**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____.

Commission file number 001-33099

BlackRock

**BlackRock, Inc.**
(Exact name of registrant as specified in its charter)

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

**55 East 52nd Street, New York, NY 10055**
(Address of Principal Executive Offices)
(Zip Code)

(212) 810-5300
(Registrant's Telephone Number, Including Area Code)

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $.01 par value | BLK | New York Stock Exchange |
| 1.250% Notes due 2025 | BLK25 | New York Stock Exchange |

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, every Interactive Data File required to be submitted 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 such files).

Yes X No _____

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes _____ No X

As of July 31, 2021, there were 152,195,794 shares of the registrant's common stock outstanding.

**BlackRock, Inc.**
**Index to Form 10-Q**

**PART I**

**FINANCIAL INFORMATION**


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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**BlackRock, Inc.**
**Condensed Consolidated Statements of Financial Condition**
(unaudited)

| *(in millions, except shares and per share data)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents[1] | $ 6,416 | $ 8,664 |
| Accounts receivable | 3,790 | 3,535 |
| Investments[1] | 7,595 | 6,919 |
| Separate account assets | 103,872 | 104,663 |
| Separate account collateral held under securities lending agreements | 16,170 | 16,507 |
| Property and equipment (net of accumulated depreciation and amortization of $1,211 and $1,098 at June 30, 2021 and December 31, 2020, respectively) | 741 | 681 |
| Intangible assets (net of accumulated amortization of $351 and $291 at June 30, 2021 and December 31, 2020, respectively) | 18,514 | 18,263 |
| Goodwill | 15,362 | 14,551 |
| Other assets[1] | 4,502 | 3,199 |
| Total assets | $ 176,962 | $ 176,982 |
| **Liabilities** | | |
| Accrued compensation and benefits | $ 1,704 | $ 2,499 |
| Accounts payable and accrued liabilities | 1,238 | 1,028 |
| Borrowings | 6,491 | 7,264 |
| Separate account liabilities | 103,872 | 104,663 |
| Separate account collateral liabilities under securities lending agreements | 16,170 | 16,507 |
| Deferred income tax liabilities | 3,907 | 3,673 |
| Other liabilities[1] | 5,190 | 3,692 |
| Total liabilities | 138,572 | 139,326 |
| **Commitments and contingencies (Note 15)** | | |
| **Temporary equity** | | |
| Redeemable noncontrolling interests | 2,242 | 2,322 |
| **Permanent Equity** | | |
| BlackRock, Inc. stockholders' equity | | |
| Common stock, $0.01 par value; Shares authorized: 500,000,000 at June 30, 2021 and December 31, 2020; Shares issued: 172,075,373 at both June 30, 2021 and December 31, 2020; Shares outstanding: 152,298,784 and 152,532,885 at June 30, 2021 and December 31, 2020, respectively | 2 | 2 |
| Additional paid-in capital | 19,297 | 19,293 |
| Retained earnings | 25,620 | 24,334 |
| Accumulated other comprehensive loss | (388) | (337) |
| Treasury stock, common, at cost (19,776,589 and 19,542,488 shares held at June 30, 2021 and December 31, 2020, respectively) | (8,498) | (8,009) |
| Total BlackRock, Inc. stockholders' equity | 36,033 | 35,283 |
| Nonredeemable noncontrolling interests | 115 | 51 |
| Total permanent equity | 36,148 | 35,334 |
| Total liabilities, temporary equity and permanent equity | $ 176,962 | $ 176,982 |

(1) At June 30, 2021, cash and cash equivalents, investments, other assets and other liabilities include $217 million, $4,920 million, $136 million, and $1,601 million, respectively, related to consolidated variable interest entities ("VIEs"). At December 31, 2020, cash and cash equivalents, investments, other assets and other liabilities include $155 million, $4,253 million, $90 million, and $952 million, respectively, related to consolidated VIEs.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Income**
(unaudited)

| *(in millions, except shares and per share data)* | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Investment advisory, administration fees and securities lending revenue: | | | | |
| Related parties | $ 2,829 | $ 2,052 | $ 5,514 | $ 4,227 |
| Other third parties | 928 | 914 | 1,835 | 1,794 |
| Total investment advisory, administration fees and securities lending revenue | 3,757 | 2,966 | 7,349 | 6,021 |
| Investment advisory performance fees | 340 | 112 | 469 | 153 |
| Technology services revenue | 316 | 278 | 622 | 552 |
| Distribution fees | 369 | 253 | 709 | 529 |
| Advisory and other revenue | 38 | 39 | 69 | 103 |
| Total revenue | 4,820 | 3,648 | 9,218 | 7,358 |
| **Expense** | | | | |
| Employee compensation and benefits | 1,548 | 1,152 | 2,957 | 2,289 |
| Distribution and servicing costs | 523 | 429 | 1,028 | 874 |
| Direct fund expense | 320 | 246 | 640 | 523 |
| General and administration expense | 461 | 388 | 1,046 | 1,530 |
| Amortization of intangible assets | 37 | 27 | 71 | 52 |
| Total expense | 2,889 | 2,242 | 5,742 | 5,268 |
| Operating income | 1,931 | 1,406 | 3,476 | 2,090 |
| **Nonoperating income (expense)** | | | | |
| Net gain (loss) on investments | 314 | 398 | 396 | 358 |
| Interest and dividend income | 8 | 10 | 27 | 25 |
| Interest expense | (52) | (51) | (107) | (97) |
| Total nonoperating income (expense) | 270 | 357 | 316 | 286 |
| Income before income taxes | 2,201 | 1,763 | 3,792 | 2,376 |
| Income tax expense | 654 | 361 | 972 | 347 |
| Net income | 1,547 | 1,402 | 2,820 | 2,029 |
| Less: | | | | |
| Net income (loss) attributable to noncontrolling interests | 169 | 188 | 243 | 9 |
| Net income attributable to BlackRock, Inc. | $ 1,378 | $ 1,214 | $ 2,577 | $ 2,020 |
| **Earnings per share attributable to BlackRock, Inc. common stockholders:** | | | | |
| Basic | $ 9.04 | $ 7.90 | $ 16.90 | $ 13.08 |
| Diluted | $ 8.92 | $ 7.85 | $ 16.69 | $ 12.99 |
| **Weighted-average common shares outstanding:** | | | | |
| Basic | 152,443,039 | 153,732,878 | 152,504,902 | 154,488,079 |
| Diluted | 154,417,581 | 154,712,032 | 154,359,353 | 155,556,187 |

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Comprehensive Income**
(unaudited)

| *(in millions)* | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **Net income** | $ 1,547 | $ 1,402 | $ 2,820 | $ 2,029 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments[1] | 23 | 29 | (51) | (210) |
| Comprehensive income (loss) | 1,570 | 1,431 | 2,769 | 1,819 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 169 | 188 | 243 | 9 |
| **Comprehensive income attributable to BlackRock, Inc.** | $ 1,401 | $ 1,243 | $ 2,526 | $ 1,810 |

(1) Amounts for the three months ended June 30, 2021 and 2020 include a loss from a net investment hedge of $6 million (net of tax benefit of $2 million) and $14 million (net of tax benefit of $4 million), respectively. Amount for the six months ended June 30, 2021 includes a gain from a net investment hedge of $20 million (net of tax expense of $6 million). Gain (loss) from a net investment hedge was immaterial for the six months ended June 30, 2020.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Changes in Equity**
(unaudited)

## For the Six Months Ended June 30, 2021

| *(in millions)* | Additional Paid-in Capital(1) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests(2) | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity(2) |
|---|---|---|---|---|---|---|---|---|
| December 31, 2020 | $ 19,295 | $ 24,334 | $ (337) | $ (8,009) | $ 35,283 | $ 51 | $ 35,334 | $ 2,322 |
| Net income | — | 2,577 | — | — | 2,577 | 2 | 2,579 | 241 |
| Dividends declared ($8.26 per share) | — | (1,291) | — | — | (1,291) | — | (1,291) | — |
| Stock-based compensation | 378 | — | — | — | 378 | — | 378 | — |
| Issuance of common shares related to employee stock transactions | (374) | — | — | 384 | 10 | — | 10 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (273) | (273) | — | (273) | — |
| Shares repurchased | — | — | — | (600) | (600) | — | (600) | — |
| Contributions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | 61 | 61 | 776 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | 1 | 1 | (1,097) |
| Other comprehensive income (loss) | — | — | (51) | — | (51) | — | (51) | — |
| **June 30, 2021** | **$ 19,299** | **$ 25,620** | **$ (388)** | **$ (8,498)** | **$ 36,033** | **$ 115** | **$ 36,148** | **$ 2,242** |

(1) Amounts include $2 million of common stock at both June 30, 2021 and December 31, 2020.
(2) At June 30, 2021, amounts include noncontrolling interests related to consolidated sponsored investment products ("CIPs") and a consolidated affiliate.

