BlackRock Inc.
Form 10-K
February 28, 2012
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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, 2011

or

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

For the transition period from to .

Commission File 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**

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 x No ¨

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 ¨ 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 ¨

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 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	¨
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

The aggregate market value of the voting common stock and non-voting common stock equivalents held by non-affiliates of the registrant as of June 30, 2011 was approximately $33.7 billion.

As of January 31, 2012, there were 139,385,282 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 2012 annual meeting of stockholders to be held on May 24, 2012 (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

BlackRock, Inc.

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Part I

Item 1. BUSINESS

Overview

BlackRock, Inc. (NYSE: BLK; BlackRock or the Company) is the world s largest publicly-traded investment management firm with employees in 27 countries that serve clients in over 100 countries across the globe. We provide a broad range of investment and risk management services and had $3.513 trillion of assets under management (AUM) at December 31, 2011. Our clients include taxable, tax-exempt and official institutions (including pension funds, endowments, insurance companies, corporations, financial institutions, central banks and sovereign wealth funds) as well as retail investors and high net worth individuals. The Company is highly regulated, serves its clients as a fiduciary and derives all of its revenues from client business. We do not engage in proprietary trading or other activities that could conflict with the interests of our clients.

The December 2009 combination of BlackRock and Barclays Global Investors (BGI) created a firm with unsurpassed breadth of investment expertise and risk management capabilities across the global capital markets. Our unique platform enables us to offer active (alpha) investments with index (beta) products and risk management to develop tailored solutions for clients. Our product range includes single- and multi-asset class portfolios investing in equities, fixed income, alternatives and/or money market instruments. We offer our products directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® exchange-traded funds (ETFs) and other exchange-traded products (together with ETFs, ETPs), collective investment funds and separate accounts. We also offer our *BlackRock Solutions*® (BRS) investment systems, risk management and advisory services to institutional investors.

BlackRock is an independent, publicly traded company, with no single majority shareholder and a majority of independent directors on its Board. At December 31, 2011 The PNC Financial Services Group, Inc. (PNC) owned approximately 24.0% of BlackRock s voting common shares outstanding and approximately 21.0% of total capital stock while Barclays Bank PLC (Barclays) held approximately 2.2% of BlackRock s voting common shares and approximately 19.7% of total capital stock.

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

- the Company s diversified 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 class investment solutions to address specific client needs;
- the Company s longstanding commitment to risk management and the continued development of, and increased interest in, BRS products and services;
- the Company s global presence and commitment to best practices around the world, with approximately 43% of employees outside the U.S. supporting local investment capabilities and serving clients, and approximately 44% of total AUM managed for clients domiciled outside the United States;
- the strength of the Company s collaborative culture and unified technology platform that allows professionals to share and compare information across teams and time zones, translating local insight in one part of the world into action in another; and
- the growing recognition of the global BlackRock brand, and the depth and breadth of the Company s intellectual capital.

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 are dependent 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.

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Item 1. BUSINESS (continued)

Overview (continued)

Selected financial results for the last six years are shown below:

Selected GAAP Financial Results

(Dollar amounts in millions, except per share amounts)	2011	2010	2009	2008	2007	2006	5 Year CAGR
Total revenue	$ 9,081	$ 8,612	$ 4,700	$ 5,064	$ 4,845	$ 2,098	34%
Operating income	$ 3,249	$ 2,998	$ 1,278	$ 1,593	$ 1,294	$ 472	47%
Operating margin	35.8%	34.8%	27.2%	31.5%	26.7%	22.5%	10%
Non-operating income (expense)[1]	$ (116)	$ 36	$ (28)	$ (422)	$ 162	$ 37	(226%)
Net income attributable to BlackRock, Inc.	$ 2,337	$ 2,063	$ 875	$ 784	$ 993	$ 321	49%
Diluted earnings per common share	$ 12.37	$ 10.55	$ 6.11	$ 5.78	$ 7.37	$ 3.83	26%

Selected Non-GAAP Financial Results

(Dollar amounts in millions, except per share amounts)	2011[2]	2010[2]	2009[2]	2008	2007	2006	5 Year CAGR
As adjusted:							
Operating income	$ 3,392	$ 3,167	$ 1,570	$ 1,662	$ 1,518	$ 674	38%
Operating margin	39.7%	39.3%	38.2%	38.7%	37.4%	36.7%	2%
Non-operating income (expense)[1]	$ (113)	$ 25	$ (46)	$ (384)	$ 150	$ 29	(231%)
Net income attributable to BlackRock, Inc.	$ 2,239	$ 2,139	$ 1,021	$ 856	$ 1,077	$ 443	38%
Diluted earnings per common share	$ 11.85	$ 10.94	$ 7.13	$ 6.30	$ 7.99	$ 5.29	18%

(1) Net of net income (loss) attributable to non-controlling interests.

(2) See reconciliation to GAAP measures in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Overview.

See additional information in Item 6, Selected Financial Data.

BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States of America (GAAP); however, management believes that evaluating the Company s ongoing operating results may be enhanced by also evaluating additional non-GAAP basis 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. 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.

Operating Income, *as Adjusted*. GAAP reported operating income includes certain significant items, the after-tax impact of which management considers non-recurring or transactions that ultimately will not impact BlackRock s book value and, therefore, are excluded in calculating operating income, as adjusted.

Operating income, as adjusted (a non-GAAP measure), excludes certain expenses incurred related to the integration of the acquisitions of Merrill Lynch Investment Managers (MLIM), the fund of funds business of Quellos Group, LLC (Quellos) and BGI, as well as advisory fees, legal fees and consulting transaction expenses related to the acquisition of BGI from Barclays on December 1, 2009 (the BGI Transaction), a 2007 termination fee for closed-end fund administration and servicing arrangements with Merrill Lynch, 2011 UK lease exit costs, 2008, 2009 and 2011 restructuring charges and compensation expense associated with appreciation (depreciation) on assets related to certain BlackRock deferred compensation plans. These expenses have been excluded from operating income, as adjusted, because they have been deemed non-recurring by management and to help enhance the comparability of this information to prior periods.

The portion of compensation expense associated with certain of BlackRock s long-term incentive plan (LTIP) awards that has been or will be funded through distributions to participants of shares of BlackRock stock held by PNC and a Merrill Lynch cash compensation contribution, a portion of which has been received, has been excluded because, exclusive of the impact related to the exercise of LTIP participants put options, primarily in the three months ended March 31, 2007, these charges do not impact BlackRock s book value. The expense related to the Merrill Lynch cash compensation contribution ceased at the end of the third quarter 2011. A detailed discussion of the LTIP funded by PNC is included in Note 13, Stock-Based Compensation, to the consolidated financial statements beginning on page F-1 of this Form 10-K.

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Item 1. BUSINESS (continued)

Overview (continued)

Operating Income, as Adjusted (continued). 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 non-operating income (expense).

Management believes that operating income exclusive of these costs is a useful measure in evaluating BlackRock s operating performance and helps enhance the comparability of this information for the reporting periods presented.

Operating Margin, as Adjusted. Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Management believes that excluding such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company s results until future periods.

Operating margin, as adjusted, allows the Company to compare performance from period-to-period by adjusting for items that may not recur, recur infrequently or may fluctuate based on market movements, such as restructuring charges, transaction/integration costs, UK lease exit costs, closed-end fund launch costs and fluctuations in compensation expense based on mark-to-market movements in investments held to fund certain compensation plans. The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance with other companies. Management uses both the GAAP and non-GAAP financial measures in evaluating the financial performance of BlackRock. The non-GAAP measure by itself may pose limitations because it does not include all the Company s revenues and expenses.

Revenue used for operating margin, as adjusted, excludes distribution and servicing costs paid to related parties and to other third parties. Management believes the exclusion of such costs is useful to BlackRock 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 earned by the Company. Reimbursable property management compensation represented compensation and benefits paid to personnel of Metric Property Management, Inc. (Metric), a subsidiary of BlackRock Realty Advisors, Inc. (Realty). Prior to the transfer in 2008 to a third party, these employees were retained on Metric s payroll when certain properties were acquired by Realty s clients. The related compensation and benefits were fully reimbursed by Realty s clients and have been excluded from revenue used for operating margin, as adjusted, because they did not bear an economic cost to BlackRock. BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to each of these items as a proxy for such offsetting revenues.

Non-Operating Income (Expense), Less Net Income (Loss) Attributable to Non-controlling Interests, as adjusted. Non-operating income (expense), less net income (loss) attributable to non-controlling interests (NCI), as adjusted, equals non-operating income (expense), GAAP basis, less net income (loss) attributable to NCI, GAAP basis, adjusted for compensation expense associated with (appreciation) depreciation on investments related to certain deferred compensation plans. The compensation expense offset is recorded in operating income. This compensation expense has been included in non-operating 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 non-operating income (expense), GAAP basis.

Management believes that non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides for comparability of this information to reporting periods and is an effective measure for reviewing BlackRock s non-operating contribution to its results. As compensation expense associated with (appreciation) depreciation on investments related to certain BlackRock deferred compensation plans, which is included in operating income, offsets the gain (loss) on the investments set aside for these plans, management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock s non-operating results that impact book value.

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Item 1. BUSINESS (continued)

Overview (continued)

Net Income Attributable to BlackRock, Inc., as adjusted. Management believes net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted, are useful measures of BlackRock s profitability and financial performance. Net income attributable to BlackRock, Inc., as adjusted, equals net income attributable to BlackRock, Inc., GAAP basis, adjusted for significant non-recurring items, charges that ultimately will not impact BlackRock s book value or certain tax items that do not impact cash flow.

Net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted (non-GAAP measures), exclude the after-tax impact of the 2008, 2009 and 2011 restructuring charges, UK lease exit costs, the 2007 termination of closed-end fund administration and servicing arrangements with Merrill Lynch, LTIP expense to be funded by PNC and by a Merrill Lynch cash compensation contribution, a portion of which has been received, the MLIM, Quellos and BGI integration costs, BGI transaction costs, the effect on deferred income tax expense attributable to changes in corporate income tax rates as a result of legislation and a state tax election.

See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for a detailed reconciliation of GAAP reported operating income, non-operating income (expense) less net income (loss) attributable to non-controlling interests, net income attributable to BlackRock, Inc. and diluted earnings per common share to adjusted non-GAAP operating income, non-operating income (expense) less net income (loss) attributable to non-controlling interests, net income attributable to BlackRock, Inc. and diluted earnings per common share.

AUM by Asset Class

December 31,

(Dollar amounts in millions)	2006	2007	2008	2009	2010	2011
Equity	$ 316,961	$ 362,705	$ 203,292	$ 1,536,055	$ 1,694,467	$ 1,560,106
Fixed income	445,320	510,207	481,365	1,055,627	1,141,324	1,247,722
Multi-asset class	78,601	98,623	77,516	142,029	185,587	225,170
Alternatives	48,292	71,771	61,544	102,101	109,738	104,948
Long-term	**889,174**	**1,043,306**	**823,717**	**2,835,812**	**3,131,116**	**3,137,946**
Cash management	235,453	313,338	338,439	349,277	279,175	254,665
Advisory			144,995	161,167	150,677	120,070
Total	**$ 1,124,627**	**$ 1,356,644**	**$ 1,307,151**	**$ 3,346,256**	**$ 3,560,968**	**$ 3,512,681**

Component Changes in AUM by Asset Class

Five Years Ended December 31, 2011

(Dollar amounts in millions)	12/31/2006	Net New Business	Acquired AUM, net[1]	Market / FX App (Dep)	12/31/2011	5-Year CAGR[2]
Equity	$ 316,961	$ 41,742	$ 1,151,778	$ 49,625	$ 1,560,106	38%
Fixed income	445,320	86,818	520,184	195,400	1,247,722	23%
Multi-asset class	78,601	96,600	39,958	10,011	225,170	23%
Alternatives	48,292	(5,742)	71,111	(8,713)	104,948	17%

Long-term	**889,174**	**219,418**	**1,783,031**	**246,323**	**3,137,946**	**29%**
Cash management	235,453	(33,242)	54,678	(2,224)	254,665	2%
Advisory		114,465		5,605	120,070	N/A
Total	**$ 1,124,627**	**$ 300,641**	**$ 1,837,709**	**$ 249,704**	**$ 3,512,681**	**26%**

(1) Amounts include acquisition adjustments and reclassification of certain AUM acquired from Barclays in December 2009, other reclassifications to conform to current period combined AUM policy and presentation, BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.

(2) Percentage represents compounded annual growth rate.

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Item 1. BUSINESS (continued)

Overview (continued)

AUM represents the broad ranges 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 non-discretionary advice, or assets that we are retained to manage on a short-term, temporary basis (for example, in a transition mandate, as described below).

Investment management fees are typically expressed as a percentage of net asset value. 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 fees. 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, 2011, total AUM was $3.513 trillion, representing a compound annual growth rate of 26% over the last five years. AUM growth during the period was achieved through the combination of net market valuation gains, net new business and mergers, including the acquisitions of the fund-of-funds business of Quellos, which added approximately $21.9 billion of assets in 2007 and BGI, which added approximately $1.844 trillion of assets in December 2009. These acquisitions significantly changed our AUM mix, from predominantly active fixed income and equity in 2005 to a broadly diversified product range, as described below.

Products*

Asset Classes

Component Changes in AUM by Asset Class

(Dollar amounts in millions)	12/31/2010	Net New Business	BGI merger-related outflows[1]	Market / FX App (Dep)	12/31/2011
Equity	$ 1,694,467	$ 24,139	$ (27,573)	$ (130,927)	$ 1,560,106
Fixed income	1,141,324	4,326	(526)	102,598	1,247,722
Multi-asset class	185,587	42,654		(3,071)	225,170
Alternatives	109,738	(3,770)	(152)	(868)	104,948
Long-term	**3,131,116**	**67,349**	**(28,251)**	**(32,268)**	**3,137,946**
Cash management	279,175	(22,899)		(1,611)	254,665
Advisory	150,677	(29,903)		(704)	120,070
Total	**$ 3,560,968**	**$ 14,547**	**$ (28,251)**	**$ (34,583)**	**$ 3,512,681**

(1) Amounts include BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.

At year-end 2011, long-term assets totaled $3.138 trillion, or 89% of total AUM, with 50% in equities, 40% in fixed income, 7% in multi-asset class and 3% in alternative investments. The remaining $374.7 billion of AUM represented cash management and long-term liquidation advisory mandates. In 2011, we generated $67.3 billion of net new business in long-term products before $28.3 billion of BGI merger-related outflows (see below). Net inflows in long-term products were partially offset by $22.9 billion of net outflows in cash management, largely reflecting institutional reaction to the continued low rate environment and $29.9 billion of planned net distributions from advisory portfolios.

Unless stated otherwise, net new business figures are before giving effect to BGI merger-related outflows. Total merger-related outflows since the BGI Transaction represented less than 9% of the acquired AUM.

* See Product Performance Notes below.

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Item 1. BUSINESS (continued)

Products (continued)

Equity and Fixed Income. Total equity and fixed income AUM reflects the diversity of our model and includes a wide range of both active and passive strategies (including our institutional index and iShares products). Year-end 2011 equity AUM of $1.560 trillion decreased $134.4 billion or 8% from the end of 2010, largely reflecting the effect of lower market valuations. Net new business of $24.1 billion was more than offset by $130.9 billion of market valuation and foreign exchange losses. Passive strategies represented 82% of equity AUM with the remaining 18% managed in active mandates. Fixed income AUM ended 2011 at $1.248 trillion, rising $106.4 billion, or 9%, relative to December 31, 2010, reflecting $4.3 billion of net new business and $102.6 billion of market valuation and foreign exchange gains. Fixed income AUM was almost evenly split between passive and active mandates with 51% and 49%, respectively. BGI merger-related outflows totaled $27.6 billion and $0.5 billion in equities and fixed income, respectively, primarily reflecting the effect of manager concentration considerations combined with outflows in scientific active equities (SAE) due to past performance. (See additional discussion under AUM by Investment Style, below.)

Investment advisory and administration fees for the majority of our investment products are calculated using daily or monthly average AUM. During periods of significant market volatility, quarterly average AUM may differ from actual average AUM used for billing purposes. For example, for the fourth quarter of 2011, equity market volatility caused the quarterly and monthly averages to differ by more than 2% for equities. Specifically, quarterly average AUM for active, index and *iShares* equities was $271 billion, $828 billion and $402 billion, while monthly average AUM was $280 billion, $851 billion and $415 billion, respectively.

In addition, BlackRock s effective fee rates fluctuate due to changes in AUM mix. Approximately 50% of BlackRock s equity AUM is tied to international markets, including emerging markets, which tend to have higher fee rates than similar 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.

Multi-Asset Class

Component Changes in Multi-Asset Class AUM

(Dollar amounts in millions)	12/31/2010	Net New Business	Market / FX App (Dep)	12/31/2011
Asset allocation	$ 115,106	$ 16,960	$ (5,999)	$ 126,067
Fiduciary	28,566	18,352	3,122	50,040
Target date/risk	41,915	7,342	(194)	49,063
Multi-asset class	**$ 185,587**	**$ 42,654**	**$ (3,071)**	**$ 225,170**

Multi-asset class AUM totaled $225.2 billion at year-end 2011, up 21% or $39.6 billion. During the year, we were awarded $42.7 billion of net new business, while portfolio values declined by $3.1 billion. BlackRock s multi-asset class team manages a variety of bespoke mandates for a diversified client base that leverage our broad investment expertise in global equities, currencies, bonds 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.

At December 31, 2011, institutional investors represented 63% of multi-asset class AUM, while retail and high net worth investors accounted for 37%. At year-end 2011, 55% of multi-asset class AUM was managed for clients based in the Americas, 38% in Europe, the Middle East and Africa (EMEA) and 7% in Asia-Pacific. Flows reflected ongoing institutional demand for our advice in an increasingly challenging investment environment with $35.7 billion or 84% of net new inflows from institutional clients and $6.7 billion or 16% from retail investors. During the year, clients in the Americas and EMEA awarded BlackRock net new business of $44.2 billion, which was partially offset by net outflows of $1.5 billion from clients in Asia-Pacific.

Asset allocation and balanced products represented 56%, or $126.1 billion of multi-asset class AUM at year-end, up $11.0 billion as strong net new business of $17.0 billion was partially offset by market valuation losses of $6.0 billion. These strategies combine equity, fixed income and alternative components for institutional 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. Our industry-leading global allocation funds garnered over $7.5 billion in net inflows for the year, finishing 2011 with over $70 billion in AUM.

Fiduciary management services accounted for 22%, or $50.0 billion, of multi-asset class AUM at December 31, 2011 and increased $21.5 billion during the year or 75%, driven by net inflows of $18.4 billion. These are complex mandates in which pension plan sponsors retain BlackRock to assume responsibility for some or all aspects of plan management. These customized services require strong partnership with the client s investment staff and trustees in order to tailor investment strategies to meet client-specific risk budgets and return objectives.

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Item 1. BUSINESS (continued)

Products (continued)

Target date and target risk funds ended the year at $49.1 billion, representing 22% of total multi-asset class AUM, an increase of 17% from year-end 2010. The increase was driven by net inflows of $7.3 billion, a year-over-year organic growth rate of 18%. These products include our *LifePath* and *LifePath Retirement Income*® offerings, which are qualified default investment options under the Pension Protection Act of 2006. These 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.

