlackRock deferred compensation plans. The compensation expense offset is recorded in operating income. This compensation expense has been included in nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, to offset returns on investments set aside for these plans, which are reported in nonoperating income (expense), GAAP basis.

During 2013, the noncash, nonoperating pre-tax gain of $80 million related to the contributed PennyMac investment was excluded from nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted due to its nonrecurring nature and because the more than offsetting associated Charitable Contribution expense of $124 million is reported in operating income.

(in millions)	2015	2014	2013
Nonoperating income (expense), GAAP basis	$(62)	$(79)	$116
Less: Net income (loss) attributable to NCI	7	(30)	19
Nonoperating income (expense), net of NCI	(69)	(49)	97
Gain related to Charitable Contribution	—	—	(80)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(1)	(7)	(10)
Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted	$(70)	$(56)	$7

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

(in millions, except per share data)	2015	2014	2013
Net income attributable to BlackRock, GAAP basis	$3,345	$3,294	$2,932
Non-GAAP adjustments:			
PNC LTIP funding obligation, net of tax	22	25	23
Income tax matters	(54)	(9)	(69)
Amount related to the Charitable Contribution, net of tax	—	—	(4)
Net income attributable to BlackRock, as adjusted	$3,313	$3,310	$2,882
Diluted weighted-average common shares outstanding(4)	169.0	171.1	173.8
Diluted earnings per common share, GAAP basis(4)	$19.79	$19.25	$16.87
Diluted earnings per common share, as adjusted(4)	$19.60	$19.34	$16.58

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

For each period presented, the non-GAAP adjustment related to the PNC LTIP funding obligation was tax effected at the respective blended rates applicable to the adjustments. Amounts for 2013 included a tax benefit of approximately $48 million recognized in connection with the Charitable Contribution. The tax benefit has been excluded from net income attributable to BlackRock, Inc., as adjusted due to the nonrecurring nature of the Charitable Contribution.

Non-GAAP income tax matters adjustments for 2015, 2014 and 2013 reflected the revaluation of deferred income tax liabilities. The amount for 2015 included a $54 million net noncash benefit, primarily related to the impact of legislation enacted in the United Kingdom and state and local income tax changes. The amount for 2014 included a $9 million net noncash tax benefit arising primarily from state and local income tax changes. The amount for 2013 included a $69 million noncash tax benefit, primarily related to the impact of legislation enacted in the United Kingdom and state and local income tax changes. Such amounts for 2015, 2014 and 2013 have been excluded from as adjusted results as they will not have a cash flow impact and to ensure comparability among periods presented.

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

Assets Under Management

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

AUM and Net Inflows (Outflows) by Client Type

	AUM			Net Inflows (Outflows)		
(in millions)	2015	2014	2013	2015	2014	2013
Retail	$541,125	$534,329	$487,777	$38,512	$54,944	$38,804
iShares	1,092,561	1,024,228	914,372	129,852	100,601	63,971
Institutional:						
Active	962,852	959,160	932,410	26,746	(10,420)	(928)
Index	1,738,777	1,816,124	1,677,650	(43,096)	36,128	15,266
Institutional subtotal	2,701,629	2,775,284	2,610,060	(16,350)	25,708	14,338
Long-term	4,335,315	4,333,841	4,012,209	152,014	181,253	117,113
Cash management	299,884	296,353	275,554	7,510	25,696	10,056
Advisory[1]	10,213	21,701	36,325	(9,629)	(13,173)	(7,442)
Total	$4,645,412	$4,651,895	$4,324,088	$149,895	$193,776	$119,727

AUM and Net Inflows (Outflows) by Product Type

	AUM			Net Inflows (Outflows)		
(in millions)	2015	2014	2013	2015	2014	2013
Equity	$2,423,772	$2,451,111	$2,317,695	$52,778	$52,420	$69,257
Fixed income	1,422,368	1,393,653	1,242,186	76,944	96,406	11,508
Multi-asset	376,336	377,837	341,214	17,167	28,905	42,298
Alternatives						
Core	92,085	88,006	85,026	4,080	3,061	2,703
Currency and commodities[2]	20,754	23,234	26,088	1,045	461	(8,653)
Subtotal	112,839	111,240	111,114	5,125	3,522	(5,950)
Long-term	4,335,315	4,333,841	4,012,209	152,014	181,253	117,113
Cash management	299,884	296,353	275,554	7,510	25,696	10,056
Advisory[1]	10,213	21,701	36,325	(9,629)	(13,173)	(7,442)
Total	$4,645,412	$4,651,895	$4,324,088	$149,895	$193,776	$119,727

AUM and Net Inflows (Outflows) by Investment Style

	AUM			Net Inflows (Outflows)		
(in millions)	2015	2014	2013	2015	2014	2013
Active	$1,462,672	$1,453,613	$1,391,243	$60,510	$34,408	$41,177
Index & iShares	2,872,643	2,880,228	2,620,966	91,504	146,845	75,936

Long-term	4,335,315	4,333,841	4,012,209	152,014	181,253	117,113
Cash management	299,884	296,353	275,554	7,510	25,696	10,056
Advisory(1)	10,213	21,701	36,325	(9,629)	(13,173)	(7,442)
Total	$4,645,412	$4,651,895	$4,324,088	$149,895	$193,776	$119,727

(1) Advisory AUM represents long-term portfolio liquidation assignments.
(2) Amounts include commodity iShares.