## For the Three Months Ended June 30, 2021

| *(in millions)* | Additional Paid-in Capital(1) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests(2) | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity(2) |
|---|---|---|---|---|---|---|---|---|
| March 31, 2021 | $ 19,123 | $ 24,872 | $ (411) | $ (8,204) | $ 35,380 | $ 49 | $ 35,429 | $ 2,411 |
| Net income | — | 1,378 | — | — | 1,378 | 2 | 1,380 | 167 |
| Dividends declared ($4.13 per share) | — | (630) | — | — | (630) | — | (630) | — |
| Stock-based compensation | 182 | — | — | — | 182 | — | 182 | — |
| Issuance of common shares related to employee stock transactions | (6) | — | — | 11 | 5 | — | 5 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (5) | (5) | — | (5) | — |
| Shares repurchased | — | — | — | (300) | (300) | — | (300) | — |
| Contributions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | 63 | 63 | 154 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | 1 | 1 | (490) |
| Other comprehensive income (loss) | — | — | 23 | — | 23 | — | 23 | — |
| **June 30, 2021** | **$ 19,299** | **$ 25,620** | **$ (388)** | **$ (8,498)** | **$ 36,033** | **$ 115** | **$ 36,148** | **$ 2,242** |

(1) Amounts include $2 million of common stock at both June 30, 2021 and March 31, 2021.
(2) At June 30, 2021, amounts include noncontrolling interests related to CIPs and a consolidated affiliate.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Changes in Equity**
(unaudited)

## For the Six Months Ended June 30, 2020

| *(in millions)* | Additional Paid-in Capital(1) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity |
|---|---|---|---|---|---|---|---|---|
| December 31, 2019 | $ 19,188 | $ 21,662 | $ (571) | $ (6,732) | $ 33,547 | $ 66 | $ 33,613 | $ 1,316 |
| Net income | — | 2,020 | — | — | 2,020 | — | 2,020 | 9 |
| Dividends declared ($7.26 per share) | — | (1,150) | — | — | (1,150) | — | (1,150) | — |
| Stock-based compensation | 298 | — | — | — | 298 | — | 298 | — |
| Issuance of common shares related to employee stock transactions | (477) | — | — | 484 | 7 | — | 7 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (270) | (270) | — | (270) | — |
| Shares repurchased | — | — | — | (1,512) | (1,512) | — | (1,512) | — |
| Contributions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | (10) | (10) | 815 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | — | — | (892) |
| Other comprehensive income (loss) | — | — | (210) | — | (210) | — | (210) | — |
| **June 30, 2020** | **$ 19,009** | **$ 22,532** | **$ (781)** | **$ (8,030)** | **$ 32,730** | **$ 56** | **$ 32,786** | **$ 1,248** |

(1) Amounts include $2 million of common stock at both June 30, 2020 and December 31, 2019.

## For the Three Months Ended June 30, 2020

| *(in millions)* | Additional Paid-in Capital(1) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity |
|---|---|---|---|---|---|---|---|---|
| March 31, 2020 | $ 18,887 | $ 21,872 | $ (810) | $ (6,936) | $ 33,013 | $ 57 | $ 33,070 | $ 1,440 |
| Net income | — | 1,214 | — | — | 1,214 | — | 1,214 | 188 |
| Dividends declared ($3.63 per share) | — | (554) | — | — | (554) | — | (554) | — |
| Stock-based compensation | 149 | — | — | — | 149 | — | 149 | — |
| Issuance of common shares related to employee stock transactions | (27) | — | — | 31 | 4 | — | 4 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (13) | (13) | — | (13) | — |
| Shares repurchased | — | — | — | (1,112) | (1,112) | — | (1,112) | — |
| Contributions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | (1) | (1) | (56) |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | — | — | (324) |
| Other comprehensive income (loss) | — | — | 29 | — | 29 | — | 29 | — |
| **June 30, 2020** | **$ 19,009** | **$ 22,532** | **$ (781)** | **$ (8,030)** | **$ 32,730** | **$ 56** | **$ 32,786** | **$ 1,248** |

(1) Amounts include $2 million of common stock at both June 30, 2020 and March 31, 2020.

*See accompanying notes to condensed consolidated financial statements.*

**BlackRock, Inc.**
**Condensed Consolidated Statements of Cash Flows**
(unaudited)

| *(in millions)* | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 2,820 | $ 2,029 |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: | | |
| Depreciation and amortization | 198 | 168 |
| Noncash lease expense | 63 | 57 |
| Stock-based compensation | 378 | 298 |
| Deferred income tax expense (benefit) | 233 | (67) |
| Charitable Contribution | — | 589 |
| Gain related to the Charitable Contribution | — | (122) |
| Other investment gains | — | (244) |
| Net (gains) losses within CIPs | (310) | 69 |
| Net (purchases) proceeds within CIPs | (759) | (828) |
| (Earnings) losses from equity method investees | (107) | (24) |
| Distributions of earnings from equity method investees | 25 | 23 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (264) | 120 |
| Investments, trading | 62 | 114 |
| Other assets | (1,330) | (817) |
| Accrued compensation and benefits | (801) | (885) |
| Accounts payable and accrued liabilities | 205 | (273) |
| Other liabilities | 840 | 562 |
| Net cash provided by/(used in) operating activities | 1,253 | 769 |
| **Investing activities** | | |
| Purchases of investments | (360) | (180) |
| Proceeds from sales and maturities of investments | 184 | 69 |
| Distributions of capital from equity method investees | 55 | 93 |
| Net consolidations (deconsolidations) of sponsored investment funds | (39) | (40) |
| Acquisitions, net of cash acquired | (1,097) | — |
| Purchases of property and equipment | (178) | (100) |
| Net cash provided by/(used in) investing activities | (1,435) | (158) |
| **Financing activities** | | |
| Proceeds from long-term borrowings | — | 2,245 |
| Repayments of long-term borrowings | (750) | — |
| Cash dividends paid | (1,291) | (1,150) |
| Repurchases of common stock | (873) | (1,782) |
| Net proceeds from (repayments of) borrowings by CIPs | 18 | 30 |
| Net contributions (redemptions/distributions) - noncontrolling interest holders | 837 | 805 |
| Other financing activities | (7) | (42) |
| Net cash provided by/(used in) financing activities | (2,066) | 106 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | — | (80) |
| Net increase/(decrease) in cash, cash equivalents and restricted cash | (2,248) | 637 |
| Cash, cash equivalents and restricted cash, beginning of period | 8,681 | 4,846 |
| Cash, cash equivalents and restricted cash, end of period | $ 6,433 | $ 5,483 |
| **Supplemental schedule of noncash investing and financing transactions:** | | |
| Issuance of common stock | $ 374 | $ 477 |
| Charitable Contribution of an investment | $ — | $ (589) |
| Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds | $ (1,096) | $ (892) |

*See accompanying notes to condensed consolidated financial statements.*

## 1. Business Overview

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

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, exchange-traded funds ("ETFs"), separate accounts, collective trust funds ("CTFs") and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, *Aladdin*®, Aladdin Wealth, eFront, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

## 2. Significant Accounting Policies

### *Basis of Presentation*

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its controlled subsidiaries. Noncontrolling interests ("NCI") on the condensed consolidated statements of financial condition represent the portion of CIPs and a consolidated affiliate (collectively, "consolidated entities") in which the Company does not have direct equity ownership. Intercompany balances and transactions have been eliminated upon consolidation.

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

Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the Securities and Exchange Commission on February 25, 2021 ("2020 Form 10-K").

The interim financial information at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company's results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

***Consolidated Affiliate***. During the second quarter of 2021, the Company formed a majority-controlled asset management company in China - BlackRock CCB Wealth Management Company Ltd. ("WMC"). WMC is 50.1% owned by the Company. The Company consolidates WMC, which it deems to be a voting rights entity ("VRE"), because it can exert control over the financial and operating policies of the entity, based on the Company's 50.1% ownership and voting rights.

***Noncontrolling Interests.*** NCI consist of third-party investments in the Company's sponsored investment products and minority interests in WMC, the Company's consolidated affiliate. The Company reports NCI as equity, separate from the parent's equity, on the condensed consolidated statements of financial condition. NCI that are redeemable at the option of the holders are classified as temporary equity and nonredeemable NCI are classified as a component of permanent equity in the condensed consolidated statements of financial condition. In addition, the Company reports net income (loss) attributable to redeemable and nonredeemable NCI holders in net income (loss) attributable to NCI in the condensed consolidated statements of income.

*Noncontrolling Interests – CIPs.* NCI of CIPs represent third-party investments in the Company's sponsored investment products.

*Noncontrolling Interests – Consolidated Affiliate.* NCI of consolidated affiliate represent minority interests held in WMC, a consolidated affiliate. NCI of a consolidated affiliate that are classified as nonredeemable are included as a component of permanent equity in the condensed consolidated statements of financial condition. NCI of a consolidated affiliate that are classified as redeemable are included in temporary equity at estimated redemption value in the condensed consolidated statements of financial condition.

***Fair Value Measurements***

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

Level 1 Inputs:
Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

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

Level 2 Inputs:
Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

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

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

- Level 3 assets may include direct private equity investments held within consolidated funds, investments in CLOs and bank loans held within consolidated CLOs.
- Level 3 liabilities may include borrowings of consolidated CLOs and contingent liabilities related to acquisitions valued based upon discounted cash flow analyses using unobservable market data.

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

*Valuation Approaches.* The fair values of certain Level 3 assets and liabilities were determined using various valuation approaches as appropriate, including third-party pricing vendors, broker quotes and market and income approaches.

A significant number of inputs used to value equity, debt securities, investments in CLOs and bank loans is sourced from third-party pricing vendors. Generally, prices obtained from pricing vendors are categorized as Level 1 inputs for identical securities traded in active markets and as Level 2 for other similar securities if the vendor uses observable inputs in determining the price.

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

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

*Fair Value Assets and Liabilities of Consolidated CLO.* The Company applies the fair value option provisions for eligible assets, including bank loans, held by a consolidated CLO. As the fair value of the financial assets of the consolidated CLO is more observable than the fair value of the borrowings of the consolidated CLO, the Company measures the fair value of the borrowings of the consolidated CLO equal to the fair value of the assets of the consolidated CLO less the fair value of the Company's economic interest in the CLO.

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

The Company records all derivative financial instruments as either assets or liabilities at fair value on a gross basis in the condensed consolidated statements of financial condition. Credit risks are managed through master netting and collateral support agreements. The amounts related to the right to reclaim or the obligation to return cash collateral may not be used to offset amounts due under the derivative instruments in the normal course of settlement. Therefore, such amounts are not offset against fair value amounts recognized for derivative instruments with the same counterparty and are included in other assets and other liabilities. Changes in the fair value of the Company's derivative financial instruments are recognized in earnings and, where applicable, are offset by the corresponding gain or loss on the related foreign-denominated assets or liabilities or hedged investments, on the condensed consolidated statements of income.

