BlackRock Inc.
Form 10-Q
November 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from______________ to______________ .

Commission file number 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware	32-0174431
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

55 East 52nd Street, New York, NY 10055

(Address of Principal Executive Offices)

(Zip Code)

(212) 810-5300

(Registrant s Telephone Number, Including Area Code)

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

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

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

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

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

Yes No X

As of October 31, 2013, there were 167,090,120 shares of the registrant s common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(in millions, except share data)

(unaudited)

	September 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	$ 3,987	$ 4,606
Accounts receivable	4,311	2,250
Investments	1,878	1,750
Assets of consolidated variable interest entities:		
Cash and cash equivalents	93	297
Bank loans, other investments and other assets	2,107	2,264
Separate account assets	146,646	134,768
Separate account collateral held under securities lending agreements	21,962	23,021
Property and equipment (net of accumulated depreciation of $649 and $572 at September 30, 2013 and December 31, 2012, respectively)	523	557
Intangible assets (net of accumulated amortization of $1,019 and $899 at September 30, 2013 and December 31, 2012, respectively)	17,513	17,402
Goodwill	12,938	12,910
Other assets	759	626
Total assets	$212,717	$200,451
Liabilities		
Accrued compensation and benefits	$ 1,322	$ 1,547
Accounts payable and accrued liabilities	3,322	1,055
Short-term borrowings	-	100
Liabilities of consolidated variable interest entities:		
Borrowings	2,068	2,402
Other liabilities	88	103
Long-term borrowings	4,938	5,687
Separate account liabilities	146,646	134,768
Separate account collateral liabilities under securities lending agreements	21,962	23,021
Deferred income tax liabilities	5,237	5,293
Other liabilities	948	858
Total liabilities	186,531	174,834
Commitments and contingencies (Note 12)		
Temporary equity		
Redeemable noncontrolling interests	41	32
Permanent Equity		
BlackRock, Inc. stockholders equity		
Common stock, $0.01 par value;	2	2
Shares authorized: 500,000,000 at September 30, 2013 and December 31, 2012;		
Shares issued: 171,252,185 at September 30, 2013 and December 31, 2012;		

Shares outstanding: 167,277,854 and 168,875,304 at September 30, 2013 and December 31, 2012, respectively		
Preferred stock (Note 16)	-	-
Additional paid-in capital	19,391	19,419
Retained earnings	7,653	6,444
Appropriated retained earnings	25	29
Accumulated other comprehensive loss	(79)	(59)
Treasury stock, common, at cost (3,974,331 and 2,376,881 shares held at September 30, 2013 and December 31, 2012, respectively)	(993)	(432)
Total BlackRock, Inc. stockholders equity	25,999	25,403
Nonredeemable noncontrolling interests	127	155
Nonredeemable noncontrolling interests of consolidated variable interest entities	19	27
Total permanent equity	26,145	25,585
Total liabilities, temporary equity and permanent equity	$212,717	$200,451

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Income

(in millions, except share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	$1,478	$1,319	$4,403	$3,900
Other third parties	675	705	2,056	2,091
Total investment advisory, administration fees and securities lending revenue	2,153	2,024	6,459	5,991
Investment advisory performance fees	96	103	293	224
BlackRock Solutions and advisory	156	128	420	382
Distribution fees	19	19	54	58
Other revenue	48	46	177	143
Total revenue	2,472	2,320	7,403	6,798
Expenses				
Employee compensation and benefits	866	828	2,635	2,439
Distribution and servicing costs	85	94	266	282
Amortization of deferred sales commissions	14	13	38	43
Direct fund expenses	167	144	490	440
General and administration	334	327	1,130	958
Amortization of intangible assets	40	39	120	117
Total expenses	1,506	1,445	4,679	4,279
Operating income	966	875	2,724	2,519
Nonoperating income (expense)				
Net gain (loss) on investments	32	75	235	143
Net gain (loss) on consolidated variable interest entities	(6)	2	(2)	1
Interest and dividend income	8	10	18	27
Interest expense	(52)	(57)	(159)	(158)
Total nonoperating income (expense)	(18)	30	92	13
Income before income taxes	948	905	2,816	2,532
Income tax expense	219	250	715	742
Net income	729	655	2,101	1,790
Less:				
Net income (loss) attributable to redeemable noncontrolling interests	-	3	(1)	7
Net income (loss) attributable to nonredeemable noncontrolling interests	(1)	10	11	15
Net income attributable to BlackRock, Inc.	$730	$642	$2,091	$1,768

Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	$4.30	$3.72	$12.26	$10.02
Diluted	$4.21	$3.65	$12.02	$9.87
Cash dividends declared and paid per share	$1.68	$1.50	$5.04	$4.50
Weighted-average common shares outstanding:				
Basic	169,811,633	172,359,141	170,581,930	176,116,975
Diluted	173,371,508	175,450,532	174,012,876	178,956,699

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Comprehensive Income

(in millions)

(unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	$729	$655	$2,101	$1,790
Other comprehensive income (loss):				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:				
Unrealized holding gains (losses), net of tax[1]	2	10	3	12
Less: reclassification adjustment included in net income[2]	1	(4)	10	(5)
Net change from available-for-sale investments, net of tax	1	14	(7)	17
Benefit plans, net of tax[3]	-	-	-	(1)
Foreign currency translation adjustments	118	54	(13)	53
Other comprehensive income (loss)	119	68	(20)	69
Comprehensive income	848	723	2,081	1,859
Less: Comprehensive income (loss) attributable to noncontrolling interests	(1)	13	10	22
Comprehensive income attributable to BlackRock, Inc.	$849	$710	$2,071	$1,837