The following table presents the component changes in BlackRock's AUM for 2015, 2014 and 2013.

	December 31,		
(in millions)	2015	2014	2013
Beginning assets under management	$4,651,895	$4,324,088	$3,791,588
Net inflows (outflows)			
Long-term	152,014	181,253	117,113
Cash management	7,510	25,696	10,056
Advisory(1)	(9,629)	(13,173)	(7,442)
Total net inflows (outflows)	149,895	193,776	119,727
Acquisitions(2)	2,219	—	26,932
Market change	(57,495)	261,682	398,707
FX impact(3)	(101,102)	(127,651)	(12,866)
Total change	(6,483)	327,807	532,500
Ending assets under management	$4,645,412	$4,651,895	$4,324,088

(1) Advisory AUM represents long-term portfolio liquidation assignments.
(2) Amounts for 2015 represent $1.3 billion of AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC ("BKCA") in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October

2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings. Amounts for 2013 represent $16.0 billion of AUM acquired in the Credit Suisse ETF franchise in July 2013 (the "Credit Suisse ETF Transaction") and $11.0 billion of AUM acquired in the MGPA acquisition in October 2013.

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

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

Component Changes in AUM for 2015

The following table presents the component changes in AUM by client type and product type for 2015.

(in millions)	December 31, 2014	Net inflows (outflows)	Acquisitions[1]	Market change	FX impact[2]	December 31, 2015	Full Year Average AUM[3]
Retail:							
Equity	$ 200,445	$ 8,543	$ —	$ (10,040)	$ (5,193)	$ 193,755	$ 199,474
Fixed income	189,820	31,114	—	(5,691)	(2,590)	212,653	205,919
Multi-asset	125,341	(1,307)	366	(8,108)	(985)	115,307	125,019
Alternatives	18,723	162	1,293	(177)	(591)	19,410	19,351
Retail subtotal	534,329	38,512	1,659	(24,016)	(9,359)	541,125	549,763
iShares:							
Equity	790,067	78,408	—	(32,349)	(12,970)	823,156	810,836
Fixed income	217,671	50,309	—	(7,508)	(6,282)	254,190	239,164
Multi-asset	1,773	1,074	—	(90)	(27)	2,730	1,924
Alternatives	14,717	61	—	(2,160)	(133)	12,485	14,268
iShares subtotal	1,024,228	129,852	—	(42,107)	(19,412)	1,092,561	1,066,192
Institutional:							
Active:							
Equity	125,143	(462)	—	960	(4,199)	121,442	125,410
Fixed income	518,590	5,690	—	(1,220)	(8,632)	514,428	523,536
Multi-asset	242,913	18,409	—	1,074	(10,355)	252,041	254,781
Alternatives	72,514	3,109	560	(175)	(1,067)	74,941	73,683
Active subtotal	959,160	26,746	560	639	(24,253)	962,852	977,410
Index:							
Equity	1,335,456	(33,711)	—	6,157	(22,483)	1,285,419	1,333,159
Fixed income	467,572	(10,169)	—	2,317	(18,623)	441,097	466,494
Multi-asset	7,810	(1,009)	—	(289)	(254)	6,258	7,305
Alternatives	5,286	1,793	—	(924)	(152)	6,003	5,907
Index subtotal	1,816,124	(43,096)	—	7,261	(41,512)	1,738,777	1,812,865
Institutional subtotal	2,775,284	(16,350)	560	7,900	(65,765)	2,701,629	2,790,275
Long-term	4,333,841	152,014	2,219	(58,223)	(94,536)	4,335,315	$ 4,406,230
Cash management	296,353	7,510	—	267	(4,246)	299,884	
Advisory[4]	21,701	(9,629)	—	461	(2,320)	10,213	
Total	$ 4,651,895	$ 149,895	$ 2,219	$ (57,495)	$ (101,102)	$ 4,645,412	

(1) Amounts represent $1.3 billion of AUM acquired in the acquisition of certain assets of BKCA in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by product type for 2015.