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is not US dollars. The gain or loss from revaluing net investment hedges at the spot rate is deferred and reported within accumulated other comprehensive income (loss) ("AOCI") on the condensed consolidated statements of financial condition. Amounts excluded from the effectiveness assessment are reported in the condensed consolidated statements of income using a systematic and rational method. The Company reassesses the effectiveness of its net investment hedge at least quarterly.

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

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

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

The Company records on the condensed consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the condensed consolidated statements of income. During the six months ended June 30, 2021 and 2020, the Company had not resold or repledged any of the collateral received under these arrangements. At June 30, 2021 and December 31, 2020, the fair value of loaned securities held by separate accounts was approximately $14.8 billion and $15.2 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $16.2 billion and $16.5 billion, respectively.

***Money Market Fee Waivers.*** The Company may voluntarily waive a portion of its management fees on certain money market funds to ensure that they maintain a targeted level of daily net investment income (the “Yield Support waivers”). During the three and six months ended June 30, 2021, these waivers resulted in a reduction of management fees of approximately $160 million and $230 million, respectively, which was partially offset by a reduction of BlackRock’s distribution and servicing costs paid to financial intermediaries. There were no Yield Support waivers for the three and six months ended June 30, 2020. The Company may increase or decrease the level of Yield Support waivers in future periods.

**3. Acquisitions**

***Aperio Group, LLC***

On February 1, 2021, the Company acquired 100% of the equity interests of Aperio Group, LLC (the "Aperio Transaction" or "Aperio"), a pioneer in customizing tax-optimized index equity separately managed accounts ("SMAs") for approximately $1.1 billion in cash, using existing cash resources. The acquisition of Aperio increased BlackRock's SMA assets under management and expanded the breadth of the Company's capabilities via tax-managed strategies across factors, broad market indexing, and investor Environmental, Social, and Governance preferences across all asset classes.

The purchase price for the Aperio Transaction was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the transaction. The goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies from the transaction. The amount of goodwill expected to be deductible for tax purposes is approximately $0.6 billion. A summary of the fair values of the assets acquired and liabilities assumed in this acquisition is as follows(1):

| *(in millions)* | Estimate of Fair Value |
|---|---|
| Accounts receivable | $ 16 |
| Finite-lived intangible assets: | |
| Customer relationships(2) | 270 |
| Other | 17 |
| Goodwill | 787 |
| Deferred income tax liabilities | (16) |
| Other liabilities assumed | (12) |
| Total consideration, net of cash acquired | $ 1,062 |
| | |
| Summary of consideration, net of cash acquired: | |
| Cash paid | $ 1,066 |
| Cash acquired | (4) |
| Total consideration, net of cash acquired | $ 1,062 |

(1) At this time, the Company does not expect material changes to the value of the assets acquired or liabilities assumed in conjunction with the transaction.
(2) The fair value was determined based on the excess earnings method (a Level 3 input), has a weighted-average estimated useful life of approximately 10 years and is amortized using the accelerated amortization method.

Finite-lived intangible assets are amortized over their estimated useful lives, which range from three to 10 years. Amortization expense related to the finite-lived intangible assets was $10 million and $17 million, respectively, for the three and six months ended June 30, 2021. The finite-lived intangible assets had a weighted-average remaining useful life of approximately nine years with remaining amortization expense as follows:

| *(in millions)* **Year** | Amount |
|---|---|
| 2021 (excluding the six months ended June 30, 2021) | $ 20 |
| 2022 | 40 |
| 2023 | 38 |
| 2024 | 32 |
| 2025 | 29 |
| Thereafter | 111 |
| Total | $ 270 |

The financial results of Aperio have been included in BlackRock's condensed consolidated financial statements from the closing of the Aperio Transaction. For the three and six months ended June 30, 2021, Aperio contributed $21 million and $34 million, respectively, of revenue and did not have a material impact to net income attributable to BlackRock, Inc. Consequently, the Company has not presented pro forma combined results of operations for this acquisition.

***Baringa's Climate Change Scenario Model***

In June 2021, the Company completed the acquisition of Baringa Partners' Climate Change Scenario Model, which will be integrated into BlackRock's Aladdin Climate technology, and will enhance Aladdin Climate's capabilities and analytics. Total consideration, including contingent consideration, is not material to the Company's condensed consolidated financial statements.

**4. Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash and cash equivalents reported within the condensed consolidated statements of financial condition to the cash, cash equivalents, and restricted cash reported within the condensed consolidated statements of cash flows.

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 6,416 | $ 8,664 |
| Restricted cash included in other assets | 17 | 17 |
| Total cash, cash equivalents and restricted cash | $ 6,433 | $ 8,681 |

**5. Investments**

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

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Debt securities: | | |
| Held-to-maturity investments | $ 326 | $ 310 |
| Trading securities | 1,616 | 1,964 |
| Total debt securities | 1,942 | 2,274 |
| Equity securities at FVTNI(1) | 2,369 | 2,317 |
| Equity method investments(2) | 1,404 | 1,081 |
| Bank loans | 271 | 248 |
| Federal Reserve Bank stock(3) | 95 | 94 |
| Carried interest(4) | 1,213 | 627 |
| Other investments(5) | 301 | 278 |
| Total investments | $ 7,595 | $ 6,919 |

(1) Fair value recorded through net income ("FVTNI").
(2) Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds.
(3) At both June 30, 2021 and December 31, 2020, there were no indicators of impairment of Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale.
(4) Carried interest represents allocations to BlackRock's general partner capital accounts from certain sponsored investment funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.
(5) Other investments include BlackRock's investments in nonmarketable equity securities, which are measured at cost, adjusted for observable price changes and private equity and real asset investments of CIPs measured at fair value.

***Held-to-Maturity Investments***

The carrying value of held-to-maturity investments was $326 million and $310 million at June 30, 2021 and December 31, 2020, respectively. Held-to-maturity investments included certain investments in CLOs and foreign government debt held primarily for regulatory purposes. The amortized cost (carrying value) of these investments approximated fair value (primarily a Level 2 input). At June 30, 2021, $14 million of these investments mature between one to five years, $103 million of these investments mature between five to 10 years and $209 million of these investments mature after 10 years.

***Trading Debt Securities and Equity Securities at FVTNI***

A summary of the cost and carrying value of trading debt securities and equity securities at FVTNI is as follows:

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| *(in millions)* | Cost | Carrying Value | Cost | Carrying Value |
| Trading debt securities: | | | | |
| Corporate debt | $ 1,131 | $ 1,159 | $ 1,591 | $ 1,641 |
| Government debt | 314 | 314 | 203 | 210 |
| Asset/mortgage-backed debt | 154 | 143 | 132 | 113 |
| Total trading debt securities | $ 1,599 | $ 1,616 | $ 1,926 | $ 1,964 |
| Equity securities at FVTNI: | | | | |
| Equity securities/mutual funds | $ 2,033 | $ 2,369 | $ 2,055 | $ 2,317 |
| Total equity securities at FVTNI | $ 2,033 | $ 2,369 | $ 2,055 | $ 2,317 |

**6. Consolidated Sponsored Investment Products**

The Company consolidates certain sponsored investment funds accounted for as VREs because it is deemed to control such funds.

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, which may be considered VIEs. The Company may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company's involvement in financing the operations of the VIEs is generally limited to its investments in the entity. The Company's consolidated VIEs include certain sponsored investment products in which BlackRock has an investment and as the investment manager, is deemed to have both the power to direct the most significant activities of the products and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment products. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company.

The following table presents the balances related to these CIPs accounted for as VIEs and VREs that were recorded on the condensed consolidated statements of financial condition, including BlackRock's net interest in these products:

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions)* | **VIEs** | **VREs** | **Total** | **VIEs** | **VREs** | **Total** |
| Cash and cash equivalents | $ 217 | $ 63 | $ 280 | $ 155 | $ 51 | $ 206 |
| Investments: | | | | | | |
| Trading debt securities | 1,497 | 73 | 1,570 | 1,618 | 310 | 1,928 |
| Equity securities at FVTNI | 1,758 | 289 | 2,047 | 1,592 | 413 | 2,005 |
| Bank loans | 271 | — | 271 | 248 | — | 248 |
| Other investments | 210 | — | 210 | 191 | — | 191 |
| Carried interest | 1,184 | — | 1,184 | 604 | — | 604 |
| Total investments | 4,920 | 362 | 5,282 | 4,253 | 723 | 4,976 |
| Other assets | 136 | 6 | 142 | 90 | 9 | 99 |
| Other liabilities(1) | (1,601) | (33) | (1,634) | (952) | (70) | (1,022) |
| Noncontrolling interests - CIPs | (2,250) | (30) | (2,280) | (2,193) | (180) | (2,373) |
| BlackRock's net interests in CIPs | $ 1,422 | $ 368 | $ 1,790 | $ 1,353 | $ 533 | $ 1,886 |

(1) At both June 30, 2021 and December 31, 2020, other liabilities of VIEs primarily include deferred carried interest liabilities and borrowings of a consolidated CLO.

BlackRock's total exposure to CIPs represents the value of its economic ownership interest in these CIPs. Valuation changes associated with investments held at fair value by these CIPS are reflected in nonoperating income (expense) and partially offset in net income (loss) attributable to NCI for the portion not attributable to BlackRock.

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

Net gain (loss) related to consolidated VIEs is presented in the following table:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Nonoperating net gain (loss) on consolidated VIEs | $ 190 | $ 282 | $ 273 | $ (27) |
| Net income (loss) attributable to NCI on consolidated VIEs | $ 168 | $ 178 | $ 223 | $ 20 |

**7. Variable Interest Entities**

***Nonconsolidated VIEs***. At June 30, 2021 and December 31, 2020, the Company's carrying value of assets and liabilities included on the condensed consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the primary beneficiary, was as follows:

| *(in millions)* | | | | |
|---|---|---|---|---|
| **At June 30, 2021** | **Investments** | **Advisory Fee Receivables** | **Other Net Assets (Liabilities)** | **Maximum Risk of Loss(1)** |
| Sponsored investment products | $ 779 | $ 95 | $ (12) | $ 891 |
| **At December 31, 2020** | | | | |
| Sponsored investment products | $ 662 | $ 71 | $ (13) | $ 750 |

(1) At both June 30, 2021 and December 31, 2020, BlackRock's maximum risk of loss associated with these VIEs primarily related to BlackRock's investments and the collection of advisory fee receivables.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated $19 billion and $16 billion at June 30, 2021 and December 31, 2020, respectively.