Market volatility, particularly in the latter half of 2011, presented challenges for asset allocation strategies. Our multi-asset class performance has been mixed, with 65% of AUM above benchmark or peer medians for the one-year period, while 26% of AUM performed above benchmark or peer medians for the three-year time period and 91% of AUM outperformed benchmark or peer medians for the five years ended December 31, 2011.

Alternatives

Component Changes in Alternatives AUM

(Dollar amounts in millions)	12/31/2010	Net New Business	BGI merger-related outflows[1]	Market / FX App (Dep)	12/31/2011
Core	$ 63,603	$ 48	$ (152)	$ 148	$ 63,647
Currency and commodities	46,135	(3,818)		(1,016)	41,301
Alternatives	**$ 109,738**	**$ (3,770)**	**$ (152)**	**$ (868)**	**$ 104,948**

(1) Amounts include BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011.

Alternatives totaled $104.9 billion at year-end 2011, down $4.8 billion, largely due to net outflows of $3.8 billion. Net inflows of $2.4 billion into single-strategy hedge funds were largely offset by outflows from other core alternatives products. Commodities net inflows of $1.8 billion were offset by net outflows of $5.6 billion from active and passive currency strategies. Net market valuation declines of $0.9 billion also dampened results. We continued to make significant investments in our alternatives platform in 2011, including the addition of three new hedge funds, a suite of new alternatives mutual funds and direct private equity as well as the formation of a strategic relationship with NTR plc to launch renewable power products. We believe that as alternatives become more mainstream and investors adapt their asset allocation strategies to best meet their investment objectives, they will further increase their use of alternative investments to complement core holdings. With highly-regarded alternative investment experts armed with industry-leading access to information, insights and deal flow and a multi-faceted risk management process, BlackRock is well positioned to capitalize on this trend and has been recognized for achievements in the alternatives space.

Institutional investors represented 73%, or $76.5 billion, of alternatives AUM with retail and high net worth investors comprising an additional 9%, or $9.1 billion, at December 31, 2011. *iShares* commodities products represented the remaining $19.3 billion, or 18%, of AUM at year end. The geographic mix was well diversified, with 56% of AUM managed for clients in the Americas, 22% for clients in EMEA and 22% for clients in Asia-Pacific.

The BlackRock Alternative Investors (BAI) group coordinates our alternative investment efforts, including product management, business development and client service. Our alternatives products fall into two main categories core, which includes hedge funds, funds of funds and real estate offerings, and currency and commodities. The products offered under the BAI umbrella are described below.

Core:

Hedge Funds ended the year with $28.0 billion of AUM, up $1.3 billion as $2.0 billion of net inflows into multi-strategy and global macro hedge funds were partially offset by market valuation declines of $0.5 billion. Hedge fund AUM includes a variety of single-strategy, multi-strategy and global macro hedge funds as well as portable alpha, distressed and opportunistic offerings. Products include both open-end hedge funds and similar products, and closed-end funds created to take advantage of specific opportunities over a defined, often longer-term investment horizon.

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Item 1. BUSINESS (continued)

Products (continued)

Funds of Funds AUM decreased $1.2 billion, or 5%, to $22.8 billion at December 31, 2011, including $17.6 billion in funds of hedge funds and hybrid vehicles and $5.2 billion in private equity funds of funds. Declines were driven by net outflows of $1.7 billion, partially offset by $0.5 billion of market valuation gains. Performance was strong and a growing number of institutional clients worldwide sought our expertise in customized accounts and commingled vehicles.

Real Estate AUM totaled $12.8 billion in a variety of real estate debt and equity products. AUM decreased $0.1 billion as $0.3 billion of net outflows were largely offset by $0.2 billion of market valuation gains. Market performance was positive overall with gains for U.S. funds and separate accounts only partly offset by valuation declines in U.K. funds and international separate accounts. Offerings include high yield debt and core, value-added and opportunistic equity portfolios.

Currency and Commodities:

AUM in currency and commodities strategies totaled $41.3 billion at year-end 2011, down $4.8 billion during the year, reflecting $3.8 billion of net outflows, primarily in active currency and currency overlays, and $1.0 billion of market valuation declines. These products include a range of active and passive products primarily managed through institutional separate accounts. Our *iShares* commodities products represented $19.2 billion of AUM and are not eligible for performance fees.

Cash Management and Securities Lending. Cash management AUM totaled $254.7 billion at December 31, 2011, down $24.5 billion, or 9%, from year-end 2010. Cash management products include taxable and tax-exempt money market funds and customized separate accounts. Portfolios may be denominated in U.S. dollar, Euro or British pound.

At year-end 2011, 84% of cash AUM was managed for institutions and 16% for retail and high net worth investors. The investor base was also predominantly domestic, with 70% of AUM managed for investors in the Americas and 30% for clients in other regions, mostly EMEA-based. We suffered net outflows during the year, as investors sought higher yields in bank deposits, direct money market investments and longer-term assets. Among institutional investors, we saw the movement of unprecedented levels of cash to U.S. domiciled bank accounts, partially due to the unlimited guarantee from the Federal Deposit Insurance Corporation (FDIC) on bank deposits. Additionally, retail investors looked to different asset classes in search of higher yields as cash rates remained low. We expect flows in cash management to remain volatile due to continued global market uncertainty, persistent low interest rates and potential regulatory changes.

The cash management team also invests the cash we receive as collateral for securities on loan in other portfolios. Securities lending, which is offered as a potential source of incremental returns on long-term portfolios, is managed by a dedicated team, supported by quantitative analysis, proprietary technology and disciplined risk management. Fees for securities lending can be structured as a share of earnings and/or a percentage of the value of the cash collateral. The value of the securities on loan and the revenue earned is 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 $120 billion, up from $104 billion at year-end 2010. The majority of the increase occurred during the second quarter, with balances remaining relatively stable through the remainder of the year. Demand generally strengthened in the latter part of the year, as equity market volatility rose in response to the European debt crisis. The strong rally in December raised notional values on loans and offset any decline in end-user borrowing due to falling volatility. The proportion of securities commanding premium lending fees grew slowly through the year, and started 2012 above the 2011 average.

BlackRock employs a conservative investment style for cash and securities lending collateral that emphasizes quality, liquidity and superior client service through all market cycles. Disciplined risk management, including a rigorous credit surveillance process, is an integral part of the investment process. BlackRock s Cash Management Risk 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/reporting of the profile of the portfolios identifies 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, such temporary waivers are infrequent.

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Item 1. BUSINESS (continued)

Products (continued)

Investment Styles

Long-term AUM by Asset Class & Style

December 31, 2011

(Dollar amounts in millions)	Active	Institutional index	*iShares*	Total
Equity	$ 275,156	$ 865,299	$ 419,651	$ 1,560,106
Fixed income	614,804	479,116	153,802	1,247,722
Multi-asset class	218,459	6,149	562	225,170
Alternatives	79,262	6,345	19,341	104,948
Long-term	**$ 1,187,681**	**$ 1,356,909**	**$ 593,356**	**$ 3,137,946**

Component Changes in Long-term AUM by Style

(Dollar amounts in millions)	12/31/2010	Net New Business	BGI merger-related outflows[(1)]	Market / FX App (Dep)	12/31/2011
Active	$ 1,190,480	$ (2,718)	$ (7,508)	$ 7,427	$ 1,187,681
Institutional index	1,350,424	17,067	(20,743)	10,161	1,356,909
iShares	590,212	53,000		(49,856)	593,356
Long-term	**$ 3,131,116**	**$ 67,349**	**$ (28,251)**	**$ (32,268)**	**$ 3,137,946**

(1) Amounts include BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.

Long-term[1] product offerings include active and passive (index) strategies. Our active strategies seek to earn attractive returns in excess of a market benchmark or performance hurdle (alpha) while maintaining an appropriate risk profile. In contrast, passive strategies seek to closely track the returns of a corresponding index (beta), 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.

Although many clients use both active and passive strategies, the application of these strategies differs greatly. For example, clients may use index products to gain exposure to a market or asset class pending reallocation to an active manager. This has the effect of increasing turnover of index AUM. In addition, institutional 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 on BlackRock s revenues and earnings.

Active Strategies

Component Changes in AUM - Active

(Dollar amounts in millions)	12/31/2010	Net New Business	BGI merger-related outflows[1]	Market / FX App (Dep)	12/31/2011
Equity	$ 334,532	$ (22,876)	$ (6,943)	$ (29,557)	$ 275,156
Fixed income	592,303	(17,397)	(413)	40,311	614,804
Multi-asset class	181,101	40,796		(3,438)	218,459
Alternatives	82,544	(3,241)	(152)	111	79,262
Long-term	**$ 1,190,480**	**$ (2,718)**	**$ (7,508)**	**$ 7,427**	**$ 1,187,681**

(1) Amounts include BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.

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. Long-term active AUM decreased $2.8 billion to $1.188 trillion at year-end 2011 with 23% in equities, 52% in fixed income, 18% in multi-asset class and 7% in alternatives. Favorable markets contributed $7.4 billion of growth, which was partially offset by $2.7 billion of net outflows, largely reflecting investors risk-averse posture in equities and fixed income throughout most of the year. AUM growth was hampered by BGI merger-related outflows of $7.5 billion, primarily in SAE.

1 See discussions of Cash Management and Advisory (BRS) offerings.

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Item 1. BUSINESS (continued)

Products (continued)

Active Equity. Active equity AUM of $275.2 billion decreased 18%, or $59.4 billion, from year-end 2010. Results reflected $29.6 billion of market valuation losses and net outflows of $22.9 billion before the final merger-related outflows of $6.9 billion in the first half of 2011. Active equity reflects a broad product set including global and regional portfolios; value, growth and core products; large, mid and small cap strategies; and selected sector funds. We believe an improving U.S. economy, strong corporate balance sheets and sustained growth in the emerging markets bodes well for equity markets in 2012, although geopolitical risks, particularly in Europe, continue to weigh heavily on investors psyches.

BlackRock manages active equity portfolios for a diverse base of institutional and retail clients globally. At December 31, 2011, 46% of our active equity AUM, or $125.5 billion, was managed on behalf of institutional investors in separate accounts, collective investment trusts and mutual funds and 54%, or $149.7 billion, was managed for retail and high net worth investors, largely through open-end mutual funds and separately managed accounts. Approximately 48% of our active equity AUM was managed for investors based in the Americas, 38% in EMEA and 14% in Asia-Pacific.

Fundamental active equity ended 2011 with $208.5 billion in AUM. Net inflows of $3.7 billion in U.S. equity and sector-specific strategies were more than offset by outflows of $8.6 billion in global and non-U.S. regional mandates. Market valuation losses of $25.3 billion further eroded AUM. Our fundamental active equity strategies seek to add value relative to a specified index or on an absolute basis, primarily through a combination of proprietary research and portfolio manager judgment. In total, 44%, 54% and 86% of fundamental active equity AUM outperformed their benchmarks or peer medians for the one-, three- and five-year periods ended December 31, 2011, respectively.

Scientific active equity AUM declined 30% to $66.7 billion, driven by net outflows of $18.0 billion before giving effect to $6.4 billion of BGI merger-related outflows recorded in the first quarter of 2011. Market valuation losses of $4.3 billion further weighed on results. SAE strategies seek superior investment outcomes through a stock selection process that aims to systematically find and exploit pricing opportunities, while rigorously managing risk and cost. As a result of recent investments in the platform, we continue to generate improving performance with 56%, 53% and 43% of SAE AUM outperforming their benchmarks or peer medians for the one-, three- and five-year periods ended December 31, 2011, respectively.

Active Fixed Income. Active fixed income AUM ended 2011 at $614.8 billion, an increase of 4%, or $22.5 billion, from the end of 2010, reflecting market valuation gains of $40.3 billion, which were partially offset by $17.4 billion of net outflows. Fixed income mandates are often tailored to client-specified liabilities, accounting, regulatory or rating agency requirements, or other investment policies. Overall, U.S. bonds enjoyed solid absolute returns in 2011, as demonstrated by a 7.8% return in the Barclays Capital U.S. Aggregate Index. While sovereign credit risk remains a concern, particularly in parts of Europe, we currently expect Federal Reserve policy in the U.S. to target stable interest rates.

Total active fixed income AUM included 81% in institutional assets and 19% in retail and high net worth assets. The client base reflects our historical roots with 70% of active fixed income AUM managed for investors in the Americas, 21% for EMEA-domiciled clients and 9% for investors in the Asia-Pacific region. Net inflows of $3.8 billion from Asia-Pacific clients were more than offset by outflows of $21.2 billion from investors in the Americas and EMEA.

Fundamental fixed income AUM totaled $571.1 billion, or 93%, of active fixed income AUM at year-end 2011. These products emphasize risk-controlled sector rotation and security selection driven by sector experts and direct interaction with issuers and market makers. Fundamental strategies increased $17.6 billion, driven by $37.2 billion of market valuation gains. These results were partially offset by $19.2 billion of net outflows, largely reflecting the effect of client changes in overall asset allocation (re-balancing), long-term performance concerns and interest in indexation. Positive flows of $8.9 billion into domestic specialty mandates such as U.S. credit, high yield and inflation protected products and $6.0 billion into U.S. municipal bonds were more than offset by outflows of $13.0 billion from local currency strategies and $10.0 billion of outflows from U.S. core funds. Fundamental taxable fixed income strategies ended the year with 43%, 78% and 43% of AUM above their benchmarks or peer medians for the one-, three-, and five-year periods ended December 31, 2011, respectively, while our active tax-exempt business showed strong results with 61%, 66% and 73% of AUM above their benchmarks or peer medians for the same time periods.

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Item 1. BUSINESS (continued)

Products (continued)

Model-based fixed income AUM grew $4.9 billion, or 13%, ending the year at $43.7 billion, reflecting net inflows of $1.8 billion and $3.1 billion of market valuation gains. These strategies employ models to identify relative-return opportunities and to apply those results, subject to a pragmatic review of model risk, on a systematic basis across portfolios. Performance in our model-based fixed income strategies was strong, with 70%, 86% and 83% of AUM above benchmarks or peer medians for the one-, three- and five-year periods ended December 31, 2011, respectively.

Multi-asset class and Alternatives. Active strategies represented 97% of multi-asset class AUM and 76% of AUM in alternative investments. These products are discussed earlier. (Please see the corresponding sections under Products Asset Classes for additional information.)

Institutional Index

Component Changes in AUM - Institutional Index

(Dollar amounts in millions)	12/31/2010	Net New Business	BGI merger-related outflows[1]	Market / FX App (Dep)	12/31/2011
Equity	$ 911,775	$ 22,402	$ (20,630)	$ (48,248)	$ 865,299
Fixed income	425,930	(5,152)	(113)	58,451	479,116
Multi-asset class	4,116	1,659		374	6,149
Alternatives	8,603	(1,842)		(416)	6,345
Long-term	**$ 1,350,424**	**$ 17,067**	**$ (20,743)**	**$ 10,161**	**$ 1,356,909**

(1) Includes BGI merger-related outflows due to manager concentration considerations prior to third quarter 2011.

Institutional index AUM, generally managed in common trust funds or separate accounts, comprised 39% of total AUM at December 31, 2011. Long-term AUM growth of $6.5 billion was driven by net new business of $17.1 billion, before the effect of the final BGI merger-related outflows, and $10.2 billion of market valuation gains. Merger-related outflows of $20.7 billion were concentrated among a small number of clients.

Equity products comprised 64% of institutional index AUM, ending the year at $865.3 billion, with net inflows of $22.4 billion more than offset by market valuation declines of $48.2 billion. Net inflows of $34.6 billion across global equity, regional strategies and currency overlays were partially offset by outflows of $11.6 billion from U.S. equity mandates. Toward year-end, U.S. equities experienced modest net inflows in the face of more stable economic and market conditions. Institutional index equity portfolios closely tracked their corresponding benchmarks with 96%, 84%, and 98% of AUM at or above tracking error tolerance for the one-, three-, and five-year periods ended December 31, 2011, respectively.

Fixed income products represented 35%, or $479.1 billion, of institutional index AUM, an increase of 12% or $53.2 billion. Net outflows totaled $5.2 billion, reflecting outflows of $14.6 billion in local currency mandates, only partly offset by inflows of $9.4 billion across global and U.S. core, sector-specialty and target duration strategies. Investors generally sought the relative safety of U.S. fixed income products and retreated from European exposure as uncertainty around the sovereign debt crisis continued. Institutional index fixed income portfolios closely tracked their respective benchmarks with 97%, 92%, and 99% of AUM at or above tracking error tolerance for the one-, three, and five-year periods ended December 31, 2011, respectively.

Less than 1% of institutional index AUM is in alternatives or multi-asset class products. (See discussions under Products - Asset Classes, above.)

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Item 1. BUSINESS (continued)

Products (continued)

iShares

Component Changes in AUM - *iShares*

(Dollar amounts in millions)	12/31/2010	Net New Business	Market / FX App (Dep)	12/31/2011
Equity	$ 448,160	$ 24,612	$ (53,121)	$ 419,651
Fixed income	123,091	26,875	3,836	153,802
Multi-asset class	370	200	(8)	562
Alternatives	18,591	1,313	(563)	19,341
Long-term	**$ 590,212**	**$ 53,000**	**$ (49,856)**	**$ 593,356**

The ETP industry experienced another strong year with $173 billion of net new business and positive inflows for 11 months of the year[2]. The industry expanded to include over 4,200 products globally with year-end AUM totaling $1.525[2] trillion. The broad spectrum of available ETP asset classes attracted new money through periods that were characterized as both risk-on and risk-off.

The global growth of the ETP market reflects both continued adoption and new product introduction with investor product preferences driven to varying degrees by performance (as measured by tracking error, which is the difference between net returns on the ETP and the corresponding targeted index), liquidity (bid-ask spread), tax-efficiency, transparency and client service. Growth was lower than in recent years, primarily due to unfavorable market movements. Industry asset growth has historically been linked to positive markets, with investors looking to capitalize on strong market returns. In the continued environment of ultra-low interest rates, industry flows shifted toward fixed income oriented products and, within equities, to developed markets and away from broad and single-country emerging market funds.

iShares is the leading ETP provider in the world, with $593.4 billion of AUM at December 31, 2011, which increased $3.1 billion, or 1%, since year-end 2010. *iShares* was the top asset gatherer globally in 2011[2] with $53.0 billion of net inflows largely offset by $49.9 billion of market valuation declines. During 2011, *iShares* introduced 45 new ETPs and continued our dual commitment to innovation and responsible product structuring. Our broad product range offers investors a precise, transparent and low-cost way to tap market returns and gain access to a full range of asset classes and global markets that have been difficult or expensive for many investors to access until now, as well as the liquidity required to make adjustments to their exposures quickly and cost-efficiently.

At year-end, *iShares* AUM included $419.7 billion, or 71%, in equity offerings, $153.8 billion, or 26%, in fixed income ETPs and $19.9 billion, or 3%, in multi-asset class and alternative investments. *iShares* equity AUM decreased $28.5 billion, or 6%, from year-end 2010, with $24.6 billion in net inflows more than offset by $53.1 billion of market and foreign exchange losses. *iShares* fixed income AUM rose $30.7 billion, or 25%, over the previous year, with 88% of the increase being driven by $26.9 billion of net inflows. *iShares* multi-asset class and alternatives AUM grew by $0.9 billion, or 5%, with $1.5 billion of net inflows, predominantly in commodity products such as gold and silver, offset by $0.6 billion of market and foreign exchange declines.

iShares offers the most diverse product set in the industry with 504 ETPs at year-end 2011 and serves the broadest client base, covering 25 countries on five continents including North America, South America, Europe, Asia and Australia[2]. *iShares* remained the ETP leader in top asset gathering in 2011 with four of the top ten products and the highest number of leading products as measured by total assets, with five of the top ten[2]. Notwithstanding an increase in the number of ETP products offered in the industry, *iShares* continued to maintain the largest share of global AUM with 39% at year-end December 31, 2011[2].