(in millions)	December 31, 2014	Net inflows (outflows)	Acquisitions(1)	Market change	FX impact(2)	December 31, 2015	Full Year Average AUM(3)
Equity:							
Active	$ 292,802	$ 4,210	$ —	$ (7,738)	$ (7,955)	$ 281,319	$ 292,204
iShares	790,067	78,408	—	(32,349)	(12,970)	823,156	810,836
Non-ETF index	1,368,242	(29,840)	—	4,815	(23,920)	1,319,297	1,365,839
Equity subtotal	2,451,111	52,778	—	(35,272)	(44,845)	2,423,772	2,468,879
Fixed income:							
Active	701,324	35,928	—	(6,907)	(10,692)	719,653	722,023
iShares	217,671	50,309	—	(7,508)	(6,282)	254,190	239,164
Non-ETF index	474,658	(9,293)	—	2,313	(19,153)	448,525	473,926
Fixed income subtotal	1,393,653	76,944	—	(12,102)	(36,127)	1,422,368	1,435,113
Multi-asset	377,837	17,167	366	(7,413)	(11,621)	376,336	389,029
Alternatives:							
Core	88,006	4,080	1,853	(213)	(1,641)	92,085	90,077
Currency and commodities(4)	23,234	1,045	—	(3,223)	(302)	20,754	23,132
Alternatives subtotal	111,240	5,125	1,853	(3,436)	(1,943)	112,839	113,209
Long-term	4,333,841	152,014	2,219	(58,223)	(94,536)	4,335,315	$4,406,230
Cash management	296,353	7,510	—	267	(4,246)	299,884	
Advisory(5)	21,701	(9,629)	—	461	(2,320)	10,213	
Total	$ 4,651,895	$ 149,895	$ 2,219	$ (57,495)	$ (101,102)	$ 4,645,412	

(1) Amounts represent $1.3 billion of AUM acquired in the acquisition of certain assets of BKCA in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Amounts include commodity iShares.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by investment style for 2015.

(in millions)	December 31, 2014	Net inflows (outflows)	Acquisitions(1)	Market change	FX impact(2)	December 31, 2015	Full Year Average AUM(3)

Active	$ 1,453,613	$ 60,510	$ 2,219	$ (22,026)	$ (31,644)	$ 1,462,672	$ 1,487,060
Index & iShares	2,880,228	91,504	—	(36,197)	(62,892)	2,872,643	2,919,170
Long-term	4,333,841	152,014	2,219	(58,223)	(94,536)	4,335,315	$ 4,406,230
Cash management	296,353	7,510	—	267	(4,246)	299,884	
Advisory(4)	21,701	(9,629)	—	461	(2,320)	10,213	
Total	$ 4,651,895	$ 149,895	$ 2,219	$ (57,495)	$ (101,102)	$ 4,645,412	

(1) Amounts represent $1.3 billion of AUM acquired in the acquisition of certain assets of BKCA in March 2015, $560 million of AUM acquired in the Infraestructura Institucional acquisition in October 2015 and $366 million of AUM acquired in the FutureAdvisor acquisition in October 2015. The FutureAdvisor acquisition amount does not include AUM that was held in iShares holdings.
(2) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents long-term portfolio liquidation assignments.

AUM decreased $6.5 billion to $4.645 trillion at December 31, 2015 from $4.652 trillion at December 31, 2014 driven largely by foreign exchange movements and net market depreciation that more than offset organic growth.

Net market depreciation of $57.5 billion was driven by $35.3 billion from equity products due to lower U.S. and global equity markets and $12.1 billion from fixed income products.

AUM decreased $101.1 billion due to the impact of foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar against the euro, the British pound and the Canadian dollar.

For further discussion on AUM, see “Item 1. Business – Assets Under Management”.

Component Changes in AUM for 2014

The following table presents the component changes in AUM by client type and product type for 2014.

(in millions)	December 31, 2013	Net inflows (outflows)	Market change	FX impact[1]	December 31, 2014	Full Year Average AUM[2]
Retail:						
Equity	$ 203,035	$ 1,582	$ 1,831	$ (6,003)	$ 200,445	$ 207,280
Fixed income	151,475	36,995	3,698	(2,348)	189,820	170,490
Multi-asset	117,054	13,366	(4,080)	(999)	125,341	123,619
Alternatives	16,213	3,001	152	(643)	18,723	18,487
Retail subtotal	487,777	54,944	1,601	(9,993)	534,329	519,876
iShares:						
Equity	718,135	59,626	26,517	(14,211)	790,067	751,830
Fixed income	178,835	40,007	4,905	(6,076)	217,671	199,410
Multi-asset	1,310	439	37	(13)	1,773	1,535
Alternatives	16,092	529	(1,722)	(182)	14,717	16,453
iShares subtotal	914,372	100,601	29,737	(20,482)	1,024,228	969,228
Institutional:						
Active:						
Equity	138,726	(18,648)	9,935	(4,870)	125,143	131,779
Fixed income	505,109	(6,943)	34,062	(13,638)	518,590	515,411
Multi-asset	215,276	15,835	23,435	(11,633)	242,913	233,729
Alternatives	73,299	(664)	1,494	(1,615)	72,514	73,075
Active subtotal	932,410	(10,420)	68,926	(31,756)	959,160	953,994
Index:						
Equity	1,257,799	9,860	102,549	(34,752)	1,335,456	1,305,930
Fixed income	406,767	26,347	56,086	(21,628)	467,572	440,047
Multi-asset	7,574	(735)	1,652	(681)	7,810	7,001
Alternatives	5,510	656	(693)	(187)	5,286	6,061
Index subtotal	1,677,650	36,128	159,594	(57,248)	1,816,124	1,759,039
Institutional subtotal	2,610,060	25,708	228,520	(89,004)	2,775,284	2,713,033
Long-term	4,012,209	181,253	259,858	(119,479)	4,333,841	$ 4,202,137
Cash management	275,554	25,696	715	(5,612)	296,353	
Advisory[3]	36,325	(13,173)	1,109	(2,560)	21,701	
Total	$ 4,324,088	$ 193,776	$ 261,682	$ (127,651)	$ 4,651,895	