## 8. Fair Value Disclosures

### *Fair Value Hierarchy*

*Assets and liabilities measured at fair value on a recurring basis*

| June 30, 2021 *(in millions)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV(1) | Other(2) | June 30, 2021 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity investments | $ — | $ — | $ — | $ — | $ 326 | $ 326 |
| Trading securities | — | 1,595 | 21 | — | — | 1,616 |
| Total debt securities | — | 1,595 | 21 | — | 326 | 1,942 |
| Equity securities at FVTNI: | | | | | | |
| Equity securities/mutual funds | 2,369 | — | — | — | — | 2,369 |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 356 | — | — | — | — | 356 |
| Hedge funds/funds of hedge funds | — | — | — | 351 | — | 351 |
| Private equity funds | — | — | — | 483 | — | 483 |
| Real assets funds | — | — | — | 214 | — | 214 |
| Total equity method | 356 | — | — | 1,048 | — | 1,404 |
| Bank loans | — | 10 | 261 | — | — | 271 |
| Federal Reserve Bank Stock | — | — | — | — | 95 | 95 |
| Carried interest | — | — | — | — | 1,213 | 1,213 |
| Other investments(3) | 9 | 5 | 5 | 90 | 192 | 301 |
| Total investments | 2,734 | 1,610 | 287 | 1,138 | 1,826 | 7,595 |
| Other assets(4) | 186 | — | — | — | — | 186 |
| Separate account assets | 69,820 | 33,036 | — | — | 1,016 | 103,872 |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 12,599 | — | — | — | — | 12,599 |
| Debt securities | — | 3,501 | — | — | — | 3,501 |
| Other | — | — | — | — | 70 | 70 |
| Total separate account collateral held under securities lending agreements | 12,599 | 3,501 | — | — | 70 | 16,170 |
| **Total** | $ 85,339 | $ 38,147 | $ 287 | $ 1,138 | $ 2,912 | $ 127,823 |
| **Liabilities:** | | | | | | |
| Separate account collateral liabilities under securities lending agreements | $ 12,599 | $ 3,501 | $ — | $ — | $ 70 | $ 16,170 |
| Other liabilities(5) | — | 45 | 298 | — | — | 343 |
| **Total** | $ 12,599 | $ 3,546 | $ 298 | $ — | $ 70 | $ 16,513 |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent), as a practical expedient.

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

(3) Level 3 amount primarily includes direct investments in private equity companies held by consolidated private equity funds.

(4) Level 1 amount includes a minority investment in a publicly traded company.

(5) Level 2 amount primarily includes fair value of derivatives (See Note 9, *Derivatives and Hedging*, for more information). Level 3 amounts primarily include borrowings of a consolidated CLO classified based on the significance of unobservable inputs used for calculating the fair value of consolidated CLO assets, and contingent liabilities related to certain acquisitions (see Note 15, *Commitments and Contingencies*, for more information).

*Assets and liabilities measured at fair value on a recurring basis*

| December 31, 2020<br>*(in millions)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV(1) | Other(2) | December 31, 2020 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity investments | $ — | $ — | $ — | $ — | $ 310 | $ 310 |
| Trading securities | — | 1,953 | 11 | — | — | 1,964 |
| Total debt securities | — | 1,953 | 11 | — | 310 | 2,274 |
| Equity securities at FVTNI: | | | | | | |
| Equity securities/mutual funds | 2,317 | — | — | — | — | 2,317 |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 235 | — | — | — | — | 235 |
| Hedge funds/funds of hedge funds | — | — | — | 313 | — | 313 |
| Private equity funds | — | — | — | 315 | — | 315 |
| Real assets funds | — | — | — | 218 | — | 218 |
| Total equity method | 235 | — | — | 846 | — | 1,081 |
| Bank loans | — | 16 | 232 | — | — | 248 |
| Federal Reserve Bank Stock | — | — | — | — | 94 | 94 |
| Carried interest | — | — | — | — | 627 | 627 |
| Other investments(3) | — | — | 9 | 94 | 175 | 278 |
| Total investments | 2,552 | 1,969 | 252 | 940 | 1,206 | 6,919 |
| Other assets(4) | 205 | 13 | — | — | — | 218 |
| Separate account assets | 71,392 | 32,404 | — | — | 867 | 104,663 |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 13,126 | — | — | — | — | 13,126 |
| Debt securities | — | 3,381 | — | — | — | 3,381 |
| Total separate account collateral held under securities lending agreements | 13,126 | 3,381 | — | — | — | 16,507 |
| **Total** | $ 87,275 | $ 37,767 | $ 252 | $ 940 | $ 2,073 | $ 128,307 |
| **Liabilities:** | | | | | | |
| Separate account collateral liabilities under securities lending agreements | $ 13,126 | $ 3,381 | $ — | $ — | $ — | $ 16,507 |
| Other liabilities(5) | — | 68 | 272 | — | — | 340 |
| **Total** | $ 13,126 | $ 3,449 | $ 272 | $ — | $ — | $ 16,847 |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.
(2) Amounts are comprised of investments held at amortized cost and cost, adjusted for observable price changes, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
(3) Level 3 amount primarily includes direct investments in private equity companies held by consolidated private equity funds.
(4) Level 1 amount includes a minority investment in a publicly traded company.
(5) Level 2 amount primarily includes fair value of derivatives (See Note 9, *Derivatives and Hedging*, for more information). Level 3 amounts primarily include borrowings of a consolidated CLO classified based on the significance of unobservable inputs used for calculating the fair value of consolidated CLO assets, and contingent liabilities related to certain acquisitions (see Note 15, *Commitments and Contingencies*, for more information).

***Level 3 Assets.*** Level 3 assets may include investments in CLOs and bank loans of consolidated CLOs, which were valued based on single-broker nonbinding quotes and direct private equity investments, which were valued using the market or income approach.

Level 3 investments of $287 million and $252 million at June 30, 2021 and December 31, 2020, respectively, primarily included bank loans of a consolidated CLO.

***Level 3 Liabilities.*** Level 3 liabilities primarily include borrowings of a consolidated CLO, which were valued based on the fair value of the assets of the consolidated CLO less the fair value of the Company's economic interest in the CLO, and contingent liabilities related to certain acquisitions, which were valued based upon discounted cash flow analyses using unobservable market data inputs.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2021***

| *(in millions)* | March 31, 2021 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and other Settlements(1) | Transfers into Level 3 | Transfers out of Level 3 | June 30, 2021 | Total Net Unrealized Gains (Losses) Included in Earnings(2) |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities: | | | | | | | | | |
| Trading | $ 14 | $ — | $ 7 | $ — | $ — | $ — | $ — | $ 21 | $ — |
| Total debt securities | 14 | — | 7 | — | — | — | — | 21 | — |
| Private equity | 9 | — | — | — | — | — | (4) | 5 | — |
| Bank loans | 235 | — | 20 | — | — | 6 | — | 261 | — |
| Total investments | $ 258 | $ — | $ 27 | $ — | $ — | $ 6 | $ (4) | $ 287 | $ — |
| **Liabilities:** | | | | | | | | | |
| Other liabilities | $ 280 | $ (1) | $ — | $ — | $ 17 | $ — | $ — | $ 298 | $ (1) |
| Total Level 3 liabilities | $ 280 | $ (1) | $ — | $ — | $ 17 | $ — | $ — | $ 298 | $ (1) |

(1) Amounts include proceeds from borrowings of a consolidated CLO and a contingent liability, partially offset by contingent liability payment related to a prior acquisition.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2021***

| *(in millions)* | December 31, 2020 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and other Settlements(1) | Transfers into Level 3 | Transfers out of Level 3 | June 30, 2021 | Total Net Unrealized Gains (Losses) Included in Earnings(2) |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities: | | | | | | | | | |
| Trading | $ 11 | $ — | $ 12 | $ — | $ — | $ — | $ (2) | $ 21 | $ — |
| Total debt securities | 11 | — | 12 | — | — | — | (2) | 21 | — |
| Private equity | 9 | — | — | — | — | — | (4) | 5 | — |
| Bank loans | 232 | — | 29 | — | — | 10 | (10) | 261 | — |
| Total investments | $ 252 | $ — | $ 41 | $ — | $ — | $ 10 | $ (16) | $ 287 | $ — |
| **Liabilities:** | | | | | | | | | |
| Other liabilities | $ 272 | $ (4) | $ — | $ — | $ 22 | $ — | $ — | $ 298 | $ (4) |
| Total Level 3 liabilities | $ 272 | $ (4) | $ — | $ — | $ 22 | $ — | $ — | $ 298 | $ (4) |

(1) Amounts include proceeds from borrowings of a consolidated CLO and a contingent liability, partially offset by contingent liability payments related to prior acquisitions.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2020***

| *(in millions)* | March 31, 2020 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and other Settlements(1) | Transfers into Level 3 | Transfers out of Level 3 | June 30, 2020 | Total Net Unrealized Gains (Losses) Included in Earnings(2) |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities: | | | | | | | | | |
| Trading | $ 9 | $ — | $ 1 | $ — | $ — | $ — | $ — | $ 10 | $ — |
| Total debt securities | 9 | — | 1 | — | — | — | — | 10 | — |
| Private equity | 16 | — | — | — | — | — | — | 16 | — |
| Bank loans | 181 | 14 | 18 | — | — | 16 | — | 229 | 14 |
| Total investments | $ 206 | $ 14 | $ 19 | $ — | $ — | $ 16 | $ — | $ 255 | $ 14 |
| **Liabilities:** | | | | | | | | | |
| Other liabilities | $ 421 | $ (12) | $ — | $ — | $ (171) | $ — | $ — | $ 262 | $ (19) |
| Total Level 3 liabilities | $ 421 | $ (12) | $ — | $ — | $ (171) | $ — | $ — | $ 262 | $ (19) |