(1) The tax benefit (expense) was not material for the three and nine months ended September 30, 2013. The tax benefit (expense) was ($7) million for the three months ended September 30, 2012 and ($8) million for the nine months ended September 30, 2012.
(2) The tax benefit (expense) was not material for the three and nine months ended September 30, 2013 and 2012.
(3) The tax benefit (expense) for the nine months ended September 30, 2012 was not material.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(in millions)

(unaudited)

	Additional Paid-in Capital [(1)]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2012	$19,421	$6,444	$29	($59)	($432)	$25,403	$155	$27	$25,585	$32
Net income	-	2,091	-	-	-	2,091	13	(2)	2,102	(1)
Allocation of gains (losses) of consolidated collateralized loan obligations	-	-	(4)	-	-	(4)	-	4	-	-
Dividends paid	-	(882)	-	-	-	(882)	-	-	(882)	-
Stock-based compensation	339	-	-	-	1	340	-	-	340	-
Issuance of common shares related to employee stock transactions	(402)	-	-	-	422	20	-	-	20	-
Employee tax benefit withholdings related to employee stock transactions	-	-	-	-	(234)	(234)	-	-	(234)	-
Shares repurchased	-	-	-	-	(750)	(750)	-	-	(750)	-
Net tax benefit (shortfall) from stock-based compensation	35	-	-	-	-	35	-	-	35	-
Subscriptions (redemptions/distributions)-noncontrolling interest holders	-	-	-	-	-	-	(41)	124	83	104
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	(134)	(134)	(94)
Other comprehensive income (loss)	-	-	-	(20)	-	(20)	-	-	(20)	-
September 30, 2013	$19,393	$7,653	$25	($79)	($993)	$25,999	$127	$19	$26,145	$41

(1) Amounts include $2 million of common stock at both September 30, 2013 and December 31, 2012.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Changes in Equity

(in millions)

(unaudited)

	Additional Paid-in Capital [1]	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total BlackRock Stockholders Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemab Non-controllin Interests / Temporar Equity [2]
ecember 31, 2011	$20,276	$5,046	$72	($127)	($1)	($218)	$25,048	$184	$38	$25,270	$92
et income	-	1,768	-	-	-	-	1,768	14	1	1,783	7
onsolidation of a collateralized loan bligation [3]	-	-	(13)	-	-	-	(13)	-	-	(13)	-
llocation of losses of consolidated ollateralized loan obligations	-	-	(3)	-	-	-	(3)	-	3	-	-
ividends paid	-	(804)	-	-	-	-	(804)	-	-	(804)	-
ock-based compensation	344	-	-	-	-	-	344	-	-	344	-
errill Lynch cash capital contribution	7	-	-	-	-	-	7	-	-	7	-
suance of common shares related to mployee stock transactions	(366)	-	-	-	-	419	53	-	-	53	-
mployee tax benefit withholdings related employee stock transactions	-	-	-	-	-	(141)	(141)	-	-	(141)	-
hares repurchased	(1,000)	-	-	-	-	(334)	(1,334)	-	-	(1,334)	-
et tax benefit (shortfall) from stock-based ompensation	63	-	-	-	-	-	63	-	-	63	-
ubscriptions edemptions/distributions)-noncontrolling terest holders	-	-	-	-	-	-	-	(20)	(8)	(28)	221
et consolidations (deconsolidations) of onsored investment funds	-	-	-	-	-	-	-	(8)	-	(8)	(272)
ther comprehensive income (loss)	-	-	-	69	-	-	69	-	-	69	-
eptember 30, 2012	$19,324	$6,010	$56	($58)	($1)	($274)	$25,057	$170	$34	$25,261	$48

(1) Amounts include $2 million and $1 million of common stock at September 30, 2012 and December 31, 2011, respectively.
(2) Amount at September 30, 2012 includes $20 million related to variable interest entities.
(3) Consolidated during the three months ended September 30, 2012.

See accompanying notes to condensed consolidated financial statements.

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BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(in millions)

(unaudited)

	Nine Months Ended September 30,	
	2013	**2012**
Cash flows from operating activities		
Net income	$2,101	$1,790
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	215	219
Amortization of deferred sales commissions	38	43
Stock-based compensation	340	344
Deferred income tax expense (benefit)	(44)	(42)
Gain related to PennyMac initial public offering	(39)	-
Gain related to the charitable contribution	(80)	-
Charitable contribution	124	-
Net (gains) losses on nontrading investments	(46)	(32)
Purchases of investments within consolidated sponsored investment funds	(45)	(83)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	112	48
Assets and liabilities of consolidated VIEs:		
Change in cash and cash equivalents	204	(32)
Net (gains) losses within consolidated VIEs	2	(1)
Net (purchases) proceeds within consolidated VIEs	15	233
(Earnings) losses from equity method investees	(110)	(124)
Distributions of earnings from equity method investees	39	29
Changes in operating assets and liabilities:		
Accounts receivable	(2,061)	(493)
Deferred sales commissions	(42)	(31)
Investments, trading	(205)	(197)
Other assets	(97)	(173)
Accrued compensation and benefits	(225)	(199)
Accounts payable and accrued liabilities	2,264	489
Other liabilities	16	98
Cash flows from operating activities	2,476	1,886
Cash flows from investing activities		
Purchases of investments	(188)	(397)
Proceeds from sales and maturities of investments	225	391
Distributions of capital from equity method investees	51	51
Net consolidations (deconsolidations) of sponsored investment funds	(63)	(208)
Acquisitions, net of cash acquired	(240)	(267)
Purchases of property and equipment	(60)	(121)
Cash flows from investing activities	(275)	(551)
Cash flows from financing activities		
Repayments of short-term borrowings	(100)	-
Repayments of long-term borrowings	(750)	-
Proceeds from long-term borrowings	-	1,495
Cash dividends paid	(882)	(804)
Proceeds from stock options exercised	15	47
Proceeds from issuance of common stock	5	6
Repurchases of common stock	(984)	(1,475)