(1) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(3) Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by product type for 2014.

(in millions)	December 31, 2013	Net inflows (outflows)	Market change	FX impact(1)	December 31, 2014	Full Year Average AUM(2)
Equity:						
Active	$ 317,262	$ (24,882)	$ 9,867	$ (9,445)	$ 292,802	$ 310,551
iShares	718,135	59,626	26,517	(14,211)	790,067	751,830
Non-ETF index	1,282,298	17,676	104,448	(36,180)	1,368,242	1,334,438
Equity subtotal	2,317,695	52,420	140,832	(59,836)	2,451,111	2,396,819
Fixed income:						
Active	652,209	27,694	36,942	(15,521)	701,324	680,078
iShares	178,835	40,007	4,905	(6,076)	217,671	199,410
Non-ETF index	411,142	28,705	56,904	(22,093)	474,658	445,870
Fixed income subtotal	1,242,186	96,406	98,751	(43,690)	1,393,653	1,325,358
Multi-asset	341,214	28,905	21,044	(13,326)	377,837	365,884
Alternatives:						
Core	85,026	3,061	1,808	(1,889)	88,006	87,689
Currency and commodities(3)	26,088	461	(2,577)	(738)	23,234	26,387
Alternatives subtotal	111,114	3,522	(769)	(2,627)	111,240	114,076
Long-term	4,012,209	181,253	259,858	(119,479)	4,333,841	$ 4,202,137
Cash management	275,554	25,696	715	(5,612)	296,353	
Advisory(4)	36,325	(13,173)	1,109	(2,560)	21,701	
Total	$ 4,324,088	$ 193,776	$ 261,682	$ (127,651)	$ 4,651,895	

(1) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(3) Amounts include commodity iShares.
(4) Advisory AUM represents long-term portfolio liquidation assignments.

The following table presents component changes in AUM by investment style for 2014.

(in millions)	December 31, 2013	Net inflows (outflows)	Market change	FX impact[1]	December 31, 2014	Full Year Average AUM[2]
Active	$ 1,391,243	$ 34,408	$ 67,816	$ (39,851)	$ 1,453,616	$ 1,439,474
Index & iShares	2,620,966	146,845	192,042	(79,628)	2,880,225	2,762,663
Long-term	4,012,209	181,253	259,858	(119,479)	4,333,841	$ 4,202,137
Cash management	275,554	25,696	715	(5,612)	296,353	
Advisory[3]	36,325	(13,173)	1,109	(2,560)	21,701	
Total	$ 4,324,088	$ 193,776	$ 261,682	$ (127,651)	$ 4,651,895	

(1) Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(3) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased $327.8 billion, or 8%, to $4.652 trillion at December 31, 2014 from $4.324 trillion at December 31, 2013. The increase in AUM was driven by net market appreciation of $261.7 billion and net inflows of $193.8 billion, partially offset by foreign exchange movements.

Net market appreciation of $261.7 billion included $140.8 billion of growth in equity products primarily due to higher U.S. equity markets, and appreciation of $98.8 billion and $21.0 billion in fixed income and multi-asset products, respectively, across the majority of strategies.

AUM decreased $127.7 billion from foreign exchange movements, primarily resulting from the strengthening of the U.S. dollar against the euro, the British pound and the Japanese yen.

Discussion of Financial Results

Introduction

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

BlackRock also earns revenue by lending securities on behalf of clients to highly rated banks and broker-dealers. The securities loaned are secured by collateral in the form of cash or securities, with minimum collateral generally ranging from approximately 102% to 112% of the value of the loaned securities. Generally, the revenue earned is shared between BlackRock and the funds or accounts managed by the Company from which the securities are borrowed. Historically, securities lending revenue in the second quarter exceeds the other quarters during the year driven by higher seasonal demand.