(1) Amount includes proceeds from borrowings of a consolidated CLO and contingent payments related to certain acquisitions.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2020***

| *(in millions)* | December 31, 2019 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and other Settlements(1) | Transfers into Level 3 | Transfers out of Level 3 | June 30, 2020 | Total Net Unrealized Gains (Losses) Included in Earnings(3) |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities: | | | | | | | | | |
| Trading | $ 8 | $ — | $ 2 | $ — | $ — | $ — | $ — | $ 10 | $ — |
| Total debt securities | 8 | — | 2 | — | — | — | — | 10 | — |
| Private equity | 9 | — | 8 | (1) | — | — | — | 16 | — |
| Bank loans | 177 | — | 36 | — | — | 16 | — | 229 | — |
| Total investments | $ 194 | $ — | $ 46 | $ (1) | $ — | $ 16 | $ — | $ 255 | $ — |
| **Liabilities:** | | | | | | | | | |
| Other liabilities | $ 388 | $ (23) | $ — | $ — | $ (149) | $ — | $ — | $ 262 | $ (30) |
| Total Level 3 liabilities | $ 388 | $ (23) | $ — | $ — | $ (149) | $ — | $ — | $ 262 | $ (30) |

(1) Amount includes proceeds from borrowings of a consolidated CLO and contingent payments related to certain acquisitions.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.

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

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

*Disclosures of Fair Value for Financial Instruments Not Held at Fair Value*. At June 30, 2021 and December 31, 2020, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

| | June 30, 2021 | | December 31, 2020 | | |
|---|---|---|---|---|---|
| *(in millions)* | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value | Fair Value Hierarchy |
| *Financial Assets*(1)*:* | | | | | |
| Cash and cash equivalents | $ 6,416 | $ 6,416 | $ 8,664 | $ 8,664 | Level 1(2) (3) |
| Other assets | $ 47 | $ 47 | $ 69 | $ 69 | Level 1(4) |
| *Financial Liabilities:* | | | | | |
| Long-term borrowings | $ 6,491 | $ 6,909 | $ 7,264 | $ 7,883 | Level 2(5) |

(1) See Note 5, *Investments*, for further information on investments not held at fair value.
(2) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.
(3) At June 30, 2021 and December 31, 2020, approximately $729 million and $1,249 million, respectively, of money market funds were recorded within cash and cash equivalents on the condensed consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund.
(4) Other assets include restricted cash and cash collateral deposited with certain derivative counterparties. The carrying values of these assets approximate fair value due to their short-term maturities.
(5) Long-term borrowings are recorded at amortized cost, net of debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is determined using market prices at the end of June 2021 and December 2020, respectively. See Note 14, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

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

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

**June 30, 2021**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:**[1] | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 351 | $ 142 | Daily/Monthly (21%)<br>Quarterly (21%)<br>N/R (58%) | 1 – 90 days |
| Private equity funds | (b) | 483 | 302 | N/R | N/R |
| Real assets funds | (c) | 214 | 236 | Quarterly (19%)<br>N/R (81%) | 60 days |
| **Consolidated sponsored investment products:** | | | | | |
| Private equity funds of funds | (d) | 9 | 4 | N/R | N/R |
| Real assets funds | (c) | 81 | 86 | N/R | N/R |
| Total | | $ 1,138 | $ 770 | | |

**December 31, 2020**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:**[1] | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 313 | $ 101 | Daily/Monthly (21%)<br>Quarterly (21%)<br>N/R (58%) | 1 – 90 days |
| Private equity funds | (b) | 315 | 372 | N/R | N/R |
| Real assets funds | (c) | 218 | 205 | Quarterly (31%)<br>N/R (69%) | 60 days |
| **Consolidated sponsored investment products:** | | | | | |
| Private equity funds of funds | (d) | 19 | 7 | N/R | N/R |
| Real assets funds | (c) | 75 | 94 | N/R | N/R |
| Total | | $ 940 | $ 779 | | |

N/R – not redeemable

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

(a) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both June 30, 2021 and December 31, 2020.

(b) This category includes private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. The liquidation period for the investments in these funds is unknown at both June 30, 2021 and December 31, 2020.

(c) This category includes several real assets funds that invest directly and indirectly in real estate or infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The Company's investments that are not subject to redemption or are not currently redeemable are normally returned through distributions and realizations of the underlying assets of the funds. The liquidation period for the investments in the funds that are not subject to redemptions is unknown at both June 30, 2021 and December 31, 2020. The total remaining unfunded commitments to real assets funds were $322 million and $299 million at June 30, 2021 and December 31, 2020, respectively. The Company's portion of the total remaining unfunded commitments was $294 million and $267 million at June 30, 2021 and December 31, 2020, respectively.

(d) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption or are not currently redeemable; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. The liquidation period for the underlying assets of these funds is unknown at both June 30, 2021 and December 31, 2020. The total remaining unfunded commitments to other third-party funds were $4 million and $7 million at June 30, 2021 and December 31, 2020, respectively. The Company had contractual obligations to the consolidated funds of $17 million at both June 30, 2021 and December 31, 2020.

***Fair Value Option.***

At June 30, 2021 and December 31, 2020, the Company elected the fair value option for certain investments in CLOs of approximately $46 million and $35 million, respectively, reported within investments.

In addition, the Company elected the fair value option for bank loans and borrowings of a consolidated CLO, recorded within investments and other liabilities, respectively. The following table summarizes the information related to these bank loans and borrowings at June 30, 2021 and December 31, 2020:

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **CLO Bank loans:** | | |
| Aggregate principal amounts outstanding | $ 268 | $ 250 |
| Fair value | 271 | 248 |
| Aggregate unpaid principal balance in excess of (less than) fair value | $ (3) | $ 2 |
| **CLO Borrowings:** | | |
| Aggregate principal amounts outstanding | $ 261 | $ 244 |
| Fair value | $ 264 | $ 246 |

At June 30, 2021, the principal amounts outstanding of the borrowings issued by the CLOs mature in 2030.

During the three and six months ended June 30, 2021 and 2020, the net gains (losses) from the change in fair value of the bank loans and borrowings held by the consolidated CLO were not material and were recorded in nonoperating (expense) on the condensed consolidated statements of income. The change in fair value of the assets and liabilities included interest income and expense, respectively.

**9. Derivatives and Hedging**

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At June 30, 2021 and December 31, 2020, the Company had outstanding total return swaps with aggregate notional values of approximately $863 million and $833 million, respectively.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At June 30, 2021 and December 31, 2020, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately $2 billion and $2.8 billion, respectively, and with expiration dates in July 2021 and January 2021, respectively.

At both June 30, 2021 and December 31, 2020, the Company had a derivative providing credit protection with a notional amount of approximately $17 million to a counterparty, representing the Company's maximum risk of loss with respect to the derivative. The Company carries the derivative at fair value based on the expected discounted future cash outflows under the arrangement.

The following table presents the fair values of derivative instruments recognized in the condensed consolidated statements of financial condition at June 30, 2021 and December 31, 2020:

| *(in millions)* | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| **Derivative instruments** | **Statement of Financial Condition Classification** | **June 30, 2021** | **December 31, 2020** | **Statement of Financial Condition Classification** | **June 30, 2021** | **December 31, 2020** |
| Total return swaps | Other assets | $ 3 | $ — | Other liabilities | $ 14 | $ 50 |
| Forward foreign currency exchange contracts | Other assets | 2 | 13 | Other liabilities | 19 | 5 |
| Total | | $ 5 | $ 13 | | $ 33 | $ 55 |

The following table presents realized and unrealized gains (losses) recognized in the condensed consolidated statements of income on derivative instruments:

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| *(in millions)* | **Statement of Income** | **2021** | **2020** | **2021** | **2020** |
| **Derivative Instruments** | **Classification** | **Gains (Losses)** | | **Gains (Losses)** | |
| Total return swaps | Nonoperating income (expense) | $ (50) | $ (91) | $ (84) | $ 51 |
| Forward foreign currency exchange contracts | General and administration expense | 3 | (10) | 10 | (98) |
| Total gain (loss) from derivative instruments | | $ (47) | $ (101) | $ (74) | $ (47) |

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The changes in fair value of such derivatives, which are recorded in nonoperating income (expense), were not material for the three and six months ended June 30, 2021 and 2020.

See Note 15, *Borrowings*, in the 2020 Form 10-K for more information on the Company's net investment hedge.

**10. Goodwill**

Goodwill activity during the six months ended June 30, 2021 was as follows:

| *(in millions)* | |
|---|---|
| December 31, 2020 | $ 14,551 |
| Acquisitions(1) | 816 |
| Other(2) | (5) |
| June 30, 2021 | **$ 15,362** |

(1) The increase in goodwill during the six months ended June 30, 2021 primarily relates to the Aperio Transaction, which closed on February 1, 2021. See Note 3, *Acquisitions*, for more information.

(2) Amount resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction" or "Quellos"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $59 million and $74 million at June 30, 2021 and December 31, 2020, respectively.

**11. Intangible Assets**

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

| *(in millions)* | Indefinite-lived | Finite-lived | Total |
|---|---|---|---|
| December 31, 2020 | $ 17,578 | $ 685 | $ 18,263 |
| Acquisitions(1) | — | 322 | 322 |
| Amortization expense | — | (71) | (71) |
| June 30, 2021 | **$ 17,578** | **$ 936** | **$ 18,514** |

(1) In connection with the Aperio Transaction, which closed on February 1, 2021, the Company acquired $270 million of finite-lived customer relationships, $9 million of a finite-lived trade name and $8 million of finite-lived technology-related intangible assets, with weighted-average estimated lives of approximately 10 years, five years and three years, respectively. See Note 3, *Acquisitions*, for more information.