[2] Year-end 2011 ETP Landscape Industry Highlights; BlackRock Investment Institute ETP Research Team, BlackRock, Bloomberg, National Stock Exchange (NSX); Bloomberg

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Item 1. BUSINESS (continued)

Products (continued)

U.S. *iShares* AUM ended at $444.4 billion with $29.6 billion of net inflows driven by strong demand for our yield-oriented and equity dividend products with our flagship emerging markets fund also attracting strong flows in the fourth quarter 2011. However, the search for yield did not deter investment in low-rate U.S. government bond ETPs, which attracted significant flows. U.S. broad aggregate bond ETPs also remained popular, allowing investors to capture diversified exposures. At year-end 2011, *iShares* was the largest U.S. provider with 42% share of AUM[3].

International *iShares* AUM ended at $149.0 billion with robust net new business of $23.4 billion for the year, dominated by developed countries equity products. Sovereign and bank debt concerns in Europe spurred a flight to safety , leading to strong investments into Europe-listed ETPs offering exposure to German equities. A DAX index-based *iShares* product led European ETPs overall, with net new inflows of $11.6 billion. At year-end 2011, *iShares* was the largest European provider with 36% of AUM and 79% of total 2011 industry inflows in the European market[3].

In addition, we were the largest ETP manager in Latin America with over 80% of AUM at December 31, 2011[3]. We continue to look for opportunities to further diversify product offerings in key strategic focus areas including attractive, high-growth markets as demonstrated by the July 2011 launch of *iShares* COLCAP, the first ETP in the Colombian market; and by our January 2012 announced acquisition of the Canadian ETP provider Claymore Investments. In general, we expect to maintain relatively stable pricing, so long as it is supported by performance and the *iShares* value proposition, although we continually seek to achieve efficiencies and pass them on to our clients.

BlackRock Solutions. *BlackRock Solutions* offers investment management technology systems, risk management services and advisory services on a fee basis. In 2011, approximately $10.2 trillion of positions were processed on our *Aladdin* proprietary technology platform, which serves as the investment 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 provides services for a wide range of global clients, such as valuation and risk assessment of illiquid assets, portfolio restructuring, workouts and dispositions of distressed assets and financial and balance sheet strategies.

In the face of increasing regulatory scrutiny, clients have increased their focus on risk management and demand for BRS services continues to be robust. During the year, BRS added 50 net new assignments and ended the year with record revenues of $510 million, an increase of $50 million, or 11%, from 2010. This was driven by strong demand for our FMA, *Aladdin* and risk management services, particularly in EMEA and in Asia-Pacific, where we added a number of new clients. *Aladdin* assignments are long-term contracts that provide significant levels of recurring revenue. At year-end, BRS served 166 clients, including banks, insurance companies, official institutions, pension funds, asset managers and other institutional investors across North America, Europe, Asia and Australia.

In FMA, the growing financial crisis in Europe led to several short-term risk analytics assignments including a few high-profile engagements. Overall, the nature of FMA assignments is shifting to longer-term advisory and risk monitoring engagements. Advisory AUM decreased 20% to $120.1 billion, driven by $29.9 billion of planned client distributions reflecting our continued success in disposing of assets for clients at, or above, targeted levels.

The BRS and *Aladdin* teams continued to support key aspects of the BGI integration in 2011. These efforts are vital to establishing a unified operating platform and consistent operating processes. We expect the integration of BGI s extensive quantitative tools, risk management models and portfolio construction applications across asset classes to enhance the *Aladdin* platform over time. Additionally, we will seek to leverage our scale for the benefit of our clients through the creation of a robust global trading platform in order to improve execution and enhance alpha as well as other initiatives.

[3] Year-end 2011 ETP Landscape Industry Highlights; BlackRock Investment Institute ETP Research Team, BlackRock, Bloomberg, National Stock Exchange (NSX); Bloomberg

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Item 1. BUSINESS (continued)

Products (continued)

Transition Management Services. BlackRock also offers transition management services, involving the temporary oversight of a client s assets as they transition from one manager to another or from one strategy to another. We provide a comprehensive service that includes project management and implementation based on achieving best execution consistent with the client s risk management tolerances. We use state-of-the-art tools and work closely with BlackRock s global trading research team to manage four dimensions of risk throughout the transition: exposure, execution, process and operational risk. The average transition assignment is executed within three weeks, although the duration can be longer or shorter depending on the size, complexity and liquidity of the related assets. These portfolios are not included in AUM unless BlackRock has been retained to manage the assets after the transition phase.

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.

Product Performance Notes. Past performance is not indicative of future results. The performance information shown is based on preliminarily available data. The performance information for actively managed accounts reflects U.S. open-end and closed-end mutual funds and similar EMEA-based products with respect to peer median comparisons, and actively managed institutional and high net worth separate accounts and funds located globally with respect to benchmark comparisons, as determined using objectively based internal parameters, using the most current verified information available as of December 31, 2011.

Accounts terminated prior to December 31, 2011 are not included. In addition, accounts that have not been verified as of January 30, 2012 have not been included. If such terminated and other accounts had been included, the performance information may have differed substantially from that shown. The performance information does not include funds or accounts that are not measured against a benchmark, any benchmark-based alternatives product, private equity products, CDOs, or liquidation accounts managed by BlackRock s FMA group. Comparisons are based on gross-of-fee performance for U.S. retail, institutional and high net worth separate accounts and EMEA institutional separate accounts and net-of-fee performance for EMEA based retail products. The performance tracking information for institutional index accounts is based on gross-of-fee performance as of December 31, 2011, and includes all institutional accounts and all *iShares* funds globally using an index strategy. AUM information is based on AUM for each account or fund in the asset class shown without adjustment for overlapping management of the same account or fund as of December 31, 2011. The information reported may differ slightly from that reported previously due to the increased number of accounts that have been verified since the last performance disclosure. BlackRock considers these differences to be not material.

The source of performance information and peer medians is BlackRock and is based in part on data from Lipper Inc. for U.S. funds and Morningstar, Inc. for non-U.S. funds. Fund performance reflects the reinvestment of dividends and distributions, but does not reflect sales charges.

Clients

AUM by Client Region & Client Type

December 31, 2011

(Dollar amounts in millions)	Institutional	Retail / High Net Worth	*iShares*(1)	Total
Americas	$ 1,338,081	$ 304,690	$ 480,713	$ 2,123,484
EMEA	849,439	71,887	105,617	1,026,943
Asia-Pacific	328,069	27,160	7,025	362,254

Total	**$ 2,515,589**	**$ 403,737**	**$ 593,355**	**$ 3,512,681**

(1) Amounts based on jurisdiction of product, not underlying client.

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Item 1. BUSINESS (continued)

Clients (overview)

BlackRock serves institutional and retail and high net worth (HNW) investors in more than 100 countries through the efforts of professionals located in 27 countries. We strive to leverage our global investment expertise and scale, together with our understanding of local requirements and business customs, to most effectively serve our clients. Portfolios may be invested in local, regional or global capital markets. Products may be structured to address location-specific issues, such as regulations, taxation, operational infrastructure and market liquidity, and client-specific issues, such as investment policy, liability structure and ratings.

Our matrix organizational 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. The global functions Portfolio Management, BRS, Global Client Groups and Corporate & Business Operations are key to driving coordination and consistency and to further enhancing the benefits of our scale. The regions Americas, EMEA and Asia-Pacific support local clients, employees, regulators and business strategy. At December 31, 2011, 44% of our AUM was managed for clients outside the United States and 43% of employees were based outside the United States. We expect these figures to approach 50% over the coming years. At December 31, 2011 our London office was the largest with 18% of our employees, followed by New York and San Francisco.

Global Clientele

AUM by Asset Class & Client Region

December 31, 2011

(Dollar amounts in millions)	Americas	EMEA	Asia-Pacific	Total
Equity	$ 980,632	$ 426,009	$ 153,465	$ 1,560,106
Fixed income	677,608	403,371	166,743	1,247,722
Multi-asset class	124,337	86,251	14,582	225,170
Alternatives	58,623	23,235	23,090	104,948
Long-term	**1,841,200**	**938,866**	**357,880**	**3,137,946**
Cash management	178,777	74,296	1,592	254,665
Advisory	103,507	13,781	2,782	120,070
Total	**$ 2,123,484**	**$ 1,026,943**	**$ 362,254**	**$ 3,512,681**

AUM by Style & Client Region

December 31, 2011

(Dollar amounts in millions)	Americas	EMEA	Asia-Pacific	Total
Active	$ 724,447	$ 333,402	$ 129,832	$ 1,187,681
Institutional index	636,040	499,847	221,023	1,356,910
iShares (1)	480,713	105,617	7,025	593,355
Long-term	**1,841,200**	**938,866**	**357,880**	**3,137,946**

Cash management	178,777	74,296	1,592	254,665
Advisory	103,507	13,781	2,782	120,070
Total	**$ 2,123,484**	**$ 1,026,943**	**$ 362,254**	**$ 3,512,681**

(1) Amounts based on jurisdiction of product, not underlying client.

Americas. At year-end 2011, assets managed on behalf of clients domiciled in the Americas (defined as the U.S., Caribbean, Canada, Latin America and Iberia), totaled $2.123 trillion or 60% of total AUM down $54.0 billion, or 2%, since year-end 2010. Net new business in long-term products of $54.7 billion was insufficient to overcome outflows of $69.4 billion from cash and advisory and $29.2 billion in market valuation losses. During the year, we served clients through offices in 30 states in the United States as well as Canada, Mexico, Brazil, Chile and Spain.

Product offerings included closed-end funds and *iShares* traded on various local stock exchanges, a full range of open-end mutual funds, collective investment funds, common trusts, private funds and separate accounts. Our long-term product mix is well diversified and proportional to the firm s mix with 53% in equities, 37% in fixed income, 7% in multi-asset class and 3% in alternatives. Cash management products predominantly serve clients in the Americas. We also have a wide variety of BRS assignments for institutional investors and governmental entities in the United States and Canada.

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Item 1. BUSINESS (continued)

Clients (overview)

The mix by investment style is also balanced, with 39% of long-term AUM managed in active products, 35% in institutional index accounts and 26% in *iShares* at year-end. (Note that the *iShares* figures are based on the jurisdiction of the product rather than the underlying investor. Non-U.S. investors often prefer U.S. *iShares*, primarily due to the depth of the markets and liquidity of the products.)

EMEA. AUM for clients based in EMEA ended the year at $1.027 trillion, or 29%, of total AUM, an increase of $11.1 billion from year-end 2010. During the year, clients awarded us net new business of $23.5 billion, including inflows from investors in 19 countries across the region. Our offerings include fund families in the U.K., Luxembourg and Dublin and *iShares* listed on stock exchanges throughout Europe as well as separate accounts and pooled investment products.

Clients invested across the entire product spectrum with 46% of long-term AUM in equities, 43% in fixed income, 9% in multi-asset class and 2% in alternatives. EMEA clients constitute 30% of our cash management products and represent 11% of our advisory AUM. BRS has steadily built its presence in EMEA, with *Aladdin* relationships with a variety of institutional investors and FMA engagements for financial services companies and official institutions, including assignments for the Central Bank of Ireland and the National Bank of Greece.

The mix by investment style is slightly more concentrated than in the Americas, with 36% invested in active products, 53% in institutional index accounts and 11% in *iShares*. The relatively higher percentage in institutional index is driven by low-fee institutional liability hedging portfolios, which account for approximately 20% of total institutional index assets. The relatively lower percentage in *iShares* primarily reflects the earlier stage of development of the European ETP market and our lower installed share.

Asia-Pacific. Clients in the Asia-Pacific region are served through offices in Japan, Australia, Hong Kong, Singapore, Taiwan and Korea, and joint ventures in China and India. At December 31, 2011, we managed $362.3 billion of AUM for clients in the region, a decrease of 1%, or $5.3 billion, from year-end 2010. Net new business of $5.7 billion was offset by $2.3 billion of unfavorable market movements and $8.7 billion of BGI merger-related outflows.

At year-end, the mix of long-term products managed for these clients consisted of 43% equities, 47% fixed income, 4% multi-asset class and 6% alternative investments. Asia-Pacific clients represented 2% of our advisory AUM and less than 1% of our cash management products. BRS serves a select number of the largest and most sophisticated investors in the region. We continue to grow our presence in the region with the addition of our first two multi-asset *Aladdin* assignments in Japan.

The mix among investment styles was tilted more toward institutional index accounts than in the other regions, with $221.0 billion, or 62%, of long-term AUM in these products. This bias can be traced to the presence of very large governmental institutions and pensions that are heavy users of index products. Asia-Pacific institutional investors also use *iShares* for tactical allocation, but often favor the liquidity of the U.S. products (which are counted in Americas *iShares*). Active mandates represented 36% of AUM managed for investors in the region at year-end.

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Item 1. BUSINESS (continued)

Clients (overview)

Clients Served. We serve a diverse mix of institutional and retail investors worldwide. 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 and high net worth investors. We also serve both institutional and retail and high net worth investors who acquire *iShares* on exchanges worldwide (*iShares* is discussed under Products above).

Institutional Investors

Institutional Long-Term AUM by Asset Class, Style & Client Region

December 31, 2011

(Dollar amounts in millions)	**Americas**	**EMEA**	**Asia-Pacific**	**Total**
Active:				
Equity	$ 50,343	$ 52,694	$ 22,478	$ 125,515
Fixed income	327,215	120,551	52,161	499,927
Multi-asset class	52,396	75,125	8,157	135,678
Alternatives	34,734	13,921	21,500	70,155
Index:				
Equity	503,211	247,894	107,423	858,528
Fixed income	124,058	243,438	111,442	478,938
Multi-asset class	693	3,677	1,775	6,145
Alternatives	1,380	4,834	131	6,345
Long-term institutional	**$ 1,094,030**	**$ 762,134**	**$ 325,067**	**$ 2,181,231**

Long-term assets managed for institutional investors totaled $2.181 trillion, or 62%, of total AUM at year-end 2011. During the year, net new business in long-term products totaled $0.9 billion with investment performance and market appreciation contributing $41.5 billion.

BlackRock s institutional business is well diversified by both product and region, with 45% of long-term AUM in equities, 45% in fixed income, 7% in multi-asset class and 3% in alternatives. The mix by investment style was 38% active and 62% passive (excluding institutional investors in *iShares*). As noted earlier, institutional index accounts tend to be larger mandates managed for relatively low fee rates and subject to higher turnover.

We serve institutional investors on six continents, with 50% of long-term AUM managed on behalf of investors in the Americas, 35% in EMEA and 15% in Asia-Pacific. The institutional business is further diversified by sub-segments: tax-exempt, official institutions and taxable investors, as described below.

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Item 1. BUSINESS (continued)

Clients (overview)

BlackRock is among the largest managers of pension plan assets in the world with $1.502 trillion, or 69%, of long-term institutional AUM managed for defined benefit and defined contribution and other pension plans for corporations, governments and unions at December 31, 2011. An additional $48.7 billion was managed for other tax-exempt investors, including charities, foundations and endowments. Assets managed for these clients grew $6.9 billion during 2011, including $32.7 billion of long-term net inflows from defined contribution plans. We ended 2011 with $330.0 billion in defined contribution AUM and BlackRock remains well positioned to capitalize on the on-going evolution of the defined contribution market and demand for outcome-oriented investments.

We also managed $129.3 billion, or 6%, 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 2011. These clients often require specialized investment policy advice, the use of customized benchmarks and training support.

BlackRock is a top independent manager of assets for insurance companies, which accounted for $214.4 billion, or 10%, of institutional long-term AUM at year-end 2011. Assets managed for other taxable institutions, including corporations, banks and third-party fund sponsors for which we provide sub-advisory services, totaled $287.3 billion or 13% of long-term institutional AUM at year-end.

Retail and High Net Worth Investors

Retail / HNW Long-Term AUM by Asset Class & Client Region

December 31, 2011

(Dollar amounts in millions)	Americas	EMEA	Asia-Pacific	Total
Equity	$ 88,792	$ 50,968	$ 16,652	$ 156,412
Fixed income	102,997	9,029	3,029	115,055
Multi-asset class	70,685	7,449	4,650	82,784
Alternatives	3,980	3,669	1,458	9,107
Long-term retail/High net worth	**$ 266,454**	**$ 71,115**	**$ 25,789**	**$ 363,358**

BlackRock serves retail and high net worth investors globally through separate accounts, open-end and closed-end funds, unit trusts and private investment funds. At December 31, 2011, long-term assets managed for retail and high net worth investors totaled $363.4 billion, down 3%, or $10.6 billion, versus year-end 2010. During the year, net inflows of $13.4 billion in long-term products were offset by market valuation declines of $24.0 billion.

Retail and high net worth 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 $286.4 billion, or 79%, of retail and high net worth long-term AUM at year-end, with the remainder invested in private investment funds and separately managed accounts. The product mix is well diversified, with 43% of long-term AUM in equities, 32% in fixed income, 23% in multi-asset class and 2% in alternatives. The vast majority (98%) of long-term AUM is invested in active products, although this is partially inflated by the fact that *iShares* is shown as a separate client type, since we do not identify all of the underlying investors.

The client base is also diversified geographically, with 73% of long-term AUM managed for investors based in the Americas, 20% in EMEA and 7% in Asia-Pacific at year-end 2011.

Americas retail and high net worth long-term inflows of $16.8 billion were driven by strong demand for global allocation, U.S. sector-specialty and municipal fixed income mutual fund offerings. Rising concerns over sovereign default risks, sustained market volatility and a low interest rate environment led investors to seek a more dynamic fixed income management approach versus a buy and hold strategy. In the United States, we had over 70 product placements on broker-dealer platforms during the year and have grown our market position from tenth to fourth largest fund manager since we acquired Merrill Lynch Investment Managers (MLIM) in late-2006[4]. Our success in attracting net new business even as the industry experienced heavy outflows resulted in our improved market share of 14% of long-term flows for 2011[4]. In 2011, BlackRock won the Dalbar award for customer service in financial services, the twelfth occasion on which we have been recognized for outstanding achievement in this area.

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Item 1. BUSINESS (continued)

Clients (overview)

International retail outflows of $3.3 billion in 2011 were driven by continued trends toward de-risking, and were predominantly from regional and country-specific equity strategies due to uncertainty in European markets. Overshadowed by fixed income and equity outflows, inflows of $0.6 billion into alternatives products demonstrate an appetite for alternatives in the retail channel. Our international retail and high net worth offerings include our Luxembourg cross-border fund families, BlackRock Global Funds (BGF), BlackRock Strategic Funds with over $75.0 billion and $1.5 billion of AUM at year-end 2011, respectively, and a range of retail funds in the U.K. BGF managed 64 funds registered in 35 jurisdictions at year-end 2011. Over 55% of the funds were rated by S&P. In 2011, we were ranked as the third largest cross border fund provider[5]. In the U.K., we ranked among the five largest fund managers[5], and are known for our innovative product offerings, including the absolute alpha products we introduced six years ago.

Our footprint in each of these regions reflects 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.

Clients in cash management and advisory products are discussed earlier. (See the corresponding sections under Products Asset Classes and under Products Investment Styles.)