Investment advisory agreements for certain separate accounts and investment funds provide for performance fees based upon relative and/or absolute investment performance, in addition to base fees based on AUM. Investment advisory performance fees generally are earned after a given period of time and when investment performance exceeds a contractual threshold. As such, the timing of recognition of performance fees may increase the volatility of BlackRock’s revenue and earnings. The magnitude of performance fees can fluctuate quarterly due to the timing of carried interest recognition on alternative products; however, the third and fourth quarters have a greater number of nonalternative products with performance measurement periods that end on either September 30 or December 31.

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

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

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

The Company also earns revenue related to certain strategic investments accounted for as equity method investments.

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

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

General and administration expense includes marketing and promotional, occupancy and office-related costs, portfolio services (including clearing expense related to transition management services), technology, professional services, communications, closed-end fund launch costs and other general and administration expense, including the impact of foreign currency remeasurement. Foreign currency remeasurement (gains) losses were $(8) million, $(11) million and $1 million for 2015, 2014 and 2013, respectively.

Approximately 75% of the Company’s revenue is generated in U.S. dollars. The Company’s revenue and expense generated in foreign currencies (primarily the euro and British pound) are impacted by foreign exchange rates. Any effect of foreign exchange rate change on revenue is partially offset by a change in expense driven by the Company’s considerable non-dollar expense base related to its operations outside the United States.

Nonoperating income (expense) includes the effect of changes in the valuations on investments (excluding available-for-sale investments) and earnings on equity method investments as well as interest and dividend income and interest expense. Other comprehensive income includes changes in valuations related to available-for-sale investments. BlackRock primarily holds seed and co-investments in sponsored investment products that invest in a variety of asset classes, including private equity, hedge funds and real estate. Investments generally are made for co-investment purposes, to establish a performance track record or for regulatory purposes, including Federal Reserve Bank stock. BlackRock does not engage in proprietary trading activities that could conflict with the interests of its clients.

In addition, nonoperating income (expense) includes the impact of changes in the valuations of consolidated sponsored investment funds. The portion of nonoperating income (expense) not attributable to BlackRock is allocated to NCI on the consolidated statements of income.

Revenue

The following table presents the Company’s revenue for 2015, 2014 and 2013.

(in millions)	2015	2014	2013
Investment advisory, administration fees and securities lending revenue:			
Equity:			
Active	$1,709	$1,844	$1,741
iShares	2,751	2,705	2,390
Non-ETF index	680	677	594

Equity subtotal	5,140	5,226	4,725
Fixed income:			
Active	1,566	1,396	1,269
iShares	554	484	464
Non-ETF index	282	260	238
Fixed income subtotal	2,402	2,140	1,971
Multi-asset	1,253	1,204	1,039
Alternatives:			
Core	653	638	576
Currency and commodities	73	89	107
Alternatives subtotal	726	727	683
Long-term	9,521	9,297	8,418
Cash management	319	292	321
Total base fees	9,840	9,589	8,739
Investment advisory performance fees:			
Equity	205	111	91
Fixed income	26	31	25
Multi-asset	34	32	24
Alternatives	356	376	421
Total performance fees	621	550	561
BlackRock Solutions and advisory	646	635	577
Distribution fees	55	70	73
Other revenue	239	237	230
Total revenue	$11,401	$11,081	$10,180

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

	Mix of Base Fees			Mix of Average AUM by Asset Class(1)		
	2015	2014	2013	2015	2014	2013
Equity:						
Active	17 %	18 %	20 %	6 %	7 %	7 %
iShares	28 %	28 %	26 %	17 %	17 %	16 %
Non-ETF index	7 %	7 %	7 %	30 %	30 %	29 %
Equity subtotal	52 %	53 %	53 %	53 %	54 %	52 %
Fixed income:						
Active	15 %	15 %	15 %	16 %	15 %	16 %
iShares	6 %	5 %	5 %	5 %	4 %	5 %
Non-ETF index	3 %	3 %	3 %	10 %	10 %	10 %
Fixed income subtotal	24 %	23 %	23 %	31 %	29 %	31 %
Multi-asset	13 %	13 %	12 %	8 %	8 %	7 %
Alternatives:						
Core	7 %	7 %	7 %	2 %	2 %	2 %
Currency and commodities	1 %	1 %	1 %	0 %	1 %	1 %
Alternatives subtotal	8 %	8 %	8 %	2 %	3 %	3 %
Long-term	97 %	97 %	96 %	94 %	94 %	93 %
Cash management	3 %	3 %	4 %	6 %	6 %	7 %
Total excluding Advisory AUM	100 %	100 %	100 %	100 %	100 %	100 %

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

2015 Compared with 2014

Revenue increased $320 million, or 3%, from 2014, driven by higher base fees and growth in performance fees.