**12. Leases**

The following table presents components of lease cost included in general and administration expense on the condensed consolidated statement of income:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | 2021 | 2020 |
| **Lease cost:** | | | | |
| Operating lease cost(1) | $ 39 | $ 36 | $ 78 | $ 73 |
| Variable lease cost(2) | 10 | 10 | 20 | 19 |
| Total lease cost | $ 49 | $ 46 | $ 98 | $ 92 |

(1) Amounts include short-term leases, which are immaterial for the three and six months ended June 30, 2021 and 2020.
(2) Amounts include operating lease payments, which may be adjusted based on usage, changes in an index or market rate, as well as common area maintenance charges and other variable costs not included in the measurement of right-of-use ("ROU") assets and operating lease liabilities.

The following table presents operating leases included on the condensed consolidated statements of financial condition:

| *(in millions)* | Statement of Financial Condition Classification | June 30, 2021 | December 31, 2020 |
|---|---|---|---|
| **Statement of Financial Condition information:** | | | |
| Operating lease ROU assets | Other assets | $ 613 | $ 649 |
| Operating lease liabilities | Other liabilities | $ 713 | $ 755 |

Supplemental information related to operating leases is summarized below:

| | Six Months Ended June 30, | |
|---|---|---|
| *(in millions)* | 2021 | 2020 |
| **Supplemental cash flow information:** | | |
| Cash paid for amounts included in the measurement of operating lease liabilities | $ 81 | $ 76 |
| **Supplemental noncash information:** | | |
| ROU assets in exchange for operating lease liabilities | $ 28 | $ 77 |

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Lease term and discount rate:** | | |
| Weighted-average remaining lease term | 8 years | 8 years |
| Weighted-average discount rate | 3 % | 3 % |

**13. Other Assets**

***iCapital***

On March 10, 2020, in connection with a recapitalization of iCapital Network, Inc. ("iCapital"), BlackRock received additional stock in exchange for certain securities it held, which resulted in a nonoperating pre-tax gain of approximately $240 million in the condensed consolidated statement of income for the six months ended June 30, 2020. Following this transaction, the Company accounts for its interest in iCapital as an equity method investment, which is included in other assets on the condensed consolidated statements of financial condition. At June 30, 2021 and December 31, 2020, the carrying value of the Company's interest in iCapital was approximately $294 million and $296 million, respectively.

**14. Borrowings**

***Short-Term Borrowings***

*2021 Revolving Credit Facility.* In March 2021, the Company's credit facility was amended to increase the aggregate commitment amount to $4.4 billion and to extend the maturity date to March 2026 (the "2021 credit facility"). In addition, the amendment incorporated certain sustainability-linked pricing metrics into the agreement. Specifically, the Company's applicable interest rate and commitment fee are subject to upward or downward adjustments on an annual basis if the Company achieves, or fails to achieve, certain specified targets. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate, or an applicable replacement benchmark, plus a spread. The 2021 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2021 credit facility to an aggregate principal amount not to exceed $5.4 billion. The 2021 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at June 30, 2021. The 2021 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At June 30, 2021, the Company had no amount outstanding under the 2021 credit facility.

*Commercial Paper Program.* The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4 billion. The commercial paper program is currently supported by the 2021 credit facility. At June 30, 2021, BlackRock had no CP Notes outstanding.

***Long-Term Borrowings***

The carrying value and fair value of long-term borrowings determined using market prices and EUR/USD foreign exchange rate at June 30, 2021 included the following:

| *(in millions)* | Maturity Amount | Unamortized Discount and Debt Issuance Costs | Carrying Value | Fair Value |
|---|---|---|---|---|
| 3.375% Notes due 2022 | $ 750 | $ — | $ 750 | $ 772 |
| 3.50% Notes due 2024 | 1,000 | (3) | 997 | 1,080 |
| 1.25% Notes due 2025 | 830 | (3) | 827 | 873 |
| 3.20% Notes due 2027 | 700 | (5) | 695 | 774 |
| 3.25% Notes due 2029 | 1,000 | (11) | 989 | 1,117 |
| 2.40% Notes due 2030 | 1,000 | (6) | 994 | 1,045 |
| 1.90% Notes due 2031 | 1,250 | (11) | 1,239 | 1,248 |
| **Total Long-term Borrowings** | $ 6,530 | $ (39) | $ 6,491 | $ 6,909 |

In May 2021, the Company fully repaid $750 million of 4.25% notes at maturity.

Long-term borrowings at December 31, 2020 had a carrying value of $7.3 billion and a fair value of $7.9 billion, determined using market prices at the end of December 31, 2020.

See Note 15, *Borrowings*, in the 2020 Form 10-K for more information regarding the Company's borrowings.

**15. Commitments and Contingencies**

***Investment Commitments.*** At June 30, 2021, the Company had $930 million of various capital commitments to fund sponsored investment products, including CIPs. These products include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

***Contingencies***

*Contingent Payments Related to Business Acquisitions*. In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue from acquired contracts. The fair value of the remaining aggregate contingent payments at June 30, 2021 totaled $34 million and is included in other liabilities on the condensed consolidated statements of financial condition.

*Other Contingent Payments.* The Company acts as the portfolio manager in a series of derivative transactions and has a maximum potential exposure of $17 million between the Company and counterparty. See Note 9, *Derivatives and Hedging*, for further discussion.

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

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the US District Court for the Northern District of California by a former employee on behalf of all participants and beneficiaries in the BlackRock employee 401(k) Plan (the "Plan") from April 5, 2011 to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed unaffiliated peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated in investment options managed by BlackRock. On October 18, 2017, the plaintiffs filed an Amended Complaint, which, among other things, added as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also included a new purported class claim on behalf of investors in certain CTFs managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the securities lending agent on terms that the plaintiffs claim were excessive. The Amended Complaint also alleged that BlackRock took undue risks in its management of securities lending cash reinvestment vehicles during the financial crisis. On August 23, 2018, the court granted permission to the plaintiffs to file a Second Amended Complaint ("SAC") which added as defendants the BlackRock, Inc. Management Development and Compensation Committee, the Plan's independent investment consultant and the Plan's Administrative Committee and its members. On October 22, 2018, BlackRock filed a motion to dismiss the SAC, and on June 3, 2019, the plaintiffs filed a motion seeking to certify both the Plan and the CTF classes. On September 3, 2019, the court granted BlackRock's motion to dismiss part of the plaintiffs' claim seeking to recover alleged losses in the securities lending vehicles but denied the motion to dismiss in all other respects. On February 11, 2020, the court denied the plaintiffs' motion to certify the CTF class and granted their motion to certify the Plan class. On April 27, 2020, the Ninth Circuit denied the plaintiffs' request to immediately appeal the class certification ruling. On September 24, 2020, the parties cross-moved for summary judgment, both of which were denied on January 12, 2021. On February 5, 2021, the parties reached a settlement in principle for $9.65 million which, if approved by the court, will resolve the lawsuit. On March 23, 2021, the plaintiffs filed a motion for preliminary approval of the settlement, which was granted on July 12, 2021. A hearing where the court will consider final approval of the settlement is currently scheduled for October 21, 2021.

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

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

In connection with securities lending transactions, BlackRock has agreed to indemnify certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. The amount of securities on loan as of June 30, 2021 and subject to this type of indemnification was $297 billion. In the Company's capacity as lending agent, cash and securities totaling $316 billion were held as collateral for indemnified securities on loan at June 30, 2021. The fair value of these indemnifications was not material at June 30, 2021.

**16. Revenue**

The table below presents detail of revenue for the three and six months ended June 30, 2021 and 2020 and includes the product mix of investment advisory, administration fees and securities lending revenue, and performance fees.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Investment advisory, administration fees and securities lending revenue: | | | | |
| Equity: | | | | |
| Active | $ 641 | $ 381 | $ 1,217 | $ 779 |
| ETFs | 1,156 | 792 | 2,224 | 1,671 |
| Non-ETF Index | 198 | 178 | 374 | 341 |
| Equity subtotal | 1,995 | 1,351 | 3,815 | 2,791 |
| Fixed income: | | | | |
| Active | 545 | 464 | 1,070 | 945 |
| ETFs | 294 | 261 | 589 | 520 |
| Non-ETF Index | 116 | 129 | 229 | 241 |
| Fixed income subtotal | 955 | 854 | 1,888 | 1,706 |
| Multi-asset | 344 | 270 | 672 | 563 |
| Alternatives: | | | | |
| Illiquid alternatives | 167 | 128 | 335 | 276 |
| Liquid alternatives | 150 | 117 | 297 | 229 |
| Currency and commodities(1) | 55 | 35 | 108 | 67 |
| Alternatives subtotal | 372 | 280 | 740 | 572 |
| **Long-term** | **3,666** | **2,755** | **7,115** | **5,632** |
| Cash management | 91 | 211 | 234 | 389 |
| **Total investment advisory, administration fees and securities lending revenue** | **3,757** | **2,966** | **7,349** | **6,021** |
| Investment advisory performance fees: | | | | |
| Equity | 36 | 23 | 62 | 25 |
| Fixed income | 15 | 2 | 29 | 4 |
| Multi-asset | 9 | 2 | 17 | 3 |
| Alternatives: | | | | |
| Illiquid alternatives | 90 | 32 | 97 | 49 |
| Liquid alternatives | 190 | 53 | 264 | 72 |
| Alternatives subtotal | 280 | 85 | 361 | 121 |
| **Total performance fees** | **340** | **112** | **469** | **153** |
| **Technology services revenue** | **316** | **278** | **622** | **552** |
| Distribution fees: | | | | |
| Retrocessions | 264 | 162 | 502 | 331 |
| 12b-1 fees (US mutual fund distribution fees) | 87 | 78 | 172 | 169 |
| Other | 18 | 13 | 35 | 29 |
| **Total distribution fees** | **369** | **253** | **709** | **529** |
| Advisory and other revenue: | | | | |
| Advisory | 9 | 17 | 24 | 34 |
| Other | 29 | 22 | 45 | 69 |
| **Total advisory and other revenue** | **38** | **39** | **69** | **103** |
| **Total revenue** | **$ 4,820** | **$ 3,648** | **$ 9,218** | **$ 7,358** |

(1) Amounts include commodity ETFs.