Merrill Lynch cash capital contribution	-	7
Net proceeds from (repayments of) borrowings by consolidated VIEs	(343)	(203)
Net (redemptions/distributions paid) subscriptions received from noncontrolling interests holders	187	193
Excess tax benefit from stock-based compensation	40	73
Cash flows from financing activities	(2,812)	(661)
Effect of exchange rate changes on cash and cash equivalents	(8)	43
Net increase (decrease) in cash and cash equivalents	(619)	717
Cash and cash equivalents, beginning of period	4,606	3,506
Cash and cash equivalents, end of period	$3,987	$4,223
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$125	$116
Interest on borrowings of consolidated VIEs	$82	$52
Income taxes	$746	$837
Supplemental schedule of noncash investing and financing transactions:		
Issuance of common stock	$402	$366
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	($228)	($280)
Increase (decrease) in borrowings due to consolidation of VIEs	$-	$406

See accompanying notes to condensed consolidated financial statements.

BlackRock, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Business Overview

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

At September 30, 2013, The PNC Financial Services Group, Inc. (PNC) held 20.9% of the Company s voting common stock and 21.9% of the Company s capital stock, which includes outstanding common and nonvoting preferred stock.

2. Significant Accounting Policies

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

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and notes related thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the Securities and Exchange Commission (SEC) on March 1, 2013 (2012 Form 10-K).

The interim financial information at September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company s results for the periods presented. The results of operations for interim periods are not indicative of results to be expected for the full year.

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2. Significant Accounting Policies (continued)

Fair Value Measurements.

Hierarchy of Fair Value Inputs. The provisions of Accounting Standards Codification (ASC) 820-10, Fair Value Measurements and Disclosures (ASC 820-10), establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

Level 1 Inputs:

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

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

Level 2 Inputs:

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

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

Level 3 Inputs:

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

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

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2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 3 liabilities include borrowings of consolidated collateralized loan obligations (CLOs) valued based upon nonbinding single-broker quotes.

Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices.

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

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

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

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

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

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2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Fair Value Option. ASC 825-10, *Financial Instruments* (ASC 825-10), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, which must be applied to an entire instrument, and not only specified risks, specific cash flows, or portions of that instrument, and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

Derivative Instruments and Hedging Activities. ASC 815-10, *Derivatives and Hedging* (ASC 815-10), establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and for hedging activities. ASC 815-10 generally requires an entity to recognize all derivatives as either assets or liabilities on the condensed consolidated statements of financial condition and to measure those investments at fair value.

The Company does not use derivative financial instruments for trading or speculative purposes. The Company uses derivative financial instruments primarily for purposes of hedging: (i) exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, (ii) market exposures for certain seed investments and (iii) future cash flows on floating-rate notes. The Company may also use derivatives within its separate account assets, which are segregated funds held for purposes of funding individual and group pension contracts. In addition, certain consolidated sponsored investment funds may also invest in derivatives as a part of their investment strategy.

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

Separate Account Assets and Liabilities. Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The life insurance company does not underwrite any insurance contracts that involve any insurance risk transfer from the insured to the life insurance company. The separate account assets primarily include equity, debt securities, money market funds and derivatives. The separate account assets are not subject to general claims of the creditors of BlackRock. These separate account assets and the related equal and offsetting liabilities are recorded as separate account assets and separate account liabilities on the condensed consolidated statements of financial condition in accordance with the ASC 944-80, *Financial Services Separate Accounts*.

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

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2. Significant Accounting Policies (continued)

Separate Account Collateral Assets Held and Liabilities Under Securities Lending Agreements. The Company facilitates securities lending arrangements whereby securities held by separate accounts maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives collateral with minimum values generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. The required collateral value is calculated on a daily basis. The global master securities lending agreements provide the Company, in the event of customer default, the right to liquidate collateral or to request additional collateral. Under the Company s securities lending arrangements, the Company can resell or re-pledge the collateral and the borrower can resell or re-pledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing*.

As a result of the Company s ability to resell or re-pledge the collateral, the Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During the nine months ended September 30, 2013 and 2012, the Company had not re-sold or re-pledged any of the collateral received under these arrangements. At September 30, 2013 and December 31, 2012, the fair value of loaned securities held by separate account assets was approximately $20.2 billion and $21.0 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $22.0 billion and $23.0 billion, respectively.

Appropriated Retained Earnings. Upon the initial consolidation of CLOs, BlackRock records a cumulative effect adjustment to appropriated retained earnings on the condensed consolidated statements of financial condition equal to the difference between the fair value of the CLOs assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders, not BlackRock, ultimately will receive the benefits or absorb the losses associated with the CLOs assets and liabilities. The net change in the fair value of the CLOs assets and liabilities is recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as an adjustment to appropriated retained earnings.

Accounting Pronouncements Adopted in the Nine Months Ended September 30, 2013

Amendments to Accumulated Other Comprehensive Income Disclosures. On February 5, 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02), which added new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). See Note 15, *Accumulated Other Comprehensive Income (Loss)*.