Investment advisory, administration fees and securities lending revenue of $9,840 million for 2015 increased $251 million from $9,589 million in 2014 primarily driven by organic growth, despite the impact of foreign exchange and market volatility. Securities lending revenue increased $36 million from 2014 to $513 million in 2015, reflecting an increase in average balances of securities on loan.

Investment advisory performance fees were $621 million in 2015 compared with $550 million in 2014. The current year reflected higher fees from equity products and strong 2015 performance from a single hedge fund with an annual performance measurement period that ended in the third quarter of 2015. The prior year reflected a large fee associated with the liquidation of a closed-end mortgage fund in 2014.

BlackRock Solutions and advisory revenue in 2015 totaled $646 million compared with $635 million in 2014. The current year reflected higher revenue from Aladdin mandates and lower revenue from disposition-related advisory assignments. BlackRock Solutions and advisory revenue included $528 million in Aladdin revenue compared with $474 million in 2014.

2014 Compared with 2013

Revenue increased $901 million, or 9%, from 2013, reflecting growth in markets, long-term net inflows and strength in BlackRock Solutions and advisory revenue.

Investment advisory, administration fees and securities lending revenue of $9,589 million for 2014 increased $850 million from $8,739 million in 2013 due to higher long-term average AUM, reflecting organic growth and market appreciation. Securities lending revenue increased $30 million from 2013 to $477 million in 2014.

BlackRock Solutions and advisory revenue in 2014 totaled $635 million compared with $577 million in 2013. The year ended 2014 reflected higher revenue from Aladdin mandates and higher revenue from advisory assignments. BlackRock Solutions and advisory revenue included $474 million in Aladdin revenue compared with $433 million in 2013.

Expense

The following table presents the Company’s expense for 2015, 2014 and 2013.

(in millions)	2015	2014	2013
Expense, GAAP:			
Employee compensation and benefits	$4,005	$3,829	$3,560
Distribution and servicing costs	409	364	353
Amortization of deferred sales commissions	48	56	52
Direct fund expense	767	748	657
General and administration:			
Marketing and promotional	365	413	409
Occupancy and office related	280	267	277
Portfolio services	221	215	203
Technology	170	164	160
Professional services	120	126	128

Communications	37	39	37
Regulatory, filing and license fees	24	36	31
Closed-end fund launch costs	4	10	16
Charitable Contribution	—	—	124
Reduction of indemnification asset	—	50	—
Other general and administration	159	133	155
Total general and administration expense	1,380	1,453	1,540
Amortization of intangible assets	128	157	161
Total expense, GAAP	$6,737	$6,607	$6,323
Less non-GAAP expense adjustments:			
Employee compensation and benefits:			
PNC LTIP funding obligation	$30	$32	$33
Compensation expense related to appreciation (depreciation) on deferred compensation plans	1	7	10
Subtotal	31	39	43
General and administration:			
Reduction of indemnification asset	—	50	—
Charitable Contribution	—	—	124
Subtotal	—	50	124
Total non-GAAP expense adjustments	$31	$89	$167
Expense, as adjusted:			
Employee compensation and benefits	$3,974	$3,790	$3,517
Distribution and servicing costs	409	364	353
Amortization of deferred sales commissions	48	56	52
Direct fund expense	767	748	657
General and administration	1,380	1,403	1,416
Amortization of intangible assets	128	157	161
Total expense, as adjusted	$6,706	$6,518	$6,156

2015 Compared with 2014

GAAP. Expense increased $130 million, or 2%, from 2014, primarily reflecting higher revenue-related expense, including compensation and benefits expense, and distribution and servicing costs, partially offset by lower general and administration expense and amortization of intangible assets. Expense for 2014 included an expense related to a $50 million reduction of an indemnification asset.

Employee compensation and benefits expense increased $176 million, or 5%, to $4,005 million in 2015 from $3,829 million in 2014, reflecting higher headcount, and higher incentive and deferred compensation, partially offset by the impact of foreign exchange movements. Employees at December 31, 2015 totaled approximately 13,000 compared with approximately 12,200 at December 31, 2014.

Distribution and servicing costs totaled $409 million in 2015 compared with $364 million in 2014. These costs included payments to Bank of America/Merrill Lynch under a global distribution agreement and payments to PNC, as well as other third parties, primarily associated with the distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs for 2015 and 2014 included $194 million and $183 million, respectively, attributable to Bank of America/Merrill Lynch.

General and administration expense decreased $73 million from 2014, primarily reflecting the previously mentioned $50 million reduction of an indemnification asset, lower marketing and promotional expense, and lower legal and regulatory expense, partially offset by the impact of transaction-related expense.

Amortization of intangible assets expense decreased $29 million, or 18%, to $128 million in 2015 from $157 million in 2014, reflecting certain finite-lived intangible assets becoming fully amortized.