The tables below present the investment advisory, administration fees and securities lending revenue by client type and investment style:

| *(in millions)* | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **By client type:** | | | | |
| Retail | $ 1,231 | $ 825 | $ 2,356 | $ 1,697 |
| ETFs | 1,505 | 1,089 | 2,922 | 2,259 |
| Institutional: | | | | |
| Active | 657 | 546 | 1,307 | 1,120 |
| Index | 273 | 295 | 530 | 556 |
| Total institutional | 930 | 841 | 1,837 | 1,676 |
| **Long-term** | **3,666** | **2,755** | **7,115** | **5,632** |
| Cash management | 91 | 211 | 234 | 389 |
| **Total** | **$ 3,757** | **$ 2,966** | **$ 7,349** | **$ 6,021** |
| | | | | |
| **By investment style:** | | | | |
| Active | $ 1,842 | $ 1,354 | $ 3,581 | $ 2,781 |
| Index and ETFs | 1,824 | 1,401 | 3,534 | 2,851 |
| **Long-term** | **3,666** | **2,755** | **7,115** | **5,632** |
| Cash management | 91 | 211 | 234 | 389 |
| **Total** | **$ 3,757** | **$ 2,966** | **$ 7,349** | **$ 6,021** |

***Investment advisory and administration fees – remaining performance obligation***

The tables below present estimated investment advisory and administration fees expected to be recognized in the future related to the unsatisfied portion of the performance obligations at June 30, 2021 and 2020:

**June 30, 2021**

| *(in millions)* | Remainder of 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | | |
| Alternatives(1)(2) | $ 86 | $ 168 | $ 137 | $ 82 | $ 51 | $ 524 |

**June 30, 2020**

| *(in millions)* | Remainder of 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | | |
| Alternatives(1)(2) | $ 63 | $ 114 | $ 98 | $ 84 | $ 55 | $ 414 |

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at June 30, 2021 and 2020. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears.

(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less, and (2) variable consideration related to future service periods.

***Change in Deferred Carried Interest Liability***

The table below presents changes in the deferred carried interest liability, which is included in other liabilities on the condensed consolidated statements of financial condition, for the three and six months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | 2021 | 2020 |
| Beginning balance | $ 748 | $ 535 | $ 584 | $ 483 |
| Net increase (decrease) in unrealized allocations | 461 | (87) | 627 | (25) |
| Performance fee revenue recognized | (77) | (30) | (79) | (40) |
| Ending balance | $ 1,132 | $ 418 | $ 1,132 | $ 418 |

***Technology services revenue – remaining performance obligation***

The tables below present estimated technology services revenue expected to be recognized in the future related to the unsatisfied portion of the performance obligations at June 30, 2021 and 2020:

**June 30, 2021**

| *(in millions)* | Remainder of 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Technology services revenue(1)(2) | $ 67 | $ 71 | $ 40 | $ 20 | $ 14 | $ 212 |

**June 30, 2020**

| *(in millions)* | Remainder of 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Technology services revenue(1)(2) | $ 72 | $ 75 | $ 40 | $ 17 | $ 12 | $ 216 |

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.
(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less, and (2) variable consideration related to future service periods.

In addition to amounts disclosed in the tables above, certain technology services contracts require fixed minimum fees, which are billed on a monthly or quarterly basis in arrears. The Company recognizes such revenue as services are performed. As of June 30, 2021, the estimated fixed minimum fees for the remainder of the year approximated $375 million. The term for these contracts, which are either in their initial or renewal period, ranges from one to five years.

The table below presents changes in the technology services deferred revenue liability for the three and six months ended June 30, 2021 and 2020, which is included in other liabilities on the condensed consolidated statements of financial condition:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | 2021 | 2020 |
| Beginning balance | $ 111 | $ 114 | $ 123 | $ 116 |
| Additions (1) | 26 | 28 | 44 | 58 |
| Revenue recognized that was included in the beginning balance | (30) | (34) | (60) | (66) |
| Ending balance | $ 107 | $ 108 | $ 107 | $ 108 |

(1) Amounts are net of revenue recognized.

**17. Stock-Based Compensation**

***Restricted Stock and RSUs.***

Restricted stock and restricted stock units ("RSUs") activity for the six months ended June 30, 2021 is summarized below.

| Outstanding at | Restricted Stock and RSUs | Weighted-Average Grant Date Fair Value |
|---|---|---|
| December 31, 2020 | 2,139,930 | $ 489.81 |
| Granted | 842,669 | $ 741.31 |
| Converted | (721,020) | $ 507.97 |
| Forfeited | (33,638) | $ 574.77 |
| **June 30, 2021** | **2,227,941** | **$ 577.78** |

In January 2021, the Company granted 470,253 RSUs or shares of restricted stock to employees as part of 2020 annual incentive compensation that vest ratably over three years from the date of grant and 247,621 RSUs or shares of restricted stock to employees that cliff vest 100% on January 31, 2024. The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total fair market value of RSUs/restricted stock granted to employees during the six months ended June 30, 2021 was $625 million.

At June 30, 2021, the intrinsic value of outstanding RSUs was $1.9 billion, reflecting a closing stock price of $874.97.

At June 30, 2021, total unrecognized stock-based compensation expense related to unvested RSUs was $717 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

***Performance-Based RSUs.***

Performance-based RSU activity for the six months ended June 30, 2021 is summarized below.

| Outstanding at | Performance-Based RSUs | Weighted-Average Grant Date Fair Value |
|---|---|---|
| December 31, 2020 | 700,217 | $ 494.51 |
| Granted | 162,029 | $ 739.22 |
| Additional shares granted due to attainment of performance measures | 4,545 | $ 566.44 |
| Converted | (193,872) | $ 566.44 |
| **June 30, 2021** | **672,919** | **$ 533.19** |

In January 2021, the Company granted 162,029 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2024. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures. In January 2021, the Company granted 4,545 additional RSUs to certain employees based on the attainment of Company performance measures during the performance period.

The Company initially values performance-based RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total grant-date fair market value of performance-based RSUs granted to employees during the six months ended June 30, 2021 was $122 million.

At June 30, 2021, the intrinsic value of outstanding performance-based RSUs was $589 million, reflecting a closing stock price of $874.97.

At June 30, 2021, total unrecognized stock-based compensation expense related to unvested performance-based awards was $220 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.5 years.

See Note 18, *Stock-Based Compensation,* in the 2020 Form 10-K for more information on performance-based RSUs.

***Performance-based Stock Options.***

Stock options outstanding at both June 30, 2021 and December 31, 2020 were 1,915,792 with a weighted-average exercise price of $513.50.

Vesting of the performance-based stock options is contingent upon the achievement of obtaining 125% of BlackRock's grant-date stock price within five years from the grant date and the attainment of Company performance measures during the four-year performance period. If both hurdles are achieved, the award will vest in three equal installments at the end of 2022, 2023 and 2024, respectively. The stock price hurdle was achieved in December of 2020.

At June 30, 2021, total unrecognized stock-based compensation expense related to unvested performance-based stock options was $62 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 2.4 years. At June 30, 2021, the weighted-average remaining life of the awards is approximately 5.4 years.

See Note 18, *Stock-Based Compensation,* in the 2020 Form 10-K for more information on performance-based stock options.

**18. Net Capital Requirements**

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions may have adverse tax consequences that could discourage such transfers.

At June 30, 2021, the Company was required to maintain approximately $2.4 billion in net capital in certain regulated subsidiaries, including BTC (a wholly owned subsidiary of the Company that is chartered as a national bank whose powers are limited to trust and other fiduciary activities and which is subject to regulatory capital requirements administered by the US Office of the Comptroller of the Currency), entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom (“UK”), and the Company’s broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

**19. Accumulated Other Comprehensive Income (Loss)**

The following table presents changes in AOCI for the three and six months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Beginning balance | $ (411) | $ (810) | $ (337) | $ (571) |
| Foreign currency translation adjustments(1) | 23 | 29 | (51) | (210) |
| **Ending balance** | **$ (388)** | **$ (781)** | **$ (388)** | **$ (781)** |

(1) Amounts for the three months ended June 30, 2021 and 2020 include a loss from a net investment hedge of $6 million (net of tax benefit of $2 million) and $14 million (net of tax benefit of $4 million), respectively. Amount for the six months ended June 30, 2021 includes a gain from a net investment hedge of $20 million (net of tax expense of $6 million). Gain (loss) from a net investment hedge was immaterial for the six months ended June 30, 2020.

## 20. Capital Stock

***Share Repurchases***. During the six months ended June 30, 2021, the Company repurchased 0.8 million common shares under the Company's existing share repurchase program for approximately $600 million. At June 30, 2021, there were 4.3 million shares still authorized to be repurchased under the program.

## 21. Income Taxes

Income tax expense for the three and six months ended June 30, 2021 included $171 million noncash net expense related to the revaluation of certain deferred tax assets and liabilities as a result of legislation enacted in the UK increasing its corporate tax rate.

The six months ended June 30, 2021 and 2020 income tax expense reflected $39 million and $66 million, respectively, of discrete tax benefits, including benefits related to stock-based compensation awards that vested in the first quarter of each year.

The six months ended June 30, 2020 income tax expense included discrete tax benefit of $241 million recognized in connection with the charitable contribution of BlackRock's remaining 20% stake in PennyMac Financial Services, Inc. (the "Charitable Contribution").