Disclosures About Offsetting Assets and Liabilities. On December 16, 2011, the FASB issued ASU 2011-11, *Disclosures About Offsetting Assets and Liabilities* (ASU 2011-11), which created new disclosure requirements about the nature of an entity s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. On January 31, 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01), that provides clarification about which instruments and transactions are subject to ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 was not material to the condensed consolidated financial statements.

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2. Significant Accounting Policies (continued)

Benchmark Interest Rate for Hedge Accounting. In July 2013, the FASB issued ASU 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes* (ASU 2013-10). ASU 2013-10 provides for the inclusion of certain interest rate benchmarks for hedge accounting purposes. The adoption of ASU 2013-10 in the third quarter 2013 did not have a material impact on the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Cumulative Translation Adjustment. In March 2013, the FASB issued ASU 2013-05, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. ASU 2013-05 is effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-05 will have a material impact on the condensed consolidated financial statements.

Investment Company Guidance. In June 2013, the FASB issued ASU 2013-08, *Financial Services Investment Companies: Amendments to the Scope, Measurement, and Disclosure Requirements* (ASU 2013-08). ASU 2013-08 amends the current criteria for an entity to qualify as an investment company, creates new disclosure requirements and amends the measurement criteria for certain interests in other investment companies. ASU 2013-08 is effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-08 will have a material impact on the condensed consolidated financial statements.

Presentation of an Unrecognized Tax Benefit. In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 is effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-11 will have a material impact on the condensed consolidated financial statements.

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3. Investments

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

(in millions)	September 30, 2013	December 31, 2012
Available-for-sale investments	$168	$158
Held-to-maturity investments	57	112
Trading investments:		
Consolidated sponsored investment funds	381	123
Other equity and debt securities	67	94
Deferred compensation plan mutual funds	57	53
Total trading investments	505	270
Other investments:		
Consolidated sponsored investment funds	314	401
Equity method investments	564	595
Deferred compensation plan hedge fund equity method investments	11	9
Cost method investments[1]	122	120
Carried interest	137	85
Total other investments	1,148	1,210
Total investments	$1,878	$1,750

[1] Amounts primarily include Federal Reserve Bank Stock.

At September 30, 2013, the Company consolidated $695 million of investments held by consolidated sponsored investment funds (excluding variable interest entities (VIEs)) of which $381 million and $314 million were classified as trading investments and other investments, respectively. At December 31, 2012, the Company consolidated $524 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which $123 million and $401 million were classified as trading investments and other investments, respectively.

Available-for-Sale Investments

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

(in millions)		Gross Unrealized		Carrying
At September 30, 2013	Cost	Gains	Losses	Value
Equity securities of sponsored investment funds	$163	$6	($4)	$165
Other securities	1	2	-	3
Total available-for-sale investments	$164	$8	($4)	$168
At December 31, 2012				
Equity securities of sponsored investment funds	$142	$14	($1)	$155
Other securities	2	1	-	3

Total available-for-sale investments	$144	$15	($1)	$158

Available-for-sale investments primarily included seed investments in BlackRock sponsored investment mutual funds.

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3. Investments (continued)

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was $57 million and $112 million at September 30, 2013 and December 31, 2012, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. At September 30, 2013, $43 million of these investments would mature in one year or less and $14 million would mature after 10 years.

Trading Investments

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

(in millions)	**September 30, 2013**		**December 31, 2012**	
	Cost	**Carrying Value**	**Cost**	**Carrying Value**
Trading investments:				
Deferred compensation plan mutual funds	$ 51	$ 57	$ 46	$ 53
Equity/Multi-asset mutual funds	190	194	154	162
Debt securities/fixed income mutual funds:				
Corporate debt	126	126	44	44
Government debt	132	128	11	11
Total trading investments	$499	$505	$255	$270

At September 30, 2013, trading investments included $187 million of equity securities and $194 million of debt securities held by consolidated sponsored investment funds, $57 million of deferred compensation plan mutual fund investments and $67 million of other equity and debt securities.

Other Investments

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

(in millions)	**September 30, 2013**		**December 31, 2012**	
	Cost	**Carrying Value**	**Cost**	**Carrying Value**
Other investments:				
Consolidated sponsored investment funds	$303	$314	$378	$401
Equity method	480	564	541	595
Deferred compensation plan hedge fund equity method investments	9	11	15	9
Cost method investments:				
Federal Reserve Bank stock	93	93	89	89

Other	17	29	31	31
Total cost method investments	110	122	120	120
Carried interest	-	137	-	85
Total other investments	$902	$1,148	$1,054	$1,210

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

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3. Investments (continued)

Other Investments (continued)

Equity method investments primarily include BlackRock s direct investment in certain BlackRock sponsored investment funds. See Note 10, Other Assets, for information on the Company s investment in PennyMac Financial Services, Inc. (PennyMac), which is included in other assets on the condensed consolidated statements of financial condition.

Cost method investments include nonmarketable securities, including Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale. At September 30, 2013 and December 31, 2012, there were no indicators of impairment on these investments.

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

4. Consolidated Sponsored Investment Funds

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

(in millions)	September 30, 2013	December 31, 2012
Cash and cash equivalents	$105	$133
Investments:		
Trading investments	381	123
Other investments	314	401
Other assets	13	25
Other liabilities	(33)	(65)
Noncontrolling interests	(168)	(187)
BlackRock s net interests in consolidated sponsored investment funds	$612	$430

BlackRock s total exposure to consolidated sponsored investment funds of $612 million and $430 million at September 30, 2013 and December 31, 2012, respectively, represents the value of the Company s economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in nonoperating income (expense) and partially offset in net income (loss) attributable to noncontrolling interests for the portion not attributable to BlackRock.