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Item 1. BUSINESS (continued)

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 passively managed 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. These factors may place BlackRock at a competitive disadvantage and there can be no assurance that the Company s strategies and efforts to maintain its existing AUM and to attract new business will be successful.

Geographic Information

At December 31, 2011, BlackRock had clients in over 100 countries across the globe, including the United States, the United Kingdom and Japan.

The following table illustrates the Company s total revenue for the years ended December 2011, 2010 and 2009 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(Dollar amounts in millions) **Revenue**	**2011**	**2010**	**2009**
Americas	$ 6,064	$ 5,824	$ 3,309
Europe	2,517	2,300	1,179
Asia-Pacific	500	488	212
Total revenue	$ 9,081	$ 8,612	$ 4,700

The following table illustrates the Company s long-lived assets, including goodwill and property and equipment at December 31, 2011, 2010 and 2009 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

(Dollar amounts in millions) **Long-lived Assets**	**2011**	**2010**	**2009**
Americas	$ 13,133	$ 13,092	$ 12,983
Europe	123	42	46
Asia-Pacific	73	99	94
Total long-lived assets	$ 13,329	$ 13,233	$ 13,123

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

Employees. At December 31, 2011, BlackRock had a total of approximately 10,100 employees, including approximately 4,400 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 over 900 employees during the year, including in strategic focus areas such as *iShares*, alternatives, institutional sales and Asia.

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Item 1. BUSINESS (continued)

Regulation

Virtually all aspects of BlackRock s business are subject to various laws and regulations both in and outside the United States, 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 financial and bank holding companies and their subsidiaries, such as BlackRock and its subsidiaries, have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity 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. 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.

Regulatory Reform

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the DFA) was signed into law in the United States. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be implemented. The adoption of these regulations and decisions will in large measure determine the impact of the DFA on BlackRock and other financial services firms. The DFA may significantly change BlackRock s operating environment and the financial markets in general in unpredictable ways. It is not possible to predict the ultimate effects that the DFA, or subsequent implementing regulations and decisions, will have upon BlackRock s business and results of operations. Among the potential impacts of the DFA, provisions of the DFA referred to as the Volcker Rule could, to the extent the final Volcker Rule is determined to apply to BlackRock s activities, affect the method by which BlackRock invests in and operates its investment funds, including private equity funds, hedge funds and fund of funds platforms. The impact of the Volcker Rule on liquidity and pricing in the broader financial markets is unknown at this time. In addition, BlackRock could become designated as a systemically important financial institution (SIFI) and become subject to direct supervision by the Board of Governors of the Federal Reserve System (the Federal Reserve). If BlackRock were designated a SIFI, it could be subject to enhanced prudential, 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. Further, proposed regulations under the DFA, relating to regulation of swaps and derivatives, could impact the manner by which BlackRock and BlackRock-advised funds and accounts use and trade swaps and other derivatives, and could significantly increase the costs of derivatives trading. Similarly, BlackRock s management of funds and accounts that use and trade swaps and derivatives could be adversely impacted by recently adopted changes to the Commodity Futures Trading Commission s (the CFTC) regulations. These include changes imposing limits on speculative positions in contracts on certain physical commodities, which could adversely affect liquidity in the futures and swaps markets in which BlackRock trades for its funds and accounts and could expose BlackRock to heightened compliance costs. Other jurisdictions outside the United States in which BlackRock operates are also in the process of devising or considering more pervasive regulation of many elements of the financial services industry, which could have a similar impact on BlackRock and the broader markets.

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Item 1. BUSINESS (continued)

Regulation (continued)

The DFA and its regulations, and other 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; require BlackRock to change certain business practices; divert management s time and attention from BlackRock s business activities to compliance activities; and expose BlackRock to additional costs (including compliance and tax costs) and liabilities, as well as reputational harm. For example, in addition to regulatory changes mandated by the DFA, the Securities and Exchange Commission (the SEC) adopted regulations related to, and continues to review the role and risks related to, money market funds and has indicated that it may adopt additional regulations. Some of the proposed changes, if adopted, could significantly alter money market fund products and the entire money market fund industry. Similarly, the SEC continues to review the distribution fees paid to mutual fund distributors in accordance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the Investment Company Act), which are important to a number of the mutual funds BlackRock manages. Any changes to 12b-1 fees would alter the way BlackRock s distribution partners distribute BlackRock products. Additionally, the SEC, the Internal Revenue Service (IRS) and the CFTC each continue to review the use of futures and derivatives by mutual funds, and such reviews could result in regulations that further limit the use of futures and derivatives by mutual funds. If adopted, these limitations could require BlackRock to change certain mutual fund business practices or to register additional entities with the CFTC. Another example of new regulation is the SEC s recently adopted systemic risk reporting requirement, pursuant to which BlackRock will be required to file SEC Form PF beginning in 2012. In addition, the CFTC also adopted systemic reporting requirements, which may impose significant reporting obligations on BlackRock. Still another example of changes in the regulatory landscape is regulations to be adopted by the IRS under the Foreign Account Tax Compliance Act (FATCA). FATCA was enacted in 2010 and is intended to address tax compliance issues associated with U.S. taxpayers with foreign accounts. FATCA requires foreign financial institutions to report to the IRS information about financial accounts held by U.S. taxpayers and imposes withholding, documentation and reporting requirements on foreign financial institutions. Final regulations are expected to be adopted by the IRS in 2012, with the earliest implementation dates beginning in 2013. Such regulations could cause the Company to incur significant administrative and compliance costs. In addition, globally, regulators are examining the potential risks in ETFs and may impose additional regulations on ETFs, including requirements to promote increased transparency and to limit the ability of ETFs to utilize derivatives. Any of these regulatory changes could also lead to business disruptions, could materially and adversely impact the value of assets in which BlackRock has invested directly and/or on behalf of clients, and, to the extent the regulations strictly control the activities of financial services firms, could make it more difficult for BlackRock to conduct certain businesses or distinguish itself from competitors.

Additional legislation, changes in rules promulgated by regulators and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and regulations may directly affect the method of operation and profitability of BlackRock. 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 taxation, antitrust regulation and electronic commerce. See the Non-U.S. Regulation section below for a discussion of regulatory reforms being considered and/or adopted outside of the United States.

U.S. Regulation

BlackRock and certain of its U.S. subsidiaries are subject to regulation, primarily at the federal level, by the SEC, the Department of Labor (the DOL), the Federal Reserve, the Office of the Comptroller of the Currency of the United States (the OCC), the Financial Industry Regulatory Authority (FINRA), the National Futures Association (the 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 Investment Advisers Act of 1940, as amended (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 imposes stringent governance, compliance, operational, disclosure and related obligations on registered investment companies and their investment advisers and distributors, such as BlackRock. 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.

Item 1. BUSINESS (continued)

Regulation (continued)

BlackRock s trading and investment activities for client accounts are regulated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as the rules of various U.S. and non-U.S. 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, reporting obligations) and market regulation policies in the United States and globally. Depending on the scope of the rules to be adopted by the SEC, provisions of the DFA added to the Exchange Act may require certain BlackRock subsidiaries to register as municipal advisers in relation to their services for state and local governments, pension plans and other investment programs, such as college savings plans. In addition, BlackRock manages a variety of investment funds listed on U.S. and non-U.S. exchanges, which are subject to the rules of such exchanges. Violation of these laws and regulations could result in restrictions on the Company s activities and damage its reputation. BlackRock manages a variety of private pools of capital, including hedge funds, funds of hedge funds, private equity funds, 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.

Certain BlackRock subsidiaries are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and to regulations promulgated thereunder by the DOL, insofar as they act as a fiduciary under 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 BlackRock to carry bonds ensuring 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 two subsidiaries that are registered as commodity pool operators and commodity trading advisers, two other subsidiaries that are only registered as commodity trading advisers and two additional subsidiaries only registered as commodity pool operators with the CFTC. All six of these subsidiaries are members of the NFA. Additional BlackRock entities may need to register as a commodity pool operator or commodity trading adviser as a result of regulatory changes that the CFTC recently adopted in February 2012. 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. Four of BlackRock s other subsidiaries, BlackRock Investments, LLC (BRIL), BlackRock Capital Markets, LLC, BlackRock Execution Services, and BlackRock Fund Distribution Company (BFDC) 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). BRIL and BFDC are members of the Municipal Securities Rulemaking Board (MSRB) and are 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, as amended (the BHC Act). Based on PNC s interests in and relationships with BlackRock, BlackRock is deemed to be a non-bank subsidiary of PNC and is therefore subject to the supervision and regulation of the Federal Reserve and to most banking laws, regulations and orders that apply to PNC. The supervision and regulation of PNC and its subsidiaries under applicable banking laws is 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. PNC s relationships and good standing with its regulators are important to the conduct of BlackRock s business. BlackRock may also be subject to foreign banking laws and supervision that could affect its business.

BTC is a limited purpose national trust company that does not accept deposits or make commercial loans and 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.

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Item 1. BUSINESS (continued)

Regulation (continued)

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. 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. There are limits on the ability of bank subsidiaries of PNC to extend credit to or conduct other transactions with BlackRock. 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.

The Federal Reserve has broad enforcement authority over BlackRock, including the power to prohibit BlackRock from conducting any activity that, in the Federal Reserve s opinion, is unauthorized or constitutes an unsafe or unsound practice in conducting BlackRock s business. 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 non-bank affiliates, such as BlackRock.

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 one of PNC s bank subsidiaries to remain well capitalized, 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. In addition, the DFA broadened the requirements for maintaining financial holding company status by now also requiring the holding company to remain well capitalized and well managed.

Non-U.S. Regulation

BlackRock s international operations are subject to the laws and regulations of non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies. As BlackRock continues to expand its international presence, a number of its subsidiaries and international operations have become subject to regulatory systems comparable to those affecting its operations in the United States.

The Financial Services Authority (the FSA) currently regulates certain BlackRock subsidiaries in the United Kingdom. Authorization by the FSA is required to conduct any financial services related business in the United Kingdom pursuant to the Financial Services and Markets Act 2000. The FSA s rules made under that Act govern a firm s capital resources requirements, senior management arrangements, conduct of business, interaction with clients and systems and controls. Breaches of these rules may result in a wide range of disciplinary actions against the Company s U.K.-regulated subsidiaries. The U.K. government announced in 2010 that it intends to abolish the FSA and to establish three new regulatory bodies, the Financial Policy Committee of the Bank of England, the Prudential Regulation Authority and the Financial Conduct Authority in its place. Detailed proposals and draft legislation were published in mid-2011 and it is intended that completion of the necessary primary legislation will take place by the end of 2012 with transfers of power in early 2013. Pending formal implementation, the FSA has introduced a shadow internal structure in anticipation of the creation of the Prudential Regulation Authority and the Financial Conduct Authority, and the Bank of England has created an interim Financial Policy Committee.

In addition to the above, the Company s U.K.-regulated subsidiaries and other European subsidiaries and branches, must comply with the pan-European regime established by the Markets in Financial Instruments Directive (MiFID), which became effective on November 1, 2007 and regulates the provision of investment services and activities throughout the European Economic Area (EEA), as well as the Capital Requirements Directive, which delineates regulatory capital requirements. MiFID 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 markets and extensive transaction reporting requirements.

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Item 1. BUSINESS (continued)

Regulation (continued)

The United Kingdom has adopted the MiFID rules into national legislation and FSA regulations, as have those other European jurisdictions (excluding Switzerland which is not part of the EU or EEA) in which BlackRock has a presence. A review of MiFID by the European Commission has led to the publication of a draft amendment Directive and a draft new Markets in Financial Instruments Regulation. The proposals, if implemented, are likely to result in changes to pre- and post-trade reporting obligations and an expansion of the types of instruments subject to these requirements. They may affect the buying and selling of derivatives by moving most derivative trading onto regulated trading venues and may control the activities of algorithmic trading. The proposals may also result in changes to conduct of business requirements including selling practices, intermediary inducements and client categorization. The proposals also envisage giving the European Commission power to ban certain products and services. A European Commission proposal (the European Market Infrastructure Regulation (EMIR)), when implemented, will require the central clearing of standardized OTC derivatives.

In addition, the FSA is in the process of finalizing its rules following its retail distribution review. These rules, which come into effect on December 31, 2012, will change how retail clients pay for investment advice given in respect of all retail investment products, including open-ended and closed-ended funds, structured products and insurance-based savings products.

In the aftermath of the financial crisis, the European Commission set out a detailed plan for EU financial reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations of which the MiFID review (mentioned above) was part. These will have direct and indirect effects on BlackRock s operations in the EEA.

The EU Alternative Investment Fund Managers Directive (AIFMD), which became effective on July 21, 2011, needs to be implemented by EU member states by July 22, 2012. The AIFMD will regulate managers of, and service providers to, alternative investment funds (AIFs) domiciled within and (depending on the precise circumstances) outside the EU. The AIFMD will also regulate the marketing of all alternative investment funds inside the EEA. In general, the AIFMD is expected to have a staged implementation between mid-2013 and 2018. Compliance with the AIFMD s requirement may restrict AIF marketing and place additional compliance obligations in the form of remuneration policies, capital requirements, leverage oversight, valuation, stakes in EU companies, the domicile of custodians and liquidity management.

The European Commission has also published proposals to replace the Market Abuse Directive with a regulation on insider dealing and market manipulation and with an accompanying directive on criminal sanctions. There are also ongoing plans to reform the framework to which regulated firms are subject, including in relation to regulatory capital and the protection of client assets, which will have a direct effect on some of BlackRock s European operations.

The next iteration of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS IV), was required to be adopted in the national law of each EU member state by July 1, 2011. The United Kingdom has adopted UCITS IV requirements into national legislation and FSA regulation. Luxembourg and Ireland have also adopted UCITS IV into their national legislation. However, several other EU member states are still in various stages of the adoption process. UCITS IV introduced new requirements including a requirement on UCITS funds to provide a key investor information document. There are also European Commission consultations in process that are intended to improve retail investor protection, including UCITS V, which addresses, among other items, custodial liability.

Recent proposals on packaged retail investment products (PRIPs) are to be implemented through the strengthening of MiFID standards (for non-insurance PRIPs), revisions to the Insurance Mediation Directive s selling standard (for all insurance-based PRIPs) and new investor disclosure requirements for all PRIPs though a separate EU legislative process.

In addition, in September 2011, the European Commission proposed a financial transaction tax (FTT proposal) in the European Union, which would, if approved by all 27 Member States, apply to all financial transactions where at least one party is established in an EU Member State and either that party or another party to the transaction is a financial institution. While the specific terms of the FTT proposal remain subject to negotiation, any tax on securities transactions would likely have a negative impact on the liquidity of the derivatives and securities markets in Europe and would adversely impact our European clients assets and our non-European clients to the extent that they are or want to be invested in European assets.

For the insurance sector the Solvency II process will increase the amount of capital that insurers will have to set aside and will have an indirect effect on fund managers with insurance clients.

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Item 1. BUSINESS (continued)

Regulation (continued)

In addition to the FSA, the activities of certain BlackRock subsidiaries, branches, and representative offices are overseen by financial services regulators in Germany, The Netherlands, Ireland, Luxembourg, Switzerland, Isle of Man, Jersey, Guernsey, France, Belgium, Italy, Poland, Spain and Sweden. 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. Other BlackRock subsidiaries, branches, and representative offices are regulated in Japan, Australia, China, Hong Kong, Singapore, Taiwan, South Korea, India, Dubai, Cayman Islands, Brazil, Chile, Mexico and Canada.

In Japan, certain BlackRock subsidiaries are subject to the Financial Instruments and Exchange Law (the FIEL) and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the 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, fine, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL.

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 (the ASIC) and the Australian Prudential Regulation Authority (the APRA). The ASIC regulates companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. The APRA is the prudential regulator of the Australian financial services industry and oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies and most members of the superannuation (pension) industry. Failure to comply with applicable law 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 (the 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 (the SFC). The SFC is also empowered under the SFO 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 from time to time. 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.

There are parallel legal and regulatory arrangements in force in many other non-U.S. jurisdictions where BlackRock s subsidiaries are authorized to conduct business.

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 and Nominating and Governance 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.

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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 and operating risks, BlackRock s business, financial condition, operating results or non-operating results could be materially adversely affected, or the Company s stock price could decline as a result of any of the following risks.

Risks Related to BlackRock s Business and Competition

Changes in the value levels of the capital, commodities or currency markets or other asset classes could lead to a decline in revenues and earnings.

BlackRock s investment management revenues are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns earned on AUM. Movements in equity, debt, commodity, real estate or alternative investment market prices, interest rates or foreign exchange rates could cause:

- the value of AUM to decrease;
- the returns realized on AUM to decrease;
- clients to withdraw funds in favor of products in markets that they perceive offer greater opportunity that BlackRock may not serve;
- clients to rebalance assets away from products that BlackRock manages into products that it may not manage;
- clients to rebalance assets away from products that earn higher fees into products with lower fees; and
- an impairment to the value of intangible assets and goodwill.

The occurrence of any of these events could result in lower investment advisory, administration and performance fees or earnings and cause the Company s stock price to decline.

Poor investment performance could lead to the loss of clients and a decline in revenues and earnings.

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 could reduce revenues and cause earnings to decline as a result of:

- existing clients withdrawing funds in favor of better performing products, which could result in lower investment advisory and administration fees;
- the diminishing ability to attract funds from existing and new clients;
- the Company earning minimal or no performance fees; and

an impairment to the value of intangible assets and goodwill.

The determination to provide support to particular products from time to time or provide securities lending indemnifications may reduce earnings or other investments in the business.

BlackRock may, at its option, from time to time support investment products through capital or credit support. Such support and indemnifications utilize capital that would otherwise be available for other corporate purposes. Losses or prohibitions on such support and indemnifications, or failure to have or devote sufficient capital to support products and securities lending, could have an adverse impact on revenues and earnings.

Changes in the value levels of the capital markets or other asset classes could lead to a decline in the value of investments that BlackRock owns.

At December 31, 2011, BlackRock s net economic investment exposure of approximately $1.1 billion in its investments (see Item 7A, Quantitative and Qualitative Disclosures About Market Risk) primarily resulted from co-investments and seed investments in its sponsored investment funds. A decline in the prices of equity or debt securities, or the value of real estate or other alternative investments within or outside the United States could lower the value of these investments and result in a decline of non-operating income and an increase in the volatility of BlackRock s earnings.

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Item 1A. RISK FACTORS (continued)

Continued capital losses on investments could have adverse income tax consequences.

The Company may generate realized and unrealized capital losses on seed investments and co-investments. Realized capital losses may be carried back three years and carried forward five years and offset against realized capital gains for federal income tax purposes. The Company has unrealized capital losses for which a deferred tax asset has been established. In the event such unrealized losses are realized, the Company may not be able to offset such losses within the carryback or carryforward period or from future realized capital gains, in which case the deferred tax asset will not be realized. The failure to utilize the deferred tax asset could materially increase BlackRock s income tax expense.

The soundness of other financial institutions could adversely affect BlackRock.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. BlackRock, and the products and accounts that it manages, have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, clearing organizations, mutual and hedge funds, and other institutional clients. Many of these transactions expose BlackRock or the funds and accounts that it manages to credit risk in the event of default of its counterparty or client. While BlackRock regularly conducts assessments of such risk posed by its counterparties, the risk of non-performance by such parties is subject to sudden swings in the financial and credit markets, including the effects of the European sovereign debt crisis and/or a collapse of the Eurozone financial system. There is no assurance that any such losses would not materially and adversely impact BlackRock s revenues and earnings.