As Adjusted. Expense, as adjusted, increased $188 million, or 3%, to $6,706 million in 2015 from $6,518 million in 2014. The increase in total expense, as adjusted, is primarily attributable to higher revenue-related expense, including compensation and benefits expense and distribution and servicing costs, partially offset by lower amortization of intangible assets and lower general and administration expense. Amounts related to the reduction of the indemnification asset in 2014 have been excluded from as adjusted results.

2014 Compared with 2013

GAAP. Expense increased $284 million, or 4%, from 2013, primarily reflecting higher revenue-related expenses, including compensation and direct fund expense and a $50 million reduction of an indemnification asset. Expense for 2013 included the $124 million expense related to the Charitable Contribution.

Employee compensation and benefits expense increased $269 million, or 8%, to $3,829 million in 2014 from $3,560 million in 2013, reflecting higher headcount and higher incentive compensation driven by higher operating income. Employees at December 31, 2014 totaled approximately 12,200 compared with approximately 11,400 at December 31, 2013.

Distribution and servicing costs totaled $364 million in 2014 compared with $353 million in 2013. Distribution and servicing costs for 2014 and 2013 included $183 million and $184 million, respectively, attributable to Bank of America/Merrill Lynch.

Direct fund expense increased $91 million, reflecting higher average AUM, primarily related to iShares, where BlackRock pays certain nonadvisory expense of the funds.

General and administration expense decreased $87 million, primarily due to the $124 million related to the Charitable Contribution incurred in 2013 and foreign currency remeasurement, partially offset by the $50 million reduction of an indemnification asset.

As Adjusted. Expense, as adjusted, increased $362 million, or 6%, to $6,518 million in 2014 from $6,156 million in 2013. The increase in total expense, as adjusted, is primarily attributable to higher employee compensation and benefits and direct fund expense. Amounts related to the reduction of the indemnification asset and the Charitable Contribution have been excluded from as adjusted results.

Nonoperating Results

Nonoperating income (expense), less net income (loss) attributable to NCI for 2015, 2014 and 2013 was as follows:

(in millions)	2015	2014	2013
Nonoperating income (expense), GAAP basis	$(62)	$(79)	$116
Less: Net income (loss) attributable to NCI[1]	7	(30)	19
Nonoperating income (expense)[2]	(69)	(49)	97
Gain related to the Charitable Contribution	—	—	(80)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(1)	(7)	(10)
Nonoperating income (expense), as adjusted[2]	$(70)	$(56)	$7

(1) Amounts included a gain of $58 million and a loss of $41 million attributable to consolidated variable interest entities ("VIEs") for 2015 and 2014, respectively. During 2013, the Company did not record any nonoperating income (loss) or net income (loss) attributable to VIEs on the consolidated statements of income.
(2) Net of net income (loss) attributable to NCI.

The components of nonoperating income (expense), less net income (loss) attributable to NCI for 2015, 2014 and 2013 were as follows:

(in millions)	2015	2014	2013
Net gain (loss) on investments[(1)]			
Private equity	$71	$69	$52
Real estate	12	16	24
Other alternatives[(2)]	(2)	55	65
Other investments[(3)]	(19)	7	16
Subtotal	62	147	157
Other gains[(4)]	46	—	—
Gain related to the PennyMac IPO	—	—	39
Gain related to the Charitable Contribution	—	—	80
Investments related to deferred compensation plans	1	7	10
Total net gain (loss) on investments[(1)]	109	154	286
Interest and dividend income	26	29	22
Interest expense	(204)	(232)	(211)
Net interest expense	(178)	(203)	(189)
Total nonoperating income (expense)[(1)]	(69)	(49)	97
Gain related to the Charitable Contribution	—	—	(80)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	(1)	(7)	(10)
Nonoperating income (expense), as adjusted[(1)]	$(70)	$(56)	$7

(1) Net of net income (loss) attributable to NCI. Amounts for 2015 also include net gain (loss) on consolidated VIEs.
(2) Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions. The prior year periods also included net gains related to opportunistic credit strategies.
(3) Amounts include net gains (losses) related to equity and fixed income investments, and BlackRock's seed capital hedging program.
(4) The amount for 2015 primarily includes a gain related to the acquisition of certain assets of BKCA.

2015 Compared with 2014

BlackRock Kelso Capital Advisors LLC. On March 6, 2015, BlackRock acquired certain assets related to managing BlackRock Capital Investment Corporation (formerly known as BlackRock Kelso Capital Corporation) from BKCA. In connection with the acquisition, BlackRock recorded a noncash, nonoperating, pre-tax gain of $40 million related to the fair value of its pre-existing interest in BKCA. See Note 9, Goodwill, and Note 10, Intangible Assets, for further discussion on the BKCA acquisition.

Net gains on investments of $109 million in 2015 decreased $45 million from 2014 due to lower net positive marks in 2015. Net gains on investments in 2015 included a $40 million gain related to the BKCA acquisition and a $35 million unrealized gain on a private equity investment. Net gains on investments in 2014 included the positive impact of the monetization of a nonstrategic, opportunistic private equity investment.