In addition, at September 30, 2013 and December 31, 2012, several consolidated CLOs and one investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the condensed consolidated statements of financial condition. See Note 6, Variable Interest Entities, for further discussion of these consolidated investment products.

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

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5. Fair Value Disclosures

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

September 30, 2013 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value(1)	September 30, 2013
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 165	$ -	$ 1	$ -	$ 166
Debt securities	-	2	-	-	2
Total available-for-sale	165	2	1	-	168
Held-to-maturity debt securities	-	-	-	57	57
Trading:					
Deferred compensation plan mutual funds	57	-	-	-	57
Equity/Multi-asset mutual funds	194	-	-	-	194
Debt securities / fixed income mutual funds	61	193	-	-	254
Total trading	312	193	-	-	505
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	1	21	45	-	67
Private / public equity(2)	5	8	234	-	247
Total consolidated sponsored investment funds	6	29	279	-	314
Equity method:					
Hedge funds / Funds of hedge funds	-	67	145	55	267
Private equity investments	-	-	98	-	98
Real estate funds	-	20	103	7	130
Fixed income mutual funds	63	-	-	-	63
Equity/Multi-asset, alternative mutual funds	6	-	-	-	6
Total equity method	69	87	346	62	564
Deferred compensation plan hedge fund equity method investments	-	11	-	-	11
Cost method investments	-	-	-	122	122
Carried interest	-	-	-	137	137
Total investments	552	322	626	378	1,878
Separate account assets	106,085	39,675	-	886	146,646
Separate account collateral held under securities lending agreements:					
Equity securities	19,851	-	-	-	19,851
Debt securities	-	2,111	-	-	2,111

Total separate account collateral held under securities lending agreements		19,851		2,111		-		-	21,962
Other assets[3]		-		12		-		-	12
Assets of consolidated VIEs:									
Bank loans and other assets		-		1,867		97		20	1,984
Bonds		-		64		35		-	99
Private / public equity[4]		-		7		17		-	24
Total assets of consolidated VIEs		-		1,938		149		20	2,107
Total	**$**	**126,488**	**$**	**44,058**	**$**	**775**	**$**	**1,284**	**$ 172,605**
Liabilities:									
Borrowings of consolidated VIEs	$	-	$	-	$	2,068	$	-	$ 2,068
Separate account collateral liabilities under securities lending agreements		19,851		2,111		-		-	21,962
Other liabilities[5]		19		4		33		-	56
Total	**$**	**19,870**	**$**	**2,115**	**$**	**2,101**	**$**	**-**	**$ 24,086**

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

[2] Level 3 amounts include $202 million and $32 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

[3] Amount includes company-owned and split-dollar life insurance policies.

[4] Level 3 amounts include $15 million and $2 million of underlying third-party private equity funds and direct investments in private equity companies held by a private equity fund.

[5] Amounts include a credit default swap (see Note 7, *Derivatives and Hedging*, for more information), securities sold short within consolidated sponsored investment funds and a contingent liability related to the acquisition of Credit Suisse s ETF franchise.

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5. Fair Value Disclosures (continued)

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

December 31, 2012 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value (1)	December 31, 2012
Assets:					
Investments					
Available-for-sale:					
Equity securities (funds and CDOs)	$ 155	$ -	$ 1	$ -	$ 156
Debt securities	-	2	-	-	2
Total available-for-sale	155	2	1	-	158
Held-to-maturity debt securities	-	-	-	112	112
Trading:					
Deferred compensation plan mutual funds	53	-	-	-	53
Equity/Multi-asset mutual funds	159	3	-	-	162
Debt securities / fixed income mutual funds	5	50	-	-	55
Total trading	217	53	-	-	270
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	3	39	73	-	115
Private / public equity(2)	10	10	266	-	286
Total consolidated sponsored investment funds	13	49	339	-	401
Equity method:					
Hedge funds / Funds of hedge funds	-	61	161	39	261
Private equity investments	-	-	90	-	90
Real estate funds	-	19	88	15	122
Fixed income mutual funds	46	-	-	-	46
Equity/Multi-asset, alternative mutual funds	76	-	-	-	76
Total equity method	122	80	339	54	595
Deferred compensation plan hedge fund equity method investments	-	9	-	-	9
Cost method investments	-	-	-	120	120
Carried interest	-	-	-	85	85
Total investments	507	193	679	371	1,750
Separate account assets	95,514	38,392	2	860	134,768
Separate account collateral held under securities lending agreements:					
Equity securities	21,273	-	-	-	21,273
Debt securities	-	1,748	-	-	1,748
Total separate account collateral held under securities lending agreements	21,273	1,748	-	-	23,021
Other assets(3)	-	12	-	-	12
Assets of consolidated VIEs:					
Bank loans	-	2,004	106	-	2,110

Bonds		-		78		46		-		124
Private / public equity[4]		2		6		22		-		30
Total assets of consolidated VIEs		2		2,088		174		-		2,264
Total	$	117,296	$	42,433	$	855	$	1,231	$	161,815
Liabilities:										
Borrowings of consolidated VIEs	$	-	$	-	$	2,402	$	-	$	2,402
Separate account collateral liabilities under securities lending agreements		21,273		1,748		-		-		23,021
Other liabilities[5]		15		5		-		-		20
Total	$	21,288	$	1,753	$	2,402	$	-	$	25,443

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

(2) Level 3 amounts include $212 million and $54 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

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

(4) Level 3 amounts include $20 million and $2 million of underlying third-party private equity funds and direct investments in private equity companies held by a private equity fund.

(5) Amounts include a credit default swap (see Note 7, *Derivatives and Hedging*, for more information) and securities sold short within consolidated sponsored investment funds.