The failure or negative performance of products of other financial institutions could lead to reduced AUM in similar products of BlackRock without regard to the performance of BlackRock s products.

The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products of BlackRock without regard to the performance of BlackRock s products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have a material adverse impact on the Company s AUM, revenues and earnings.

Loss of employees could lead to the loss of clients and a decline in revenues.

The ability to attract and retain quality personnel has contributed significantly to BlackRock s growth and success and is important to attracting and retaining clients. The market for qualified fund managers, investment analysts, financial advisers and other professionals is competitive. There can be no assurance that the Company will be successful in its efforts to recruit and retain required personnel. Loss of personnel could have a material adverse effect on the Company.

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

Separate account and commingled trust clients may terminate their investment management contracts with BlackRock or withdraw funds on short notice. The Company has, from time to time, lost separate accounts and could, in the future, lose accounts or significant AUM due to various circumstances such as adverse market conditions or poor performance.

Additionally, BlackRock manages its U.S. mutual funds, closed-end funds and exchanged-traded funds under management contracts with the funds that must be renewed and approved by the funds boards of directors annually. A majority of the directors of each such fund are independent from BlackRock. Consequently, there can be no assurance that the board of directors of each fund managed by the Company will approve the fund s management contract each year, or will not condition its approval on the terms of the management contract being revised in a way that is adverse to the Company**.**

Further, the governing agreements of many of the Company s private investment funds generally provide that, subject to certain conditions, investors in those funds, and in some cases independent directors of those funds, may remove BlackRock as the investment adviser, general partner or the equivalent of the fund or liquidate the fund without cause by a simple majority vote, resulting in a reduction in the management or performance fees as well as the total carried interest BlackRock could earn.

Failure to comply with client contractual requirements and/or guidelines could result in damage awards against BlackRock and loss of revenues due to client terminations.

When clients retain BlackRock to manage assets or provide products or services on their behalf, they typically specify guidelines or contractual requirements that the Company is required to observe in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to BlackRock s reputation or in its clients seeking to recover losses, withdrawing their AUM or terminating their contracts, any of which could cause the Company s revenues and earnings to decline.

Item 1A. RISK FACTORS (continued)

Competitive fee pressures could reduce revenues and profit margins.

The investment management industry, including the offering of exchange-traded funds, is highly competitive and has relatively low barriers to entry. To the extent that BlackRock is forced to compete on the basis of price, it may not be able to maintain its current fee structure. Fee reductions on existing or future new business could cause revenues and profit margins to decline.

Performance fees may increase revenue and earnings volatility.

A portion of the Company s revenues is derived from performance fees on investment and risk management advisory assignments. Performance fees represented $371 million, or 4%, of total revenue for the year ended December 31, 2011. In most cases, performance fees are based on relative or absolute investment returns, although in some cases they are based on achieving specific service standards. Generally, the Company is entitled to performance fees only if the returns on the related portfolios exceed agreed-upon periodic or cumulative return targets. If these targets are not exceeded, performance fees 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. Performance fees will vary from period to period in relation to volatility in investment returns and the timing of revenue recognition, causing earnings to be more volatile.

Additional acquisitions may decrease earnings and harm the Company s competitive position.

BlackRock employs a variety of strategies intended to enhance earnings and expand product offerings in order to improve profit margins. These strategies have included hiring smaller-sized investment teams and acquisitions of investment management businesses, such as the MLIM, Quellos and BGI Transactions. These strategies may not be effective, and failure to successfully develop and implement these strategies may decrease earnings and harm the Company s competitive position in the investment management industry. In the event BlackRock pursues additional acquisitions, it may not be able to find suitable businesses to acquire at acceptable prices, and it may not be able to successfully integrate or realize the intended benefits from such acquisitions.

Risks Related to BlackRock s Operations

Failure to maintain adequate infrastructure could impede BlackRock s productivity and growth.

The Company s infrastructure, including its technological capacity, data centers, and office space, is vital to the competitiveness of its business. The failure to maintain an adequate infrastructure commensurate with the size and scope of its business, including any expansion, could impede the Company s productivity and growth, which could cause the Company s earnings or stock price to decline. Additionally, the overall stability of the euro and the possible withdrawal of one or more individual Eurozone countries from the euro could pose operational risks to the Company or the funds and accounts that it manages as a result of the adverse impacts that such issues may have on the Company s trading, clearing, or counterparty relationships.

Failure to maintain adequate business continuity plans could have a material adverse impact on BlackRock and its products.

A significant portion of BlackRock s critical business operations is concentrated in a few geographic areas, including San Francisco, California, New York, New York and London, England. A major earthquake, fire, terrorist or other catastrophic event could result in disruption to the business. The failure of the Company to maintain updated adequate business continuity plans, including secure backup facilities, systems and personnel could impede the Company s ability to operate upon a disruption, which could cause the Company s earnings or stock price to decline.

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

As a result of BlackRock s extensive international business activities, the Company faces increased operational, regulatory, reputational and foreign exchange rate risks. The failure of the Company s systems of internal control to properly mitigate such additional risks, or of its operating infrastructure to support such international activities, could result in operational failures and regulatory fines or sanctions, which could cause the Company s earnings or stock price to decline.

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Item 1A. RISK FACTORS (continued)

Failure to maintain a technological advantage could lead to a loss of clients and a decline in revenues.

A key element to BlackRock s continued success is the ability to maintain a technological advantage in providing the sophisticated risk analytics incorporated into BlackRock s *Aladdin* technology platform that support investment advisory and BRS clients. Moreover, the Company s technological and software advantage is dependent on a number of third parties who provide various types of data and software. The failure of these third parties to provide such data or software could result in operational difficulties and adversely impact BlackRock s ability to provide services to its investment advisory and BRS clients. There can be no assurance that the Company will be able to maintain this technological advantage or be able to effectively protect and enforce its intellectual property rights in these systems and processes.

Failure to implement effective information and cyber security policies, procedures and capabilities could disrupt operations and cause financial losses that could result in a decrease in BlackRock s earnings or stock price.

BlackRock is dependent on the effectiveness of its information and cyber security policies, procedures and capabilities 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 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 and could result in material financial loss, loss of competitive position, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in the Company s earnings or stock price.

The failure of a key vendor to BlackRock to fulfill its obligations could have a material adverse effect on BlackRock and its products.

BlackRock depends on a number of key vendors for various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure or inability of BlackRock to diversify its sources for key services or the failure of any key vendors to fulfill their obligations could lead to operational issues for the Company and in certain products, which could result in financial losses for the Company and its clients.

Failure to manage risks in operating BlackRock s securities lending program for clients could lead to a loss of clients and a decline in revenues and liquidity.

The size of BlackRock s securities lending programs increased significantly with the completion of the BGI Transaction. As part of these programs, BlackRock must manage risks associated with (i) ensuring that the value of the collateral held against the securities on loan does not decline in value or become illiquid and that its nature and value complies with regulatory requirements and investment requirements; (ii) the potential that a borrower defaults or does not return a loaned security on a timely basis; and (iii) errors in the settlement of securities, daily mark-to-market valuations and collateral collection. The failure of the Company s controls to mitigate these risks could result in financial losses for the Company s clients that participate in its securities lending programs as well as for the Company.

Risks Related to Relationships with Bank of America/Merrill Lynch, PNC, Barclays and Other Institutional Investors

Merrill Lynch is an important distributor of BlackRock s products, and the Company is, therefore, subject to risks associated with the business of Merrill Lynch.

Under a global distribution agreement entered into with Merrill Lynch, Merrill Lynch provides distribution, portfolio administration and servicing for certain BlackRock investment management products and services through its various distribution channels. The Company may not be successful in distributing products through Merrill Lynch or in distributing its products and services through other third-party distributors. If BlackRock is unable to distribute its products and services successfully or if it experiences an increase in distribution-related costs, BlackRock s business, results of operations or financial condition may be materially and adversely affected.

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Item 1A. RISK FACTORS (continued)

Loss of market share within Merrill Lynch s Global Wealth & Investment Management business could harm operating results.

A significant portion of BlackRock s revenue has historically come from AUM generated by Merrill Lynch s Global Wealth & Investment Management (GWIM) business. BlackRock s ability to maintain a strong relationship within GWIM is material to the Company s future performance. If one of the Company s competitors gains significant additional market share within the GWIM retail channel at the expense of BlackRock, then BlackRock s business, results of operations or financial condition may be negatively impacted.

The failure of Barclays to fulfill its commitments, or the inadequacy of the support provided, under certain capital support agreements in favor of a number of cash management funds acquired in the BGI Transaction, could negatively impact such funds and BlackRock.

Barclays has provided capital support agreements through December 2013, or until certain criteria are met, to support certain cash management products, which were acquired by BlackRock in the BGI Transaction. The failure of Barclays to fulfill its obligations under these agreements, or the inadequacy of the support provided, could cause our clients to suffer losses and BlackRock to suffer reputational and other adverse impacts. For a discussion on the capital support agreements see Management, Discussion and Analysis Liquidity and Capital Resources Barclays Support of Certain Cash Funds.

PNC and Barclays have each agreed to vote as stockholders 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 and Barclays.

PNC and Barclays have agreed to vote all of their voting shares in accordance with the recommendation of BlackRock s Board of Directors in accordance with the provisions of their respective stockholder agreements with BlackRock. As a consequence, if the shares held by PNC and Barclays 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 determinations 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. At December 31, 2011, PNC and Barclays owned approximately 24.0% and 2.2%, respectively, of BlackRock s voting common stock.

A large portion of BlackRock s capital stock is held by a small group of significant shareholders. Future sales of our common stock in the public market by the Company or its large stockholders could adversely affect the trading price of our common stock.

As of December 31, 2011, PNC and Barclays owned 21.0% and 19.7% of the Company s capital stock, respectively. The Company has entered into registration rights agreements with PNC and Barclays as well as the institutional investors who purchased shares of BlackRock capital stock in connection with the BGI Transaction. The registration rights agreements, which include customary piggyback registration provisions, may continue to allow the respective stockholders to cause us to file one or more registration statements for the resale of their respective shares of capital stock and cooperate in certain underwritten offerings. Sales by us or our large stockholders of a substantial number of shares of our common stock in the public market pursuant to registration rights or otherwise, or the perception that these sales might occur, could cause the market price of our common stock to decline.

Legal and Regulatory Risks

BlackRock is subject to extensive regulation in the United States and internationally.

BlackRock s business is subject to extensive regulation in the United States and around the world. See the discussion under the heading Business Regulation. Violation of applicable laws or regulations could result in fines, temporary or permanent prohibition of the engagement in certain activities, reputational harm and related client terminations, suspensions of personnel or revocation of their licenses, suspension or termination of investment adviser or broker-dealer registrations, or other sanctions, which could have a material adverse effect on BlackRock s reputation, business, results of operations or financial condition and cause the Company s earnings or stock price to decline.

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Item 1A. RISK FACTORS (continued)

BlackRock may be adversely impacted by legal and regulatory changes in the United States and internationally.

As previously mentioned, on July 21, 2010, the DFA was signed into law in the United States. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be implemented. The adoption of these regulations and decisions will in large measure determine the impact of the DFA on BlackRock.

The DFA and its regulations, and other new laws or regulations, or changes in enforcement of existing laws or regulations in the United States or internationally, could adversely impact the scope or profitability of BlackRock s business activities, could require BlackRock to change certain business practices and could expose BlackRock to additional costs (including compliance and tax costs) and liabilities, as well as reputational harm. Regulatory changes could also lead to business disruptions, could adversely impact the value of assets in which BlackRock has invested on behalf of clients and/or via seed or co-investments, and, to the extent the regulations strictly control the activities of financial services firms, could make it more difficult for BlackRock to conduct certain business activities or distinguish itself from competitors.

Failure to comply with the Advisers Act and the Investment Company Act and related regulations could result in substantial harm to BlackRock s reputation and results of operations.

Certain BlackRock subsidiaries are registered with the SEC under the Advisers Act and BlackRock s U.S. mutual funds and exchange-traded funds are registered with the SEC under the Investment Company Act. The Advisers Act imposes numerous obligations and fiduciary duties on registered investment advisers, including record-keeping, operating and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational and compliance requirements, on investment advisers to registered investment companies. The failure of any of the relevant subsidiaries to comply with the Advisers Act or the Investment Company Act could cause the SEC to institute proceedings and impose sanctions for violations of either of these acts, including censure, termination of an investment adviser s registration or prohibition to serve as adviser to SEC-registered funds, and could lead to litigation by investors in those funds or harm to the Company s reputation, any of which could cause its earnings or stock price to decline.

Failure to comply with ERISA regulations could result in penalties and cause the Company s earnings or stock price to decline.

Certain BlackRock subsidiaries are subject to ERISA and to regulations promulgated thereunder, insofar as they act as a fiduciary under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose duties on persons who are fiduciaries under ERISA, prohibit specified transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. The failure of any of the relevant subsidiaries to comply with these requirements could result in significant penalties that could reduce the Company s earnings or cause its stock price to decline.

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

Because the total equity ownership interest of PNC in BlackRock exceeds certain thresholds, BlackRock is deemed to be a non-bank subsidiary of PNC, which is regulated as a financial holding company under the Bank Holding Company Act of 1956, as amended. As a non-bank subsidiary of PNC, BlackRock is subject to banking regulation, including the supervision and regulation of the Federal Reserve. Such banking regulation limits the activities and the types of businesses that BlackRock may conduct. The Federal Reserve has broad enforcement authority over BlackRock, including the power to prohibit BlackRock from conducting any activity that, in the Federal Reserve s opinion, is unauthorized or constitutes an unsafe or unsound practice in conducting BlackRock s business, and to impose substantial fines and other penalties for violations. 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 is subject to regulation by the OCC, and is subject to capital requirements established by the OCC. The OCC has broad enforcement authority over BlackRock s trust bank subsidiary. Also, provisions of the DFA referred to as the Volcker Rule could, to the extent the final Volcker Rule is determined to apply to BlackRock s activities, affect the method by which BlackRock invests in and operates its investment funds, including private equity funds, hedge funds and fund of funds platforms. Being subject to banking regulation, including potentially the Volcker Rule, may put BlackRock at a competitive disadvantage because most of its competitors are not subject to these limitations.

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Item 1A. RISK FACTORS (continued)

Failure to comply with laws and regulations in the United Kingdom, other member states of the European Union, Hong Kong, Japan, Australia and other non-U.S. jurisdictions in which BlackRock operates could result in substantial harm to BlackRock s reputation and results of operations.

The FSA regulates BlackRock s subsidiaries in the United Kingdom. Authorization by the FSA is required to conduct any financial services-related business in the United Kingdom under the Financial Services and Markets Act 2000. The FSA s rules made under that Act govern a firm s capital resources requirements, senior management arrangements, conduct of business, interaction with clients and systems and controls. Breaches of these rules may result in a wide range of disciplinary actions against the Company s U.K.-regulated subsidiaries.

In addition, these subsidiaries, and other European subsidiaries, branches or representative offices, must comply with the pan-European regime established by the Markets in Financial Instruments Directive (MiFID), which regulates the provision of investment services and activities throughout the EEA, as well as the Capital Requirements Directive, which delineates regulatory capital requirements. As discussed under Business-Regulation, in the aftermath of the financial crisis the European Commission set out a detailed plan to complete the EU s financial reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations. The Alternative Investment Fund Managers Directive (AIFMD), which became effective on July 21, 2011, must be implemented by EU member states by July 22, 2012. Compliance with the AIFMD s requirements may restrict alternative investment funds marketing and place additional compliance obligations in the form of remuneration policies, capital requirements, leverage oversight, valuation, stakes in EU companies, the domicile of custodians and liquidity management. UCITS IV was required to be adopted in the national law of each EU member state by July 1, 2011. UCITS IV was adopted into national law by the United Kingdom prior to the deadline but several other EU member states are still in various stages of the adoption process. There are also European Commission consultations in process that are intended to improve retail investor protection including UCITS V, which addresses, among other items, custodial liability. Recent proposals on packaged retail investment products (PRIPs) are to be implemented through the strengthening of MiFID standards (for non-insurance PRIPs), revisions to the Insurance Mediation Directive s selling standard (for all insurance-based PRIPs) and new investor disclosure requirements for all PRIPs through a separate EU legislative process. In the United Kingdom, the Bribery Act 2010 came into force in July 2011 and has required the implementation of additional procedures on the Company s U.K.-regulated subsidiaries. In addition, a retail distribution review initiated by the FSA is expected to change how investment advice is paid for in the United Kingdom for all investment products. Final retail distribution rules were published in 2011, with implementation to occur at the end of 2012. In a similar area, a further European Commission proposal (the European Market Infrastructure Regulation (EMIR)), when implemented, will require the central clearing of standardized OTC derivatives.

In Japan, certain BlackRock subsidiaries are subject to the Financial Instruments and Exchange Law (the FIEL) and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the 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.

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 (the ASIC) and the Australian Prudential Regulation Authority. The ASIC regulates companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. Failure to comply with applicable law and regulations could result in the cancellation, suspension or variation of the relevant subsidiaries licenses in Australia.

The activities of certain BlackRock subsidiaries in Hong Kong are subject to the Securities and Futures Ordinance (the 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 (the SFC). The SFC is also empowered under the SFO 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 from time to time. 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.

There are similar legal and regulatory arrangements in force in many other non-U.S. jurisdictions where BlackRock s subsidiaries conduct business or where the funds and products it manages are organized. Failure to comply with laws and regulations in any of these jurisdictions could result in substantial harm to BlackRock s reputation and results of operation.

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Item 1A. RISK FACTORS (continued)

Legal proceedings could adversely affect operating results, financial condition and cash flows for a particular period.

Many aspects of BlackRock s business involve substantial risks of legal liability. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with BlackRock s activities. 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. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which could potentially harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

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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 regulatory authorities in connection with certain industry-wide, company-specific or other investigations or proceedings. It is BlackRock s policy to fully cooperate with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock s activities. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which could potentially harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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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, 2012, there were 375 common stockholders of record. Common stockholders include institutional or omnibus accounts that hold common stock for multiple 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 Price Ranges		Closing	Cash Dividend
	High	Low	Price	Declared
2011				
First Quarter	$ 209.77	$ 179.52	$ 201.01	$ 1.375
Second Quarter	$ 207.42	$ 183.51	$ 191.81	$ 1.375
Third Quarter	$ 199.10	$ 140.22	$ 148.01	$ 1.375
Fourth Quarter	$ 179.77	$ 137.00	$ 178.24	$ 1.375
2010				
First Quarter	$ 243.80	$ 200.56	$ 217.76	$ 1.00
Second Quarter	$ 212.27	$ 143.01	$ 143.40	$ 1.00
Third Quarter	$ 172.87	$ 138.42	$ 170.25	$ 1.00
Fourth Quarter	$ 193.74	$ 161.53	$ 190.58	$ 1.00

BlackRock s closing common stock price as of February 27, 2012 was $197.71.

Dividends

On February 23, 2012, the Board of Directors approved BlackRock s quarterly dividend of $1.50 to be paid on March 23, 2012 to stockholders of record on March 7, 2012.