Interest expense decreased $28 million from 2014 primarily due to repayments of long-term borrowings in the fourth quarter of 2014.

2014 Compared with 2013

Net gains on investments of $154 million in 2014 decreased $132 million from 2013. Net gains on investments in 2013 included the noncash, nonoperating pre-tax gain of $80 million related to the Charitable Contribution and the $39 million pre-tax gain related to the PennyMac IPO. Net gains on investments in 2014 included the positive impact of the monetization of a nonstrategic, opportunistic private equity investment.

Net interest expense increased $14 million from 2013 primarily due to higher interest expense resulting from a long-term debt issuance in March 2014.

For further information on the Company's long-term debt, see Liquidity and Capital Resources herein.

Income Tax Expense

	GAAP			As adjusted		
(in millions)	2015	2014	2013	2015	2014	2013
Income before income taxes[1]	$4,595	$4,425	$3,954	$4,625	$4,507	$4,031
Income tax expense	$1,250	$1,131	$1,022	$1,312	$1,197	$1,149
Effective tax rate	27.2 %	25.6 %	25.8 %	28.4 %	26.6 %	28.5 %

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

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

2015. Income tax expense (GAAP) reflected:

- a net noncash benefit of $54 million, primarily associated with the revaluation of certain deferred income tax liabilities; and
- a benefit from $75 million of nonrecurring items.

The as adjusted effective tax rate of 28.4% for 2015 excluded the net noncash benefit of $54 million mentioned above, as it will not have a cash flow impact and to ensure comparability among periods presented.

2014. Income tax expense (GAAP) reflected:

- a $94 million tax benefit, primarily due to the resolution of certain outstanding tax matters related to the acquisition of BGI, including the previously mentioned $50 million tax benefit (see Executive Summary for more information);
- a $73 million net tax benefit related to several favorable nonrecurring items; and
- a net noncash benefit of $9 million associated with the revaluation of deferred income tax liabilities.

The as adjusted effective tax rate of 26.6% for 2014 excluded the $9 million net noncash benefit as it will not have a cash flow impact and to ensure comparability among periods presented and $50 million tax benefit mentioned above. The $50 million general and administrative expense and $50 million tax benefit have been excluded from as adjusted results as there is no impact on BlackRock's book value.

2013. Income tax expense (GAAP) reflected:

- a $69 million net noncash benefit primarily related to the revaluation of certain deferred income tax liabilities related to intangible assets and goodwill, including the effect of legislation enacted in the United Kingdom and domestic state and local income tax changes;
- a tax benefit of approximately $48 million recognized in connection with the Charitable Contribution; and
- a tax benefit of approximately $29 million, primarily due to the realization of tax loss carryforwards, and benefits from certain nonrecurring items.

The as adjusted effective tax rate of 28.5% for 2013 excluded the $69 million net noncash benefit and the $48 million tax benefit related to the Charitable Contribution mentioned above.

Balance Sheet Overview

As Adjusted Balance Sheet

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

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

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

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

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

Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds accounted for as voting rights entities ("VREs") and VIEs, (collectively, "Consolidated Sponsored Investment Funds"). See Note 2, Significant Accounting Policies, in the notes to the consolidated financial statements beginning on page F-1 of this Form 10-K for further information of the Company's consolidation policy.

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

	December 31, 2015			
(in millions)	GAAP Basis	Separate Account Assets/ Collateral[1]	Consolidated Sponsored Investment Funds[2]	As Adjusted
Assets				
Cash and cash equivalents	$6,083	$ —	$ 88	$5,995
Accounts receivable	2,237	—	—	2,237
Investments	1,578	—	84	1,494
Assets of consolidated VIEs:				
Cash and cash equivalents	148	—	148	—
Investments	1,030	—	297	733
Other assets	67	—	67	—
Separate account assets and collateral held under securities lending agreements	182,187	182,187	—	—
Other assets[3]	1,436	—	(6)	1,442
Subtotal	194,766	182,187	678	11,901
Goodwill and intangible assets, net	30,495	—	—	30,495
Total assets	$225,261	$ 182,187	$ 678	$42,396
Liabilities				
Accrued compensation and benefits	$1,971	$ —	$ —	$1,971
Accounts payable and accrued liabilities	1,068	—	—	1,068
Liabilities of consolidated VIEs	177	—	177	-
Borrowings	4,930	—	—	4,930
Separate account liabilities and collateral liabilities under securities lending agreements	182,187	182,187	—	—
Deferred income tax liabilities[4]	4,851	—	—	4,851
Other liabilities	1,033	—	(40)	1,073
Total liabilities	196,217	182,187	137	13,893
Equity				
Total stockholders' equity	28,503	—	—	28,503
Noncontrolling interests	541	—	541	-
Total equity	29,044	—	541	28,503