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5. Fair Value Disclosures (continued)

Level 3 Assets. Level 3 investments of $626 million and $679 million at September 30, 2013 and December 31, 2012, respectively, primarily related to equity method investments and consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal and third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled $34 million and $56 million at September 30, 2013 and December 31, 2012, respectively. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For securities utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For securities utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

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

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

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

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2013

(in millions)	June 30, 2013	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[(1)]	Transfers into Level 3	Transfers out of Level 3	September 30, 2013	Total net gains (losses) included in earnings[(2)]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	47	2	-	(2)	(2)	-	-	45	-
Private equity	249	10	-	(23)	-	-	(2)	234	7
Equity method:									
Hedge funds / Funds of hedge funds	157	1	1	(1)	(13)	-	-	145	1
Private equity investments	105	4	1	(10)	(2)	-	-	98	4
Real estate funds	97	6	2	-	(2)	-	-	103	6
Total Level 3 investments	656	23	4	(36)	(19)	-	(2)	626	18
Assets of consolidated VIEs:									
Bank loans	93	-	18	(8)	-	40	(46)	97	
Bonds	35	1	-	(1)	-	-	-	35	
Private equity	19	-	-	(2)	-	-	-	17	
Total Level 3 assets of consolidated VIEs	147	1	18	(11)	-	40	(46)	149	n/a[(3)]
Total Level 3 assets	$803	$24	$22	($47)	($19)	$40	($48)	$775	
Liabilities:									
Borrowings of consolidated VIEs	$2,145	($5)	$-	$-	($82)	$-	$-	$2,068	n/a[(3)]
Other liabilities	-	-	-	-	33	-	-	33	
Total Level 3 liabilities	$2,145	($5)	$-	$-	($49)	$-	$-	$2,101	

n/a not applicable

(1) Amounts primarily include distributions from equity method investees, repayments of borrowings of consolidated VIEs and a contingent liability related to the acquisition of Credit Suisse s ETF franchise.

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

(3) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2013

(in millions)	December 31, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2013	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of hedge funds	73	8	12	(11)	(30)	-	(7)	45	6
Private equity	266	26	12	(62)	-	-	(8)	234	21
Equity method:									
Hedge funds / Funds of hedge funds	161	10	2	(1)	(27)	-	-	145	10
Private equity investments	90	14	10	(10)	(6)	-	-	98	14
Real estate funds	88	14	5	-	(4)	-	-	103	14
Total Level 3 investments	679	72	41	(84)	(67)	-	(15)	626	65
Separate account assets	2	-	-	(2)	-	-	-	-	n/a[3]
Assets of consolidated VIEs:									
Bank loans	106	(1)	91	(48)	-	71	(122)	97	
Bonds	46	-	4	(15)	-	-	-	35	
Private equity	22	1	-	(6)	-	-	-	17	
Fund of hedge funds	-	-	134	-	(134)	-	-	-	
Total Level 3 assets of consolidated VIEs	174	-	229	(69)	(134)	71	(122)	149	n/a[4]
Total Level 3 assets	$855	$72	$270	($155)	($201)	$71	($137)	$775	
Liabilities:									
Borrowings of consolidated VIEs	$2,402	($9)	$-	$-	($343)	$-	$-	$2,068	n/a[4]
Other liabilities	-	-	-	-	33	-	-	33	
Total Level 3 liabilities	$2,402	($9)	$-	$-	($310)	$-	$-	$2,101	

n/a not applicable

(1) Amounts primarily include distributions from equity method investees, repayments of borrowings of consolidated VIEs, elimination of investment related to a deconsolidation of a consolidated VIE, a reclassification of an investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage and a contingent liability related to the acquisition of Credit Suisse s ETF franchise.

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

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2012

(in millions)	June 30, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2012	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	46	8	3	(2)	-	-	-	55	8
Private equity	298	22	-	(14)	(8)	-	-	298	20
Equity method:									
Hedge funds / Funds of hedge funds	187	14	-	-	(21)	-	-	180	14
Private equity investments	88	1	1	-	-	-	-	90	2
Real estate funds	101	6	6	(7)	(3)	-	-	103	4
Total Level 3 investments	721	51	10	(23)	(32)	-	-	727	48
Separate account assets	7	(4)	6	(7)	-	34	-	36	n/a[3]
Assets of consolidated VIEs:									
Bank loans	85	2	7	(24)	7	36	(24)	89	
Bonds	44	1	-	-	-	-	-	45	
Private equity	25	2	2	(3)	-	-	-	26	
Total Level 3 assets of consolidated VIEs	154	5	9	(27)	7	36	(24)	160	n/a[4]
Total Level 3 assets	$882	$52	$25	($57)	($25)	$70	($24)	$923	
Liabilities:									
Borrowings of consolidated VIEs	$1,439	($27)	$-	$-	$377	$-	$-	$1,843	n/a[4]