Barclays and PNC and their respective affiliates along with other institutional investors that hold non-voting participating preferred stock receive dividends on these shares, which are equivalent to the dividends received by common stockholders.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2011, 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, 2011 through October 31, 2011	6,065[2]	$ 161.33		4,203,898
November 1, 2011 through November 30, 2011	537,395[2]	$ 160.85	537,000	3,666,898
December 1, 2011 through December 31, 2011	85,120[2]	$ 168.95	81,000	3,585,898

Total	628,580	$ 161.95	618,000

(1) In July 2010, the Company announced a 5.1 million share repurchase program with no stated expiration date. In February 2012, the Board of Directors approved an increase in the availability under the Company s existing share repurchase program to allow for the repurchase of up to 5.0 million shares of BlackRock common stock.

(2) Includes purchases made by the Company primarily to satisfy income tax withholding obligations of employees and members of our 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.

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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. Prior year data reflects certain reclassifications to conform to the current year presentation.

	Year ended December 31,				
(Dollar amounts in millions, except per share data)	**2011**	**2010[(1)]**	**2009**	**2008**	**2007**
Income statement data:					
Related parties[(2)]	$ 5,431	$ 5,025	$ 2,716	$ 3,006	$ 2,663
Other third parties	3,650	3,587	1,984	2,058	2,182
Total revenue	9,081	8,612	4,700	5,064	4,845
Expenses					
Restructuring charges	32		22	38	
Termination of closed-end fund administration and servicing arrangements					128
Other operating expenses	5,800	5,614	3,400	3,433	3,423
Total expenses	5,832	5,614	3,422	3,471	3,551
Operating income	3,249	2,998	1,278	1,593	1,294
Total non-operating income (expense)	(114)	23	(6)	(577)	526
Income before income taxes	3,135	3,021	1,272	1,016	1,820
Income tax expense	796	971	375	387	463
Net income	2,339	2,050	897	629	1,357
Less: Net income (loss) attributable to non-controlling interests	2	(13)	22	(155)	364
Net income attributable to BlackRock, Inc.	$ 2,337	$ 2,063	$ 875	$ 784	$ 993
Per share data:[(3)]					
Basic earnings	$ 12.56	$ 10.67	$ 6.24	$ 5.86	$ 7.53
Diluted earnings	$ 12.37	$ 10.55	$ 6.11	$ 5.78	$ 7.37
Book value[(4)]	$ 140.07	$ 136.09	$ 128.86	$ 92.91	$ 90.16
Common and preferred cash dividends	$ 5.50	$ 4.00	$ 3.12	$ 3.12	$ 2.68

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(Dollar amounts in millions)	2011	2010	December 31, 2009[1]	2008	2007
Balance sheet data:					
Cash and cash equivalents	$ 3,506	$ 3,367	$ 4,708	$ 2,032	$ 1,656
Goodwill and intangible assets, net	30,148	30,317	30,346	11,974	12,073
Total assets[5]	179,896	178,459	178,124	19,924	22,561
Less:					
Separate account assets[6]	*118,871*	*121,137*	*119,629*	*2,623*	*4,670*
Collateral held under securities lending agreements[6]	*20,918*	*17,638*	*19,335*		
Consolidated investment vehicles[7]	*2,006*	*1,610*	*282*	*502*	*805*
Adjusted total assets	$ 38,101	$ 38,074	$ 38,878	$ 16,799	$ 17,086
Short-term borrowings	$ 100	$ 100	$ 2,234	$ 200	$ 300
Convertible debentures		67	243	245	242
Long-term borrowings	4,690	3,192	3,191	697	697
Total borrowings	$ 4,790	$ 3,359	$ 5,668	$ 1,142	$ 1,239
Total stockholders equity	$ 25,048	$ 26,094	$ 24,329	$ 12,069	$ 11,601

(Dollar amounts in millions)	2011	2010	December 31, 2009[1]	2008	2007
Assets under management:					
Equity:					
Active	$ 275,156	$ 334,532	$ 348,574	$ 152,216	$ 291,324
Institutional index	865,299	911,775	806,082	51,076	71,381
iShares	419,651	448,160	381,399		
Fixed income:					
Active	614,804	592,303	595,580	477,492	506,265
Institutional index	479,116	425,930	357,557	3,873	3,942
iShares	153,802	123,091	102,490		
Multi-asset class	225,170	185,587	142,029	77,516	98,623
Alternatives[8]:					
Core	63,647	63,603	66,058	60,954	70,884
Currency and commodities	41,301	46,135	36,043	590	887
Long-term	3,137,946	3,131,116	2,835,812	823,717	1,043,306
Cash management	254,665	279,175	349,277	338,439	313,338
Sub-total	3,392,611	3,410,291	3,185,089	1,162,156	1,356,644
Advisory[9]	120,070	150,677	161,167	144,995	
Total	$ 3,512,681	$ 3,560,968	$ 3,346,256	$ 1,307,151	$ 1,356,644

(1) Significant increases in 2009 (for balance sheet data and AUM) and 2010 (for income statement data) were primarily the result of the BGI Transaction which closed on December 1, 2009.

(2) 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 15 to the consolidated financial statements for more information on related parties.

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

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

(5) 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.

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

(7) Includes assets held by consolidated variable interest entities and consolidated sponsored investments funds.

(8) Data reflects the reclassification of prior period AUM to the current period presentation.

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

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

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

In addition to risk factors previously disclosed in BlackRock s Securities and Exchange Commission (SEC) reports and those identified elsewhere in this report the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (3) the relative and absolute investment performance of BlackRock s investment products; (4) the impact of increased competition; (5) the impact of 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 and information 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, Barclays Bank PLC (Barclays) 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 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 (16) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

Overview

BlackRock, Inc. (BlackRock or the Company) is the world s largest publicly-traded investment management firm. As of December 31, 2011, the Company managed $3.513 trillion of assets under management (AUM) on behalf of institutional and individual investors worldwide. The Company provides a wide array of passively and actively managed products, including various equities, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds and funds of funds. In addition, *BlackRock Solutions* provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation of illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

As of December 31, 2011, equity ownership of BlackRock was as follows:

	Voting Common Stock	Capital Stock(1)
PNC	24.0%	21.0%
Barclays	2.2%	19.7%
Other	73.8%	59.3%
	100.0%	100.0%

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

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Overview (continued)

Financial Highlights

(Dollar amounts in millions, except per share data)

	Year ended December 31,			Variance			
				2011 vs. 2010		2010 vs. 2009	
	2011	2010	2009	Amount	%	Amount	%
GAAP basis:							
Total revenue	$ 9,081	$ 8,612	$ 4,700	$ 469	5%	$ 3,912	83%
Total expenses	$ 5,832	$ 5,614	$ 3,422	$ 218	4%	$ 2,192	64%
Operating income	$ 3,249	$ 2,998	$ 1,278	$ 251	8%	$ 1,720	135%
Operating margin	35.8%	34.8%	27.2%	1.0%	3%	7.6%	28%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests	$ (116)	$ 36	$ (28)	$ (152)	*	$ 64	*
Net income attributable to BlackRock, Inc.	$ 2,337	$ 2,063	$ 875	$ 274	13%	$ 1,188	136%
Diluted earnings per common share [e]	$ 12.37	$ 10.55	$ 6.11	$ 1.82	17%	$ 4.44	73%
Effective tax rate	25.4%	32.0%	30.0%	(6.6%)	(21%)	2.0%	7%
As adjusted:							
Operating income [a]	$ 3,392	$ 3,167	$ 1,570	$ 225	7%	$ 1,597	102%
Operating margin [a]	39.7%	39.3%	38.2%	0.4%	1%	1.1%	3%
Non-operating income (expense), less net income (loss) attributable to non-controlling interests [b]	$ (113)	$ 25	$ (46)	$ (138)	*	$ 71	*
Net income attributable to BlackRock, Inc.[c], [d]	$ 2,239	$ 2,139	$ 1,021	$ 100	5%	$ 1,118	110%
Diluted earnings per common share [c], [d], [e]	$ 11.85	$ 10.94	$ 7.13	$ 0.91	8%	$ 3.81	53%
Effective tax rate	31.7%	33.0%	33.0%	(1.3%)	(4%)	%	%
Other:							
Assets under management (end of period)	$ 3,512,681	$ 3,560,968	$ 3,346,256	$ (48,287)	(1%)	$ 214,712	6%
Diluted weighted-average common shares outstanding [e]	187,116,410	192,692,047	139,481,449	(5,575,637)	(3%)	53,210,598	38%
Shares outstanding (end of period)	178,309,109	191,191,553	188,806,296	(12,882,444)	(7%)	2,385,257	1%
Book value per share **	$ 140.07	$ 136.09	$ 128.86	$ 3.98	3%	$ 7.23	6%
Cash dividends declared and paid per share	$ 5.50	$ 4.00	$ 3.12	$ 1.50	38%	$ 0.88	28%

* *Not applicable*.

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

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Overview (continued)

Financial Highlights

(continued)

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

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

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

Operating income, as adjusted, equals operating income, GAAP basis, excluding certain items management deems non-recurring, or transactions that ultimately will not impact BlackRock s book value, as indicated in the table below. Operating income used for operating margin measurement equals operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Operating margin, as adjusted, equals operating income used for operating margin measurement, divided by revenue used for operating margin measurement, as indicated in the table below.

	Year ended December 31,		
(Dollar amounts in millions)	**2011**	**2010**	**2009**
Operating income, GAAP basis	$ 3,249	$ 2,998	$ 1,278
Non-GAAP expense adjustments:			
BGI transaction/integration costs			
Employee compensation and benefits		25	60
General and administration		65	123
Total BGI transaction/integration costs		90	183
UK lease exit costs	63		
Restructuring charges	32		22
PNC LTIP funding obligation	44	58	59
Merrill Lynch compensation contribution	7	10	10
Compensation expense related to appreciation (depreciation) on deferred compensation plans	(3)	11	18
Operating income, as adjusted	**3,392**	**3,167**	**1,570**
Closed-end fund launch costs	26	15	2
Closed-end fund launch commissions	3	2	1
Operating income used for operating margin measurement	$ 3,421	$ 3,184	$ 1,573
Revenue, GAAP basis	$ 9,081	$ 8,612	$ 4,700
Non-GAAP adjustments:			
Distribution and servicing costs	(386)	(408)	(477)
Amortization of deferred sales commissions	(81)	(102)	(100)

Revenue used for operating margin measurement	$ 8,614	$ 8,102	$ 4,123
Operating margin, GAAP basis	**35.8%**	**34.8%**	**27.2%**
Operating margin, as adjusted	**39.7%**	**39.3%**	**38.2%**

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.

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Overview (continued)

Financial Highlights

(continued)

Operating income, as adjusted:

BGI transaction and integration costs consisted principally of compensation expense, legal fees, marketing and promotional, occupancy and consulting expenses incurred in conjunction with the BGI acquisition from Barclays. Restructuring charges recorded in 2011 and 2009 consisted of compensation costs and professional fees. Restructuring charges in 2009 also included occupancy costs. UK lease exit costs represent costs to exit two locations in London in the third quarter 2011.

The portion of compensation expense associated with certain long-term incentive plans (LTIP) that has been or will be funded through distributions to participants of shares of BlackRock stock held by PNC and a Merrill Lynch cash compensation contribution, a portion of which has been received, has been excluded because these charges ultimately do not impact BlackRock s book value. The expense related to the Merrill Lynch cash compensation contribution ceased at the end of the third quarter 2011.

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 non-operating income (expense).

Management believes operating income exclusive of these costs is a useful measure in evaluating BlackRock s operating performance and helps enhance the comparability of this information for the reporting periods presented.

Operating margin, as adjusted:

Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Management believes the exclusion of such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company s results until future periods.

Operating margin, as adjusted, allows the Company to compare performance from period-to-period by adjusting for items that may not recur, recur infrequently or may have an economic offset in non-operating income., Examples of such adjustments include restructuring charges, BGI transaction and integration costs, UK lease exit costs, closed-end fund launch costs, commissions paid to certain employees as compensation and fluctuations in compensation expense based on mark-to-market movements in investments held to fund certain compensation plans. The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance with other companies. Management uses both the GAAP and non-GAAP financial measures in evaluating the financial performance of BlackRock. The non-GAAP measure by itself may pose limitations because it does not include all of the Company s revenues and expenses.

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, offset distribution fee revenue earned by the Company. BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to each of these items as a proxy for such offsetting revenues.

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Overview (continued)

Financial Highlights

(continued)

(b) Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted:
Non-operating income (expense), less net income (loss) attributable to non-controlling interests (NCI), as adjusted, equals non-operating income (expense), GAAP basis, less net income (loss) attributable to NCI, GAAP basis, 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 non-operating 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 non-operating income (expense), GAAP basis.

(Dollar amounts in millions)	2011	Year ended December 31, 2010	2009
Non-operating income (expense), GAAP basis	$ (114)	$ 23	$ (6)
Less: Net income (loss) attributable to NCI	2	(13)	22
Non-operating income (expense) [1]	(116)	36	(28)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	3	(11)	(18)
Non-operating income (expense), less net income (loss) attributable to NCI, as adjusted	$ (113)	$ 25	$ (46)

(1) Net of net income (loss) attributable to non-controlling interests.

Management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides comparability of this information among reporting periods and is an effective measure for reviewing BlackRock s non-operating contribution to its results. As compensation expense associated with (appreciation) depreciation on investments related to certain deferred compensation plans, which is included in operating income, substantially offsets the gain (loss) on the investments set aside for these plans, management believes non-operating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock s non-operating results that impact book value.

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Overview (continued)

Financial Highlights

(continued)

(c) Net income attributable to BlackRock, Inc., as adjusted:
Management believes net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted, are useful measures of BlackRock s profitability and financial performance. Net income attributable to BlackRock, Inc., as adjusted, equals net income attributable to BlackRock, Inc., GAAP basis, adjusted for significant non-recurring items, charges that ultimately will not impact BlackRock s book value or certain tax items that do not impact cash flow.

	Year ended December 31,		
(Dollar amounts in millions, except per share data)	**2011**	**2010**	**2009**
Net income attributable to BlackRock, Inc., GAAP basis	$ 2,337	$ 2,063	$ 875
Non-GAAP adjustments, net of tax: [d]			
BGI transaction/integration costs		59	129
UK lease exit costs	43		
Restructuring charges	22		14
PNC LTIP funding obligation	30	40	41
Merrill Lynch compensation contribution	5	7	7
Income tax law changes/election	(198)	(30)	(45)
Net income attributable to BlackRock, Inc., as adjusted	$ 2,239	$ 2,139	$ 1,021
Allocation of net income attributable to BlackRock, Inc., as adjusted:			
Common shares [e]	$ 2,218	$ 2,109	$ 995
Participating restricted stock units	21	30	26
Net income attributable to BlackRock, Inc., as adjusted	$ 2,239	$ 2,139	$ 1,021
Diluted weighted-average common shares outstanding [e]	187,116,410	192,692,047	139,481,449
Diluted earnings per common share, GAAP basis [e]	$ 12.37	$ 10.55	$ 6.11
Diluted earnings per common share, as adjusted [e]	$ 11.85	$ 10.94	$ 7.13

See note (a) Operating income, as adjusted, and operating margin, as adjusted, for information on BGI transaction/integration costs, UK lease exit costs, PNC LTIP funding obligation, Merrill Lynch compensation contribution and restructuring charges.

During the years ended December 31, 2011, 2010 and 2009, adjustments primarily related to a state tax election and certain enacted UK, Japan, US state and local tax legislation, which resulted in the re-measurement of certain deferred income tax liabilities primarily related to acquired indefinite-lived intangible assets. The resulting increase or decrease in income taxes has been excluded from net income attributable to BlackRock, Inc., as adjusted, as these items will not have a cash flow impact and to ensure comparability for periods presented.

(d)

For the years ended December 31, 2011, 2010 and 2009 non-GAAP adjustments were tax effected at 31.8%, 33% and 30%, respectively, which reflects the blended rate applicable to the adjustments.

(e) Non-voting participating preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations. Certain unvested restricted stock units are not included in this number as they are deemed participating securities in accordance with required provisions of Accounting Standards Codification 260-10, *Earnings per Share*. For the years ended December 31, 2011, 2010 and 2009 average outstanding participating securities were 1.8 million, 2.8 million and 3.8 million, respectively.

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Overview (continued)

Financial Highlights

(continued)

BlackRock has portfolio managers located around the world, including the United States, the United Kingdom, the Netherlands, Japan, Hong Kong, Singapore, Australia and Germany. The Company provides a wide array of products, including passively and actively managed equities, fixed income, multi-asset class, cash management and alternatives. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds, and funds of funds. BlackRock provides global advisory services for private investment funds and retail products. The Company s non-U.S. investment funds are based in a number of domiciles and cover a range of asset classes, including equities, fixed income, cash management and alternatives.

In the United States retail offerings include various open-end and closed-end funds, including *iShares*, the global product leader in exchange-traded products for institutional, retail and high net worth investors. There are 504 *iShares* products globally across equities, fixed income and commodities, which trade like common stocks on 20 exchanges worldwide. *iShares* AUM totaled $593.4 billion at December 31, 2011. The BlackRock Global Funds, the Company s primary retail fund group offered outside the United States, are authorized for distribution in 35 jurisdictions worldwide. Additional fund offerings include structured products, real estate funds, hedge funds, hedge funds of funds, private equity funds and funds of funds, managed futures funds and exchange funds. These products are sold to both U.S. and non-U.S. high net worth, retail and institutional investors in a wide variety of active and passive strategies covering both equity and fixed income assets.

BlackRock s client base consists of financial institutions and other corporate clients, pension plans, charities, official institutions, such as central banks, sovereign wealth funds, supranational authorities and other government entities, high net worth individuals and retail investors around the world. BlackRock maintains a significant sales and marketing presence both inside and outside the United States that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to investors directly and through financial professionals, pension consultants and establishing third-party distribution relationships. BlackRock also distributes its products and services through Merrill Lynch under a global distribution agreement in effect until January 2014. After such term, the agreement will renew for one automatic three-year extension if certain conditions are met.

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 pre-determined 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 subscriptions or redemptions. Net subscriptions or redemptions 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 converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

BlackRock also earns revenue by lending securities on behalf of clients, primarily to brokerage institutions. The securities loaned are secured by collateral in the form of cash or securities, with minimums generally ranging from approximately 102% to 112% of the value of the loaned securities. The revenue earned is shared between BlackRock and the funds or other third-party accounts managed by the Company from which the securities are borrowed.

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. Historically, the magnitude of performance fees in the third and fourth quarters generally exceeds the first two calendar quarters in a year due to the greater number of products with performance measurement periods that end on either September 30 or December 31.

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Overview (continued)

Financial Highlights

(continued)

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. Approximately $10 trillion of positions are processed on the Company s *Aladdin* operating platform, which 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) fixed fees, (ii) percentages of various attributes of advisory AUM or value of positions on the *Aladdin* platform 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 comprised of commissions from acting as an introducing broker-dealer in 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.

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

Employee compensation and benefits expense includes salaries, commissions, temporary help, deferred and incentive compensation, employer payroll taxes 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 expenses primarily consist of third party non-advisory expenses 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 expenses, audit and tax services as well as other fund related expenses directly attributable to the non-advisory 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 expenses include marketing and promotional, occupancy and office-related costs, portfolio services (including clearing expenses related to transition management services), technology, professional services, communications, closed-end fund launch costs and other general and administration expenses, including foreign currency remeasurement costs.

Non-operating 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, distressed credit/mortgage debt securities, hedge funds and real estate. Investments generally are made for co-investment purposes, to establish a performance track record, to hedge exposure to certain deferred compensation plans, or for regulatory purposes, including Federal Reserve Bank stock. BlackRock does not engage in proprietary trading or other investment activities that could conflict with the interests of its clients.

In addition, non-operating income (expense) includes the impact of changes in the valuations of consolidated sponsored investment funds and consolidated collateralized loan obligations. The portion of non-operating income (expense) not attributable to BlackRock is allocated to non-controlling interests on the consolidated statements of income.

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Assets Under Management

AUM for reporting purposes is generally 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.

(Dollar amounts in millions)	December 31, 2011	2010	2009	Variance 2011 vs. 2010	2010 vs. 2009
Equity:					
Active	$ 275,156	$ 334,532	$ 348,574	(18%)	(4%)
Institutional index	865,299	911,775	806,082	(5%)	13%
iShares	419,651	448,160	381,399	(6%)	18%
Fixed income:					
Active	614,804	592,303	595,580	4%	(1%)
Institutional index	479,116	425,930	357,557	12%	19%
iShares	153,802	123,091	102,490	25%	20%
Multi-asset class	225,170	185,587	142,029	21%	31%
Alternatives(1):					
Core	63,647	63,603	66,058	%	(4%)
Currency and commodities	41,301	46,135	36,043	(10%)	28%
Long-term	3,137,946	3,131,116	2,835,812	%	10%
Cash management	254,665	279,175	349,277	(9%)	(20%)
Sub-total	3,392,611	3,410,291	3,185,089	(1%)	7%
Advisory (2)	120,070	150,677	161,167	(20%)	(7%)
Total	$ 3,512,681	$ 3,560,968	$ 3,346,256	(1%)	6%

Mix of Assets Under Management - by Asset Class

	December 31, 2011	2010	2009
Equity:			
Active	8%	9%	10%
Institutional index	25%	26%	25%
iShares	12%	13%	11%
Fixed income:			
Active	18%	17%	18%
Institutional index	14%	12%	11%
iShares	4%	3%	3%
Multi-asset class	6%	5%	4%
Alternatives(1):			
Core	2%	2%	2%
Currency and commodities	1%	1%	1%
Long-term	90%	88%	85%
Cash management	7%	8%	10%
Sub-total	97%	96%	95%
Advisory(2)	3%	4%	5%

Total	100%	100%	100%

[(1)] Data reflects the reclassification of prior period AUM into the current period presentation.
[(2)] Advisory AUM represents long-term portfolio liquidation assignments.

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Assets Under Management (continued)

The following table presents the component changes in BlackRock s AUM for the years ended December 31, 2011, 2010 and 2009.

(Dollar amounts in millions)	2011	Year ended December 31, 2010	2009
Beginning assets under management	$ 3,560,968	$ 3,346,256	$ 1,307,151
Net subscriptions/(redemptions) [1]			
Long-term	67,349	131,206	84,436
Cash management	(22,899)	(61,424)	(49,122)
Advisory [2]	(29,903)	(12,021)	11,642
Total net subscriptions/(redemptions)	14,547	57,761	46,956
BGI merger-related outflows [3]	(28,251)	(120,969)	(2,894)
Acquisitions [4]		(6,160)	1,850,252
Market appreciation/(depreciation)	(27,513)	266,981	143,706
Foreign exchange [5]	(7,070)	17,099	1,085
Total change	(48,287)	214,712	2,039,105
Ending assets under management	$ 3,512,681	$ 3,560,968	$ 3,346,256

(1) Amounts include planned distributions representing return of capital and return on investment to investors.

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

(3) Amounts include outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.

(4) Amounts include AUM acquired from Barclays in December 2009 and R3 Capital Management, LLC in April 2009, and BGI acquisition adjustments in 2010.

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

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Assets Under Management (continued)

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

The following table presents the component changes in BlackRock s AUM for the year ended December 31, 2011.

(Dollar amounts in millions)	December 31, 2010	Net subscriptions (redemptions)[2]	BGI merger-related outflows[3]	Market appreciation (depreciation)	Foreign exchange[4]	December 31, 2011
Equity:						
Active	$ 334,532	$ (22,876)	$ (6,943)	$ (29,793)	$ 236	$ 275,156
Institutional index	911,775	22,403	(20,630)	(48,402)	153	865,299
iShares	448,160	24,612		(49,863)	(3,258)	419,651
Fixed income:						
Active	592,303	(17,398)	(413)	40,366	(54)	614,804
Institutional index	425,930	(5,152)	(113)	55,463	2,988	479,116
iShares	123,091	26,876		4,824	(989)	153,802
Multi-asset class	185,587	42,654		(401)	(2,670)	225,170
Alternatives[1]:						
Core	63,603	48	(152)	179	(31)	63,647
Currency and commodities	46,135	(3,818)		(1,462)	446	41,301
Long-term	3,131,116	67,349	(28,251)	(29,089)	(3,179)	3,137,946
Cash management	279,175	(22,899)		128	(1,739)	254,665
Sub-total	3,410,291	44,450	(28,251)	(28,961)	(4,918)	3,392,611
Advisory[5]	150,677	(29,903)		1,448	(2,152)	120,070
Total	$ 3,560,968	$ 14,547	$ (28,251)	$ (27,513)	$ (7,070)	$ 3,512,681

(1) Data reflects the reclassification of prior period AUM to the current period presentation.
(2) Amounts include planned distributions representing return of capital and return on investment to investors.
(3) Amounts include outflows due to manager concentration considerations prior to third quarter 2011 and outflows from scientific active equity performance prior to second quarter 2011.
(4) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(5) Advisory AUM represents long-term portfolio liquidation assignments.

AUM decreased approximately $48.3 billion, or 1%, to $3.513 trillion at December 31, 2011 from $3.561 trillion at December 31, 2010. The decline in AUM was primarily attributable to $34.6 billion in net market and foreign exchange valuation declines, $29.9 billion of advisory distributions and $22.9 billion of cash management net outflows, partially offset by $67.3 billion of long-term net new business, before giving effect to the final BGI merger-related outflows of $28.3 billion recorded in the first half of 2011.

Net market depreciation of $27.5 billion included $128.1 billion of depreciation in equity products resulting from the decline in global equity, partially offset by appreciation in fixed income products of $100.7 billion.

The $7.1 billion net decrease in AUM from converting non-U.S. dollar denominated AUM into U.S. dollars was primarily due to the strengthening of the U.S. dollar against the euro, pound sterling and Canadian dollar, partially offset by weakening of the U.S. dollar against the Japanese yen.

Business Outlook

The diversity of the Company s business model, which offers a significant breadth of asset classes along with alpha and beta management styles, and its global reach, allows BlackRock to capture asset flows as investor sentiment shifts. BlackRock finished 2011 with strong index flows as clients continued to rebalance their portfolios from active products due to volatile market conditions. BlackRock expects such conditions to continue into 2012 due to the European sovereign debt crisis, global political elections in 2012, and continued unrest in the Middle East.

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Business Outlook (continued)

In early 2012, BlackRock continues to see signs of economic strength in the U.S. as the pace of expansion accelerates and the unemployment rate declines. During 2012, BlackRock expects emerging economies to outperform, while the U.S. and Japan grow at lower rates and Europe faces a slow economic recovery. BlackRock will actively monitor global monetary policies (including quantitative easing and the direction of interest rates), bank lending policies, the Euro crisis, global political elections, and the U.S. debt ceiling and housing market along with the effects on global corporate earnings growth.

The Company offers a broad range of equity, fixed income, multi-asset and alternative products designed to track various indices, target returns in excess of specified benchmarks or focus on absolute returns. BlackRock s broad set of product offerings, risk skills and tools allow the Company to work with clients in meeting their investment objectives over both short- and long-term horizons. While investing for stable income continues to be a core objective of many clients, BlackRock expects clients to trend towards indexing, retirement and income, alternatives and multi-asset class solutions along with risk management tools and advisory services.

The following items could impact the Company s results in 2012 and beyond:

AUM and Flows

As investors shift preferences between asset classes, and active and passive investment styles, the Company s broad product profile, including a wide array of offerings in asset types and management styles, should enable it to retain and capture revenue. As equity markets improve and with no sign of rising interest rates from their historic lows in the near term, BlackRock expects clients who in the latter half of 2011 were delaying investment decisions, to re-risk into beta and alpha equity and alternative products.

BlackRock s unique combination of index and active capabilities positions it well to assist companies in narrowing the gap on underfunded pension plans by implementing barbell strategies using a combination of index, alpha and alternative products. In addition, as retirement money moves away from defined benefit plans into defined contributions plans and ultimately to individuals, BlackRock is well positioned to offer individual investment options with its *LifePath*® target date portfolios and wide array of ETFs and other mutual fund products.

BlackRock has a leading global market share in exchange-traded products (ETP) due to its large array of products and AUM in this market. The global growth of the ETP market reflects both continued adoption and new product introduction with investor product preferences driven to varying degrees by performance (as measured by tracking error, which is the difference between net returns on the ETP and the corresponding targeted index), liquidity (bid-ask spread), tax-efficiency, transparency and client service. Industry asset growth has historically been linked to positive markets, with investors looking to capitalize on strong market returns. In the continued environment of ultra-low interest rates, industry flows shifted toward fixed income oriented products and, within equities, to developed markets and away from broad and single-country emerging market funds. Additional asset managers may enter the marketplace and offer similar exchange-traded products at lower fee structures; however, the Company believes that many factors beyond pricing influence investor preferences.

BlackRock believes alternative products will become more important for both institutional and retail clients to invest in alpha-generating products to generate higher returns. The Company significantly invested in its alternatives platform during 2011 for products expected to be introduced in 2012, which will invest in private equity, renewable power, real estate as well as other opportunistic asset classes.

Cash management assets may continue to decline from year-end levels if clients begin to re-risk their portfolios in search of yield or equity return opportunities as rates remain low, including those in the U.S. as the Federal Reserve currently expects U.S. rates to remain low until 2014. The Company s diversified global product offerings, client service and independent advice may enable it to retain a portion of these assets.

Regulatory Reform

The regulatory environment in 2011 continued to evolve for financial institutions as well as money market funds with the intent of the reform supported by BlackRock, to protect the industry and our clients. Regulatory reform continues to evolve and may affect the competitive environment, including liquidity and trading costs, and may provide BlackRock and its clients with risks as well as opportunities.

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Business Outlook (continued)

Performance fees and BRS/advisory fees

While most of BlackRock s absolute return AUM products eligible for performance fees are marginally below high water marks , a return to higher market levels may enable the Company s alternative investment products to contribute additional performance fee revenue.

The sovereign uncertainty in 2011 across Europe and an increasing focus on risk management led to unique opportunities for BlackRock s risk tools and advisory services, combining the Company s extensive capital markets and structuring expertise with rigorous modeling and analytical capabilities across an increasingly global client base. In 2012, the Company expects continuing strong global demand for its *Aladdin* operating platform and its comprehensive risk reporting from sophisticated institutional investors and governmental agencies investing in longer term risk management solutions as well as strong demand for financial market advisory services.

Future opportunities

The Company plans to continue to invest in its people, its platform and its global BlackRock brand. In addition, it will build out key products and geographic locations as well as an internal trading platform on its enterprise systems to cross trades within its platform and potentially among other client transactions, which is expected to result in lower portfolio transaction costs and ultimately increased performance returns for clients.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010

Operating Income and Operating Margin Overview

GAAP

(Dollar amounts in millions)	Year ended December 31, 2011	2010	Variance Amount	% Change
Revenue	$ 9,081	$ 8,612	$ 469	5%
Expenses	5,832	5,614	218	4%
Operating income	$ 3,249	$ 2,998	$ 251	8%
Operating margin	*35.8%*	*34.8%*	*1.0%*	*3%*

The increase in operating income and operating margin for the year ended December 31, 2011 was attributable to the $469 million increase in revenue primarily due to higher base fees associated with growth in long-term average AUM, which included the benefit of higher average markets and the benefit of net new business, and higher *BlackRock Solutions* and advisory revenue, partially offset by lower performance fees. The increase in revenue was partially offset by a $218 million net increase in operating expenses related to business growth, including an increase in the number of employees, professional fees and average long-dated AUM growth, which affects certain expenses, including direct fund expenses.

In addition, operating income and operating margin for the year ended December 31, 2011 included $63 million of UK lease exit costs related to the Company s exit from two London locations and $32 million of restructuring charges. Operating income and operating margin for the year ended December 31, 2010 included $90 million of BGI integration costs. Each of these items are excluded from the as adjusted results below.

As Adjusted

(Dollar amounts in millions)	Year ended December 31, 2011	2010	Variance Amount	% Change
Revenue	$ 9,081	$ 8,612	$ 469	5%
Expenses	5,689	5,445	244	4%
Operating income [(1)]	$ 3,392	$ 3,167	$ 225	7%
Operating margin [(1)]	*39.7%*	*39.3%*	*0.4%*	*1%*

(1) Operating income, as adjusted, and operating margin, as adjusted, are described in more detail in the Overview to Management s Discussion and Analysis of Financial Condition and Results of Operations.

The increase in operating income and operating margin, as adjusted, for the year ended December 31, 2011 was attributable to the $469 million increase in revenue as discussed above. The increase was partially offset by a $244 million net increase in operating expenses as discussed above as well as higher marketing and promotional costs.

Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010

Revenue

(Dollar amounts in millions)	Year ended December 31, 2011	2010	Variance Amount	% Change
Investment advisory, administration fees and securities lending revenue:				
Equity:				
Active	$ 1,967	$ 1,848	$ 119	6%
Institutional index	488	424	64	15%
iShares	1,847	1,660	187	11%
Fixed income:				
Active	1,104	1,047	57	5%
Institutional index	203	166	37	22%
iShares	317	263	54	21%
Multi-asset class	894	740	154	21%
Alternatives:				
Core	557	522	35	7%
Currency and commodities	136	110	26	24%
Long-term	7,513	6,780	733	11%
Cash management	383	510	(127)	(25%)
Total	7,896	7,290	606	8%
Investment advisory performance fees:				
Equity	145	123	22	18%
Fixed income	35	55	(20)	(36%)
Multi-asset class	20	33	(13)	(39%)
Alternatives	171	329	(158)	(48%)
Total	371	540	(169)	(31%)
BlackRock Solutions and advisory	510	460	50	11%
Distribution fees	100	116	(16)	(14%)
Other revenue	204	206	(2)	(1%)
Total revenue	$ 9,081	$ 8,612	$ 469	5%

The $469 million increase in revenues reflected a $606 million increase in total investment advisory, administration fees and securities lending revenue primarily due to growth in long-dated average AUM and a $50 million increase in *BlackRock Solutions* and advisory revenue largely driven by on-going and additional *Aladdin* mandates and advisory assignments. The increase was partially offset by a $169 million decrease in performance fees primarily reflecting lower fees from hedge funds and a $16 million decrease in distribution fees.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Revenue (continued)

Investment Advisory, Administration Fees and Securities Lending Revenue. Investment advisory, administration fees and securities lending revenues increased $606 million to $7,896 million for the year ended December 31, 2011 from $7,290 million for the year ended December 31, 2010. This growth primarily reflected growth in average long-term AUM, which included the benefit of net new business, partially offset by a decline in fees from cash management products due to lower average AUM and higher fee waivers. Securities lending fees were $397 million for the year ended December 31, 2011 compared with $325 million for year ended December 31, 2010, reflecting an increase in average balances of securities on loan and higher lending rates.

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

	Mix of Base Fees Year Ended December 31,		Mix of Average AUM by Asset Class[1] December 31,	
	2011	**2010**	**2011**	**2010**
Equity:				
Active	25%	25%	9%	10%
Institutional index	6%	6%	26%	26%
iShares	23%	23%	13%	12%
Fixed income:				
Active	14%	14%	18%	19%
Institutional index	3%	2%	13%	12%
iShares	4%	4%	4%	4%
Multi-asset class	11%	10%	6%	5%
Alternatives:				
Core	7%	7%	2%	2%
Currency and commodities	2%	2%	1%	1%
Long-term	**95%**	**93%**	**92%**	**91%**
Cash management	5%	7%	8%	9%
Total excluding Advisory AUM	**100%**	**100%**	**100%**	**100%**

(1) Average AUM represents a five point average of quarter-end spot AUM.

For the year ended December 31, 2011, institutional index equity and fixed income was only 9% of total base fees; however, AUM associated with these base fees represented 39% of total average AUM.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Revenue (continued)

Performance Fees

(Dollar amounts in millions)	Year Ended December 31, 2011	2010	Variance Amount	% Change
Equity	$ 145	$ 123	$ 22	18%
Fixed income	35	55	(20)	(36%)
Multi-asset class	20	33	(13)	(39%)
Alternatives	171	329	(158)	(48%)
Total	$ 371	$ 540	$ (169)	(31%)

Investment advisory performance fees decreased $169 million, or 31%, to $371 million for the year ended December 31, 2011 from $540 million for the year ended December 31, 2010, primarily reflecting lower performance fees from alternative strategies, including multi-strategy and single-strategy equity and fixed income hedge funds and opportunistic funds. The decrease was partially offset by higher performance fees due to strong relative performance from regional/country and global equity strategies.

BlackRock Solutions and Advisory. *BlackRock Solutions* and advisory revenue for the year ended December 31, 2011 increased $50 million, or 11%, from the year ended December 31, 2010, primarily due to on-going and additional *Aladdin* mandates and advisory assignments.

Distribution Fees. Distribution fees of $100 million for the year ended December 31, 2011 decreased $16 million from $116 million for the year ended December 31, 2010, primarily due to lower AUM in certain share classes of *BlackRock Funds*.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Expenses

(Dollar amounts in millions)	Year ended December 31, 2011	2010	Variance Amount	% Change
Expenses:				
Employee compensation and benefits	$ 3,199	$ 3,097	$ 102	3%
Distribution and servicing costs	386	408	(22)	(5%)
Amortization of deferred sales commissions	81	102	(21)	(21%)
Direct fund expenses	563	493	70	14%
General and administration	1,415	1,354	61	5%
Restructuring charges	32		32	*
Amortization of intangible assets	156	160	(4)	(3%)
Total expenses, GAAP	$ 5,832	$ 5,614	$ 218	4%
Total expenses, GAAP	$ 5,832	$ 5,614	$ 218	4%
Less non-GAAP expense adjustments:				
BGI integration costs				
Employee compensation and benefits		25	(25)	(100%)
General and administration		65	(65)	(100%)
Total BGI integration costs		90	(90)	(100%)
UK lease exit costs	63		63	*
Restructuring charges	32		32	*
PNC LTIP funding obligation	44	58	(14)	(24%)
Merrill Lynch compensation contribution	7	10	(3)	(30%)
Compensation expense related to appreciation (depreciation) on deferred compensation plans	(3)	11	(14)	*
Total non-GAAP expense adjustments	143	169	(26)	(15%)
Total expenses, as adjusted	$ 5,689	$ 5,445	$ 244	4%

* *Not applicable*.