n/a not applicable

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

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

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2012

(in millions)	December 31, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements[1]	Transfers into Level 3	Transfers out of Level 3	September 30, 2012	Total net gains (losses) included in earnings[2]
Assets:									
Investments									
Available-for-sale:									
Equity securities (CDOs)	$1	$-	$-	$-	$-	$-	$-	$1	$-
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	22	4	30	(2)	(2)	3	-	55	4
Private equity	313	43	2	(46)	(8)	-	(6)	298	38
Equity method:									
Hedge funds / Funds of hedge funds	193	33	-	-	(46)	-	-	180	33
Private equity investments	85	7	4	-	(6)	-	-	90	8
Real estate funds	88	8	19	(7)	(5)	-	-	103	6
Total Level 3 investments	702	95	55	(55)	(67)	3	(6)	727	89
Separate account assets	10	(5)	10	(18)	-	48	(9)	36	n/a[3]
Assets of consolidated VIEs:									
Bank loans	83	2	25	(31)	7	89	(86)	89	
Bonds	40	3	2	-	-	-	-	45	
Private equity	27	4	2	(7)	-	-	-	26	
Total Level 3 assets of consolidated VIEs	150	9	29	(38)	7	89	(86)	160	n/a[4]
Total Level 3 assets	$862	$99	$94	($111)	($60)	$140	($101)	$923	
Liabilities:									
Borrowings of consolidated VIEs	$1,574	($66)	$-	$-	$203	$-	$-	$1,843	n/a[4]

n/a not applicable

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

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

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

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the condensed consolidated statements of income.

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5. Fair Value Disclosures (continued)

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

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

<u>Separate Account Assets</u>. During the three and nine months ended September 30, 2012, there were $34 million and $48 million, respectively, of transfers of equity securities into Level 3 from Level 1, primarily due to market inputs no longer being considered observable.

<u>Assets of Consolidated VIEs</u>. During the three and nine months ended September 30, 2013, there were $46 million and $122 million, respectively, of transfers out of Level 3 to Level 2 related to bank loans. In addition, during the three and nine months ended September 30, 2013, there were $40 million and $71 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of Levels 2 and 3 were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

During the three and nine months ended September 30, 2012, there were $24 million and $86 million, respectively, of transfers out of Level 3 into Level 2 related to bank loans. In addition, during the three and nine months ended September 30, 2012, there were $36 million and $89 million, respectively, of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of Levels 2 and 3 were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

<u>Consolidated Sponsored Investment Funds</u>. During the nine months ended September 30, 2013, there were $12 million of transfers out of Level 1 to Level 2 related to consolidated private equity funds. This transfer was due to a direct investment in a public company valued at a discount due to restrictions on sale.

<u>Other Significant Settlements</u>. During the three and nine months ended September 30, 2013, there were $17 million and $37 million, respectively, of distributions from equity method investees categorized in Level 3.

During the nine months ended September 30, 2013, other settlements included $134 million related to a deconsolidation of a consolidated fund of hedge funds, which was previously classified as a VIE. This fund was deconsolidated during the second quarter 2013 due to the granting of additional substantive rights to unaffiliated investors of the fund.

In addition, during the nine months ended September 30, 2013, there was a $28 million reclassification of a Level 3 investment from a consolidated sponsored investment fund to an equity method investment due to a change in BlackRock s ownership percentage.

During the three and nine months ended September 30, 2012, there were $24 million and $57 million, respectively, of distributions from equity method investees categorized in Level 3.

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5. Fair Value Disclosures (continued)

In addition, during the three and nine months ended September 30, 2012, other settlements included $406 million of borrowings related to the consolidation of one additional CLO.

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At September 30, 2013 and December 31, 2012, the fair value of the Company s financial instruments not held at fair value are categorized in the table below:

	September 30, 2013		December 31, 2012		
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:					
Cash and cash equivalents	$ 3,987	$ 3,987	$ 4,606	$ 4,606	Level 1[(1)]
Accounts receivable	4,311	4,311	2,250	2,250	Level 1[(2)]
Cash and cash equivalents of consolidated VIEs	93	93	297	297	Level 1[(1)]
Financial Liabilities:					
Accounts payable and accrued liabilities	3,322	3,322	1,055	1,055	Level 1[(2)]
Short-term borrowings	-	-	100	100	Level 1[(2)]
Long-term borrowings	4,938	5,310	5,687	6,275	Level 2[(3)]

(1) Cash and cash equivalents are carried at either cost or amortized cost that approximates fair value due to their short-term maturities. At September 30, 2013 and December 31, 2012, approximately $76 million and $98 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund. At September 30, 2013 and December 31, 2012, approximately $105 million and $133 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds.

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

(3) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of September 2013 and December 2012, respectively. See Note 11, Borrowings, for further information on the September 30, 2013 fair value of the Company s long-term borrowings.

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5. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share

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

September 30, 2013

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$202	$25	n/r	n/r
Other funds of hedge funds	(b)	57	-	Monthly (26%), Quarterly (2%), n/r (72%)	2 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(c)	212	92	Monthly (2%), Quarterly (32%) n/r (66%)	15 90 days
Private equity funds	(d)	98	57	n/r	n/r
Real estate funds	(e)	123	11	Quarterly (16%) n/r (84%)	60 days
Deferred compensation plan hedge fund investments	(f)	11	-	Monthly (27%), Quarterly (73%)	60 90 days
Consolidated VIEs:					
Private equity fund	(g)	15	1	n/r	n/r
Total		$718	$186		

n/r not redeemable

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

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5. Fair Value Disclosures (continued)

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

December 31, 2012

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$212	$32	n/r	n/r
Other funds of hedge funds	(b)	98	-	Monthly (22%) Quarterly (11%) n/r (67%)	1 90 days
Equity method:[1]					
Hedge funds/funds of hedge funds	(c)	222	42	Monthly (2%) Quarterly (28%) n/r (70%)	15 90 days
Private equity funds	(d)	90	135	n/r	n/r
Real estate funds	(e)	107	15	Quarterly (18%) n/r (82%)	60 days
Deferred compensation plan hedge fund investments	(f)	9	-	Monthly (33%) Quarterly (67%)	60 90 days
Consolidated VIE:					
Private equity funds	(g)	20	1	n/r	n/r
Trading:					
Equity	(h)	3	-	Daily (100%)	None
Total		$761	$225		

n/r not redeemable

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

(a)

This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately seven years at both September 30, 2013 and December 31, 2012. The total remaining unfunded commitments to other third-party funds were $25 million and $32 million at September 30, 2013 and December 31, 2012, respectively. The Company was contractually obligated to fund $30 million at both September 30, 2013 and December 31, 2012 to the consolidated funds.

(b) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments have been estimated using the NAV of the fund s ownership interest in partners capital of each fund in the portfolio. Certain of the underlying funds can be redeemed as long as there are no restrictions in place. At September 30, 2013 and December 31, 2012, the underlying funds that are currently restricted from redemptions within one year will be redeemable in approximately 12 to 24 months. This category also includes a consolidated offshore feeder fund that invests in a master fund with multiple alternative investment strategies. The fair value of this investment has been estimated using the NAV of the master offshore fund held by the feeder fund. The investment is currently subject to restrictions in place by the underlying master fund.

5. Fair Value Disclosures (continued)

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

(c) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company s ownership interest in partners capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately four and five years at September 30, 2013 and December 31, 2012, respectively.

(d) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company s ownership interest in the funds as well as other performance inputs. The Company s investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately five years at both September 30, 2013 and December 31, 2012.

(e) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company s ownership interest in the funds. A majority of the Company s investments are not subject to redemption or are not currently redeemable and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at September 30, 2013 and eight years at December 31, 2012.

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

(g) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company s ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately two years at September 30, 2013 and three years at December 31, 2012. Total remaining unfunded commitments to other third-party funds were $1 million at both September 30, 2013 and December 31, 2012, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

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

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

5. Fair Value Disclosures (continued)

The following table summarizes information related to those assets and liabilities selected for fair value accounting at September 30, 2013 and December 31, 2012:

(in millions)	September 30, 2013	December 31, 2012
CLO Bank Loans:		
Aggregate principal amounts outstanding	$1,976	$2,124
Fair value	1,964	2,110
Aggregate unpaid principal balance in excess of (less than) fair value	$12	$14
Unpaid principal balance of loans more than 90 days past due	$12	$4
Aggregate fair value of loans more than 90 days past due	7	-
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	$5	$4
CLO Borrowings:		
Aggregate principal amounts outstanding	$2,201	$2,535
Fair value	$2,068	$2,402

At September 30, 2013, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2025.

During the three months ended September 30, 2013 and 2012, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $25 million and a $45 million gain, respectively, which were offset by a $28 million and a $44 million loss, respectively, from the change in fair value of the CLO borrowings.

During the nine months ended September 30, 2013 and 2012, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $104 million and a $123 million gain, respectively, which were offset by a $92 million and a $118 million loss, respectively, from the change in fair value of the CLO borrowings.

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

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

6. Variable Interest Entities

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

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6. Variable Interest Entities (continued)

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

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

Consolidated VIEs. Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund because it absorbed the majority of the variability due to its de facto third-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At September 30, 2013 and December 31, 2012, the following balances related to VIEs were consolidated on the condensed consolidated statements of financial condition:

(in millions)	September 30, 2013	December 31, 2012
Assets of consolidated VIEs:		
Cash and cash equivalents	$93	$297
Bank loans	1,964	2,110
Bonds	99	124
Other investments and other assets	44	30
Total bank loans, bonds, other investments and other assets	2,107	2,264
Liabilities of consolidated VIEs:		
Borrowings	(2,068)	(2,402)
Other liabilities	(88)	(103)
Appropriated retained earnings	(25)	(29)
Noncontrolling interests of consolidated VIEs	(19)	(27)
Total BlackRock net interests in consolidated VIEs	$-	$-

For the three months ended September 30, 2013 and 2012, the Company recorded a nonoperating loss of $6 million and a nonoperating gain of $2 million, respectively, offset by a $6 million net loss attributable to nonredeemable noncontrolling interests and a $2 million net gain attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

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6. Variable Interest Entities (continued)

For the nine months ended September 30, 2013 and 2012, the Company recorded a nonoperating loss of $2 million and a nonoperating gain of $1 million, respectively, offset by a $2 million net loss attributable to nonredeemable noncontrolling interests and a $1 million net gain attributable to nonredeemable noncontrolling interests, respectively, on the condensed consolidated statements of income.

At September 30, 2013 and December 31, 2012, the weighted-average maturities of the bank loans and bonds attributable to consolidated VIEs were approximately 4.7 and 4.5 years, respectively.

Non-Consolidated VIEs. At September 30, 2013 and December 31, 2012, the Company s carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it was the sponsor or in which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)	Variable Interests on the Condensed Consolidated Statement of Financial Condition			
At September 30, 2013	Investments	Advisory Fee Receivables	Other Net Assets (Liabilities)	Maximum Risk of Loss [1]
CDOs/CLOs	$1	$1	($4)	$19
Other sponsored investment funds:				
Collective trusts	-	166	-	166
Other	18	130	(5)	148
Total	$19	$297	($9)	$333
At December 31, 2012				
CDOs/CLOs	$1	$1	($5)	$19
Other sponsored investment funds:				
Collective trusts	-	248	-	248
Other	17	61	(3)	77
Total	$18	$310	($8)	$344

[1] At both September 30, 2013 and December 31, 2012, BlackRock s maximum risk of loss associated with these VIEs primarily related to: (i) advisory fee receivables; (ii) BlackRock s investments; and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

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

CDOs/CLOs

(in billions)	September 30, 2013	December 31, 2012
Assets at fair value	$3	$4
Li		