Total GAAP expenses increased $218 million, or 4%, to $5,832 million for the year ended December 31, 2011 from $5,614 million for the year ended December 31, 2010. Excluding certain items deemed non-recurring by management or transactions that ultimately will not affect the Company s book value, total expenses, as adjusted, increased $244 million, or 4%. The increase in total expenses, as adjusted, is primarily attributable to increases in employee compensation and benefits, direct fund expenses and general and administration expenses, partially offset by a reduction in distribution and servicing costs and amortization of deferred sales commissions.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Expenses (continued)

Employee Compensation and Benefits

(Dollar amounts in millions)	Year ended December 31, 2011	Year ended December 31, 2010	Variance Amount	Variance % Change
Employee compensation and benefits, GAAP	$ 3,199	$ 3,097	$ 102	3%
Less non-GAAP expense adjustments:				
BGI integration costs		25	(25)	(100%)
PNC LTIP funding obligation	44	58	(14)	(24%)
Merrill Lynch compensation contribution	7	10	(3)	(30%)
Compensation expense related to appreciation (depreciation) on deferred compensation plans	(3)	11	(14)	*
Total non-GAAP expense adjustments	48	104	(56)	(54%)
Employee compensation and benefits, as adjusted	$ 3,151	$ 2,993	$ 158	5%

* *Not applicable*.

Employee compensation and benefits expense increased $102 million, or 3%, to $3,199 million, for the year ended December 31, 2011 from $3,097 million for the year ended December 31, 2010. Employees at December 31, 2011 totaled approximately 10,100 as compared to approximately 9,100 at December 31, 2010.

Employee compensation and benefits, as adjusted, increased by $158 million, reflecting a $164 million increase in base salaries due to an increase in the number of employees and salary levels, and a $41 million increase in other compensation, including payroll taxes, benefits, and commissions. These increases were partially offset by a $47 million decrease in incentive compensation.

Distribution and Servicing Costs. Distribution and servicing costs decreased $22 million to $386 million for the year ended December 31, 2011 from $408 million for the year ended December 31, 2010. These costs include payments to Bank of America/Merrill Lynch under a global distribution agreement, PNC and Barclays, as well as other third parties, primarily associated with the distribution and servicing of client investments in certain BlackRock products. The $22 million decrease related to lower cash management-related costs of $45 million, reflecting lower average AUM and higher yield-support waivers resulting in lower levels of distribution costs, partially offset by higher costs due to increases in average AUM for open-end and closed-end funds, separate accounts and variable annuities.

Distribution and servicing costs for the year ended December 31, 2011 included $207 million of costs attributable to Bank of America/Merrill Lynch and affiliates, and $3 million of costs attributable to PNC and affiliates as compared to $246 million and $10 million, respectively, in the year ended December 31, 2010. Distribution and servicing costs related to other third parties, including Barclays, increased $24 million to $176 million for the year ended December 31, 2011 from $152 million for the year ended December 31, 2010 due to an expansion of distribution platforms and higher long-term AUM.

Amortization of Deferred Sales Commissions. Amortization of deferred sales commissions decreased $21 million to $81 million for the year ended December 31, 2011 from $102 million for the year ended December 31, 2010. Lower sales in certain share classes of U.S. open-end mutual funds contributed to the decline.

Direct Fund Expenses. Direct fund expenses increased $70 million reflecting growth in average AUM for the funds (predominately *iShares*) where BlackRock pays certain non-advisory expenses of the funds.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Expenses (continued)

General and Administration Expenses

(Dollar amounts in millions)	Year ended December 31, 2011	2010	Variance Amount	% Change
General and administration expenses, GAAP:				
Marketing and promotional	$ 315	$ 328	$ (13)	(4%)
Occupancy and office related	373	317	56	18%
Portfolio services	189	177	12	7%
Technology	146	152	(6)	(4%)
Professional services	139	115	24	21%
Communications	40	49	(9)	(18%)
Regulatory, filing and license fees	16	34	(18)	(53%)
Charitable contributions	7	26	(19)	(73%)
Closed-end fund launch costs	26	15	11	73%
Other general and administration	164	141	23	16%
Total general and administration expenses, GAAP	$ 1,415	$ 1,354	$ 61	5%
Less non-GAAP adjustments:				
Marketing and promotional	$	$ 33	$ (33)	(100%)
Occupancy and office related	63	12	51	425%
Technology		2	(2)	(100%)
Professional services		12	(12)	(100%)
Other general and administration		6	(6)	(100%)
Total non-GAAP adjustments	$ 63	$ 65	$ (2)	(3%)
General and administration expenses, as adjusted:				
Marketing and promotional	$ 315	$ 295	$ 20	7%
Occupancy and office related	310	305	5	2%
Portfolio services	189	177	12	7%
Technology	146	150	(4)	(3%)
Professional services	139	103	36	35%
Communications	40	49	(9)	(18%)
Regulatory, filing and license fees	16	34	(18)	(53%)
Charitable contributions	7	26	(19)	(73%)
Closed-end fund launch costs	26	15	11	73%
Other general and administration	164	135	29	21%
Total general and administration expenses, as adjusted	$ 1,352	$ 1,289	$ 63	5%

(1) Data reflects certain reclassifications of prior period data to conform to the current period presentation.

General and Administration Expenses, GAAP. General and administration expenses increased $61 million, or 5%, to $1,415 million for the year ended December 31, 2011 from $1,354 million for year ended December 31, 2010. Higher occupancy and office-related expenses (including $63 million of UK lease exit costs), higher professional services costs and other general and administration expenses contributed to the overall net increase in general and administration expenses. The $23 million increase in other general and administration expenses reflected higher VAT expense and recruiting costs in 2011 offset by the non-recurrence of other general and administration provisions recorded in 2010 related to an outstanding loan to Anthracite Capital Inc. The increase in general and administration expenses, GAAP was partially offset by decreases in charitable contributions and regulatory, filing and licenses fees, primarily due to a $20 million 2010 U.K. industry regulatory assessment.

Non-GAAP Adjustments. The year ended December 31, 2011 general and administration expenses included $63 million of UK lease exit costs related to the Company s exit from two London locations. The year ended December 31, 2010 general and administration expenses included $65 million of BGI integration costs primarily consisting of marketing and promotional costs, professional services and occupancy costs.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Expenses (continued)

General and Administration Expenses, as Adjusted. Excluding the UK lease exit costs and BGI integration expenses, general and administration expenses, as adjusted, of $1,352 million increased $63 million, or 5%, for the year ended December 31, 2011 from $1,289 million for the year ended December 31, 2010. See general and administration expenses, GAAP, above for discussion on the increase in general and administration expenses and for items offsetting the overall increase in general and administration expenses, as adjusted. In addition, general and administration expenses, as adjusted, reflected higher marketing and promotional costs in 2011.

Restructuring Charges. For the year ended December 31, 2011, BlackRock recorded pre-tax restructuring charges of $32 million, primarily related to severance, accelerated amortization of certain previously granted stock awards, and legal and outplacement costs, associated with a reduction in work force and reengineering efforts.

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Non-operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010

Non-Operating Income (Expense), Less Net Income (Loss) Attributable to Non-Controlling Interests

Non-operating income (expense), less net income (loss) attributable to non-controlling interests for the years ended December 31, 2011 and 2010 was as follows:

(Dollar amounts in millions)	Year ended December 31, 2011	2010	$ Change
Non-operating income (expense), GAAP basis	$ (114)	$ 23	$ (137)
Less: Net income (loss) attributable to NCI[1]	2	(13)	15
Non-operating income (expense)[2]	(116)	36	(152)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	3	(11)	14
Non-operating income (expense), as adjusted[2]	$ (113)	$ 25	$ (138)

(1) Amount includes an $18 million loss and a $35 million loss attributable to consolidated variable interest entities for the year ended December 31, 2011 and 2010, respectively.

(2) Net of net income (loss) attributable to non-controlling interests.

The components of non-operating income (expense), less net income (loss) attributable to non-controlling interests, for the years ended December 31, 2011 and 2010 were as follows:

(Dollar amounts in millions)	Year ended December 31, 2011	2010	$ Change
Net gain (loss) on investments[1]			
Private equity	$ 36	$ 31	$ 5
Real estate	10	17	(7)
Distressed credit/mortgage funds	(13)	66	(79)
Hedge funds/funds of hedge funds	(5)	18	(23)
Other investments[2]	1	14	(13)
Sub-total	29	146	(117)
Investments related to deferred compensation plans	(3)	11	(14)
Total net gain (loss) on investments	26	157	(131)
Interest and dividend income	34	29	5
Interest expense	(176)	(150)	(26)
Net interest expense	(142)	(121)	(21)
Total non-operating income (expense)[1]	(116)	36	(152)
Compensation expense related to (appreciation) depreciation on deferred compensation plans	3	(11)	14

Non-operating income (expense), as adjusted[1]	$ (113)	$ 25	$ (138)

(1) Net of net income (loss) attributable to non-controlling interests.

(2) Amount includes net gains (losses) related to equity and fixed income investments and BlackRock s seed capital hedging program.

Non-operating expense, less net income (loss) attributable to non-controlling interests, decreased $152 million to $116 million for the year ended December 31, 2011 compared with $36 million of net non-operating income for the year ended December 31, 2010. The year ended December 31, 2011 included $142 million of net interest expense, partially offset by $26 million of net positive marks primarily on private equity and real estate fund co-investments, partially offset by net negative marks in distressed credit/mortgage fund co-investments.

Net gains on co-investments and seed investments decreased $117 million during the year ended December 31, 2011, primarily due a reduction in values on distressed credit/mortgage funds and hedge funds/funds of hedge funds compared with an increase in values in the prior year.

Net interest expense was $142 million, an increase of $21 million from the prior year. The increase reflected the May 2011 issuance of $1.5 billion of long-term debt in connection with the repurchase of Bank of America s remaining ownership interest in BlackRock, partially offset by higher interest and dividend income.

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Non-operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Income Tax Expense

	GAAP Year ended December 31,			As adjusted Year ended December 31,		
(Dollar amounts in millions)	**2011**	**2010**	**% Change**	**2011**	**2010**	**% Change**
Income before income taxes[1]	$ 3,133	$ 3,034	3%	$ 3,279	$ 3,192	3%
Income tax expense	$ 796	$ 971	(18%)	$ 1,040	$ 1,053	(1%)
Effective tax rate	25.4%	32.0%		31.7%	33.0%	

(1) Net of net income (loss) attributable to non-controlling interests.

The GAAP effective tax rate of 25.4% for the year ended December 31, 2011 included a $24 million benefit related to the resolution of certain outstanding tax positions and $198 million of net non-cash tax benefits due to a state tax election and enacted U.K., Japan, U.S. state and local tax legislation.

The as adjusted effective tax rate of 31.7% for the year ended December 31, 2011 included the $24 million benefit mentioned above and excluded the $198 million of net non-cash tax benefits due to a state tax election and enacted U.K., Japan, U.S. state and local tax legislation.

The GAAP effective tax rate for the year ended December 31, 2010 included a $30 million non-cash tax benefit related to the revaluation of certain net deferred income tax liabilities primarily related to acquired intangible assets due to enacted U.K. tax legislation. In addition, the year ended December 31, 2010 included the effect of favorable tax rulings and the resolution of certain outstanding tax positions.

The as adjusted effective tax rate of 33.0% for the year ended December 31, 2010 excluded the $30 million non-cash tax benefit mentioned above.

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, Luxembourg, 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.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Net Income Attributable to BlackRock, Inc.

The components of net income attributable to BlackRock, Inc. and net income attributable to BlackRock, Inc., as adjusted, for the years ended December 31, 2011 and 2010 are as follows:

	GAAP Year ended December 31,				%	As adjusted Year ended December 31,				%
(Dollar amounts in millions, except per share data)	**2011**		**2010**		**Change**	**2011**		**2010**		**Change**
Operating income	$	3,249	$	2,998	8%	$	3,392	$	3,167	7%
Non-operating income (expense)[(1)]		(116)		36	*		(113)		25	*
Income tax expense		(796)		(971)	(18%)		(1,040)		(1,053)	(1%)
Net income attributable to BlackRock, Inc.	$	2,337	$	2,063	13%	$	2,239	$	2,139	5%
% attributable to common shares		99.1%		98.6%			99.1%		98.6%	
Net income attributable to common shares	$	2,315	$	2,033	14%	$	2,218	$	2,109	5%
Diluted weighted-average common shares outstanding[(2)]		187,116,410		192,692,047	(3%)		187,116,410		192,692,047	(3%)
Diluted EPS:										
Operating income	$	11.60	$	10.28	13%	$	12.12	$	10.85	12%
Non-operating income (expense)[(1)]		(0.41)		0.12	*		(0.40)		0.09	*
Income tax benefit		1.18		0.15	687%		0.13			*
Diluted earnings per common share	$	12.37	$	10.55	17%	$	11.85	$	10.94	8%

* *Not applicable.*

(1) Net of net income (loss) attributable to non-controlling interests (redeemable and nonredeemable).

(2) Unvested RSUs that contain non-forfeitable rights to dividends are not included as they are deemed participating securities in accordance with GAAP. Upon vesting of the participating RSUs the shares are added to the weighted-average shares outstanding, which results in an increase to the percentage of net income attributable to common shares. In addition, non-voting preferred shares are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations.

GAAP. Net income attributable to BlackRock, Inc. of $2,337 million, or $12.37 per diluted common share, for the year ended December 31, 2011, rose $274 million, or $1.82 per diluted common share, from the year ended December 31, 2010

Net income attributable to BlackRock, Inc. of $2,337 million for the year ended December 31, 2011 included the after-tax effect of UK lease exit costs of $43 million, restructuring charges of $22 million, the portion of certain LTIP awards to be funded through a capital contribution of BlackRock stock held by PNC of $30 million and an expected contribution by Merrill Lynch of $5 million to fund certain compensation of former MLIM employees. Net income for the year ended December 31, 2011 included the previously mentioned non-cash income tax benefits.

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Operating results for the year ended December 31, 2011 compared with the year ended December 31, 2010 (continued)

Net Income Attributable to BlackRock, Inc. (continued)

Net income attributable to BlackRock, Inc. of $2,063 million for the year ended December 31, 2010 included the after-tax effect of the BGI integration costs of $59 million, the portion of certain LTIP awards, which will be funded through a capital contribution of BlackRock stock held by PNC of $40 million, and certain compensation of former MLIM employees of $7 million to be funded through a cash contribution by Merrill Lynch.

As Adjusted. Exclusive of the items discussed above, net income attributable to BlackRock, Inc. as adjusted, totaled $2,239 million, or $11.85 per diluted common share, for the year ended December 31, 2011, which was an increase of $100 million, or $0.91 per diluted common share, from the year ended December 31, 2010.

Net income and diluted earnings per common share, as adjusted, are described in more detail in the Overview to Management s Discussion and Analysis of Financial Condition and Results of Operations.

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Operating results for the year ended December 31, 2010 compared with the year ended December 31, 2009

The following table presents the component changes in BlackRock s AUM for the year ended December 31, 2010.

(Dollar amounts in millions)	December 31, 2009	Net subscriptions (redemptions)[2]	BGI merger-related outflows[3]	Acquisition/ reclassifications[4]	Market appreciation/ (depreciation)	Foreign exchange[5]	December 31, 2010
Equity:							
Active	$ 348,574	$ 2,632	$ (54,490)	$ (3,920)	$ 40,670	$ 1,066	$ 334,532
Institutional index	806,082	44,570	(44,907)	(4,390)	104,152	6,268	911,775
iShares	381,399	21,865			45,830	(934)	448,160
Fixed income:							
Active	595,580	(22,143)	(9,474)	(3,922)	31,945	317	592,303
Institutional index	357,557	39,148	(10,408)	7,374	21,220	11,039	425,930
iShares	102,490	19,008			2,195	(602)	123,091
Multi-asset class	142,029	26,262	(127)	3,550	13,917	(44)	185,587
Alternatives[1]:							
Core	66,058	(3,022)	(490)		821	236	63,603
Currency and commodities	36,043	2,886			6,349	857	46,135
Long-term	2,835,812	131,206	(119,896)	(1,308)	267,099	18,203	3,131,116
Cash management	349,277	(61,424)	(1,063)	(4,852)	(38)	(2,725)	279,175
Sub-total	3,185,089	69,782	(120,959)	(6,160)	267,061	15,478	3,410,291
Advisory[6]	161,167	(12,021)	(10)		(80)	1,621	150,677
Total	$ 3,346,256	$ 57,761	$ (120,969)	$ (6,160)	$ 266,981	$ 17,099	$ 3,560,968

(1) Data reflects the reclassification of prior period AUM into the current period presentation.
(2) Amounts include planned distributions representing return of capital and return on investment to investors.
(3) Amounts include outflows due to manager concentration considerations and active equity quantitative performance.
(4) Amounts include acquisition adjustments and reclasses of AUM acquired from Barclays in December 2009 and other reclassifications to conform to current period combined AUM policy.
(5) Foreign exchange reflects the impact of converting non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.
(6) Advisory AUM represents long-term portfolio liquidation assignments.

AUM increased approximately $214.7 billion, or 6%, to $3.561 trillion at December 31, 2010 from $3.346 trillion at December 31, 2009. The growth in AUM was primarily attributable to $267.0 billion in net market appreciation, $131.2 billion of net subscriptions in long-term mandates and a $17.1 billion increase due to foreign exchange movements, partially offset by $127 billion of BGI merger-related outflows (due to manager concentration considerations and active equity quantitative performance) and acquisition adjustments, $61.4 billion of net outflows in cash management products and $12.0 billion of net client distributions in advisory assignments.

Net market appreciation of $267.0 billion included $190.7 billion of net appreciation in equity products due to an increase in global equity markets, $55.4 billion in fixed income products due to current income and changes in interest rate spreads, $13.9 billion in multi-asset class products, and $7.2 billion in alternatives, primarily due to appreciation in precious metals, including silver and gold.

The $17.1 billion net increase in AUM from converting non-U.S. dollar denominated AUM into U.S. dollars was primarily due to the weakening of the U.S. dollar against the Japanese yen, Canadian dollar and Australian dollar, partially offset by the strengthening of the U.S. dollar against the euro and pound sterling.

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Operating results for the year ended December 31, 2010 compared with the year ended December 31, 2009 (continued)

Operating Income and Operating Margin Overview

GAAP

(Dollar amounts in millions)	Year ended December 31, 2010	2009	Variance Amount	% Change
Revenue	$ 8,612	$ 4,700	$ 3,912	83%
Expenses	5,614	3,422	2,192	64%
Operating income	$ 2,998	$ 1,278	$ 1,720	135%
Operating margin	*34.8%*	*27.2%*	*7.6%*	*28%*

Operating income and operating margin for the year ended December 31, 2010 included the full year effect of revenue and expenses related to the December 1, 2009 acquisition of BGI and $90 million of BGI integration costs compared with $183 million of BGI transaction/integration costs for the year ended December 31, 2009. The transaction/integration expenses were not part of BlackRock s on-going business and are principally comprised of compensation expense, legal fees, advisory payments, occupancy costs, marketing and promotional and consulting expenses.

The increase in the operating income for the year ended December 31, 2010 is attributable to the $3.9 billion increase in revenue primarily related to an increase in base and performance fees associated with the AUM acquired in the BGI Transaction and growth in long-term AUM, which included market appreciation and net new business, partially offset by a $2.2 billion net increase in operating expenses related to increases in employee compensation and benefits, general and administrative expenses and direct fund expenses due to the BGI Transaction.

The increase in the operating margin for year ended December 31, 2010 included the positive effects of synergies related to the BGI Transaction, growth in long-term AUM driven by market appreciation, a $93 million decrease in BGI transaction/integration costs, a decline of $22 million in restructuring charges and a $17 million change in foreign currency remeasurement costs/benefits. Higher employee compensation and benefits expense, general and administrative expenses and direct fund expenses as well as increased investments to grow the business partially offset the increase in operating margin.

For further discussion regarding revenue and expense variances, see Revenue and Expenses herein.

As Adjusted