## 22. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the three and six months ended June 30, 2021 and 2020 under the treasury stock method:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except shares and per share data)* | **2021** | **2020** | **2021** | **2020** |
| Net income attributable to BlackRock, Inc. | $ 1,378 | $ 1,214 | $ 2,577 | $ 2,020 |
| Basic weighted-average shares outstanding | 152,443,039 | 153,732,878 | 152,504,902 | 154,488,079 |
| Dilutive effect of: | | | | |
| Nonparticipating RSUs | 1,304,463 | 979,154 | 1,294,242 | 1,068,108 |
| Stock options | 670,079 | — | 560,209 | — |
| Total diluted weighted-average shares outstanding | 154,417,581 | 154,712,032 | 154,359,353 | 155,556,187 |
| Basic earnings per share | $ 9.04 | $ 7.90 | $ 16.90 | $ 13.08 |
| Diluted earnings per share | $ 8.92 | $ 7.85 | $ 16.69 | $ 12.99 |

The amount of anti-dilutive RSUs was immaterial for the three and six months ended June 30, 2021 and 2020. Certain performance-based RSUs were excluded from the diluted EPS calculation because the designated contingency was not met for the three and six months ended June 30, 2021 and 2020, respectively. In addition, performance-based stock options were excluded from the diluted EPS calculation for the three and six months ended June 30, 2020 because the designated contingency was not met.

**23. Segment Information**

The Company's management directs BlackRock's operations as one business, the asset management business. The Company utilizes a consolidated approach to assess performance and allocate resources. As such, the Company operates in one business segment.

The following table illustrates total revenue for the three and six months ended June 30, 2021 and 2020 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides or affiliated services are provided.

| *(in millions)* | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Revenue** | **2021** | **2020** | **2021** | **2020** |
| Americas | $ 3,158 | $ 2,470 | $ 5,968 | $ 4,950 |
| Europe | 1,440 | 1,020 | 2,827 | 2,087 |
| Asia-Pacific | 222 | 158 | 423 | 321 |
| Total revenue | $ 4,820 | $ 3,648 | $ 9,218 | $ 7,358 |

See Note 16, *Revenue*, for further information on the Company's sources of revenue.

The following table illustrates long-lived assets that consist of goodwill and property and equipment at June 30, 2021 and December 31, 2020 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

| *(in millions)* | June 30, | December 31, |
|---|---|---|
| **Long-lived Assets** | **2021** | **2020** |
| Americas | $ 14,660 | $ 13,784 |
| Europe | 1,349 | 1,360 |
| Asia-Pacific | 94 | 88 |
| Total long-lived assets | $ 16,103 | $ 15,232 |

Americas is primarily comprised of the United States, Latin America and Canada, while Europe is primarily comprised of the UK, the Netherlands, France and Luxembourg. Asia-Pacific is primarily comprised of Hong Kong, Australia, Japan and Singapore.

**24. Subsequent Events**

The Company conducted a review for subsequent events and determined that no subsequent events had occurred that would require accrual or additional disclosures.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### FORWARD-LOOKING STATEMENTS

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

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

BlackRock has previously disclosed risk factors in its Securities and Exchange Commission reports. These risk factors and those identified elsewhere in this report, among others, could cause actual results to differ materially from forward-looking statements or historical performance and include: (1) a pandemic or health crisis, including the COVID-19 pandemic, and its continued impact on financial institutions, the global economy or capital markets, as well as BlackRock's products, clients, vendors and employees, and BlackRock's results of operations, the full extent of which may be unknown; (2) the introduction, withdrawal, success and timing of business initiatives and strategies; (3) changes and volatility in political, economic or industry conditions, the interest rate environment, foreign exchange rates or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management ("AUM"); (4) the relative and absolute investment performance of BlackRock's investment products; (5) BlackRock's ability to develop new products and services that address client preferences; (6) the impact of increased competition; (7) the impact of future acquisitions or divestitures; (8) BlackRock's ability to integrate acquired businesses successfully; (9) the unfavorable resolution of legal proceedings; (10) the extent and timing of any share repurchases; (11) the impact, extent and timing of technological changes and the adequacy of intellectual property, information and cyber security protection; (12) attempts to circumvent BlackRock's operational control environment or the potential for human error in connection with BlackRock's operational systems; (13) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock; (14) changes in law and policy and uncertainty pending any such changes; (15) any failure to effectively manage conflicts of interest; (16) damage to BlackRock's reputation; (17) terrorist activities, civil unrest, international hostilities and natural disasters, which may adversely affect the general economy, domestic and local financial and capital markets, specific industries or BlackRock; (18) the ability to attract and retain highly talented professionals; (19) fluctuations in the carrying value of BlackRock's economic investments; (20) the impact of changes to tax legislation, including income, payroll and transaction taxes, and taxation on products or transactions, which could affect the value proposition to clients and, generally, the tax position of the Company; (21) BlackRock's success in negotiating distribution arrangements and maintaining distribution channels for its products; (22) the failure by a key vendor of BlackRock to fulfill its obligations to the Company; (23) operational, technological and regulatory risks associated with BlackRock's major technology partnerships; (24) any disruption to the operations of third parties whose functions are integral to BlackRock's exchange-traded funds ("ETF") platform; (25) the impact of BlackRock electing to provide support to its products from time to time and any potential liabilities related to securities lending or other indemnification obligations; and (26) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

## OVERVIEW

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a leading publicly traded investment management firm with $9.5 trillion of AUM at June 30, 2021. With approximately 16,900 employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment management and technology services to institutional and retail clients worldwide.

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, ETFs, separate accounts, collective trust funds and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, *Aladdin*®, Aladdin Wealth, eFront, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

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

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

Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications.

### COVID-19 Impact

BlackRock continues to actively monitor COVID-19 developments and their potential impact on the Company's employees, business and operations, particularly in jurisdictions where BlackRock has significant employee populations and/or business activity.

The aggregate extent to which COVID-19, and existing and new variants of COVID-19, affect BlackRock's business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, the emergence and spread of variants of the COVID-19 virus, the continuing prevalence of severe, unconstrained and/or escalating rates of infection in certain countries and regions, and the availability, adoption and efficacy of treatments and vaccines. See Part II, Item 1A - *Risk Factors*, of this filing for further information on the possible future impact of the COVID-19 pandemic on BlackRock's business, results of operations and financial condition.

**United Kingdom Exit from European Union**

On December 31, 2020, the United Kingdom ("UK") and the European Union ("EU") reverted to being distinct regulatory, legal and customs territories. The UK and the EU concluded a free trade agreement, known as the "EU-UK Trade and Cooperation Agreement." The agreement does not include any substantive provisions governing cross-border trade in financial services between the UK and the EU. As a result, since January 1, 2021, cross-border financial services trade between the UK and the EU has been governed by their respective financial services regulations and market access regimes. BlackRock implemented a number of steps to prepare for this outcome. These steps, which may add complexity to BlackRock's future European operations, include effecting organizational, governance and operational changes, applying for and receiving additional licenses and permissions in the EU, and engaging in client communications. In addition, depending on how the future relationship between the UK and the EU develops, BlackRock may experience further organizational and operational challenges and incur additional costs in connection with its European operations, particularly with regard to delegation and outsourcing, which may impede the Company's growth or impact its financial performance.

**Acquisition**

On February 1, 2021, the Company acquired 100% of the equity interests of Aperio Group, LLC (the "Aperio Transaction" or "Aperio"), a pioneer in customizing tax-optimized index equity separately managed accounts ("SMAs") for approximately $1.1 billion in cash, using existing cash resources. The acquisition of Aperio increased BlackRock's SMA assets under management and expanded the breadth of the Company's capabilities via tax-managed strategies across factors, broad market indexing, and investor Environmental, Social, and Governance preferences across all asset classes.

**EXECUTIVE SUMMARY**

| *(in millions, except shares and per share data)* | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **GAAP basis:** | | | | |
| Total revenue | $ 4,820 | $ 3,648 | $ 9,218 | $ 7,358 |
| Total expense | 2,889 | 2,242 | 5,742 | 5,268 |
| Operating income | $ 1,931 | $ 1,406 | $ 3,476 | $ 2,090 |
| *Operating margin* | *40.1%* | *38.5%* | *37.7%* | *28.4%* |
| Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests | 101 | 169 | 73 | 277 |
| Income tax expense | (654) | (361) | (972) | (347) |
| Net income attributable to BlackRock | $ 1,378 | $ 1,214 | $ 2,577 | $ 2,020 |
| Diluted earnings per common share | $ 8.92 | $ 7.85 | $ 16.69 | $ 12.99 |
| Effective tax rate | 32.2% | 22.9% | 27.4% | 14.7% |
| **As adjusted(1):** | | | | |
| Operating income | $ 1,931 | $ 1,406 | $ 3,476 | $ 2,679 |
| *Operating margin* | *44.9%* | *43.7%* | *44.7%* | *42.7%* |
| Nonoperating income (expense), less net income (loss) attributable to noncontrolling interests | $ 101 | $ 169 | $ 73 | $ 155 |
| Net income attributable to BlackRock | $ 1,549 | $ 1,214 | $ 2,748 | $ 2,246 |
| Diluted earnings per common share | $ 10.03 | $ 7.85 | $ 17.80 | $ 14.44 |
| Effective tax rate | 23.8% | 22.9% | 22.6% | 20.7% |
| **Other:** | | | | |
| AUM (end of period) | $ 9,495,993 | $ 7,317,949 | $ 9,495,993 | $ 7,317,949 |
| Diluted weighted-average common shares outstanding | 154,417,581 | 154,712,032 | 154,359,353 | 155,556,187 |
| Shares outstanding (end of period) | 152,298,784 | 152,460,239 | 152,298,784 | 152,460,239 |
| Book value per share(2) | $ 236.59 | $ 214.68 | $ 236.59 | $ 214.68 |
| Cash dividends declared and paid per share | $ 4.13 | $ 3.63 | $ 8.26 | $ 7.26 |

(1) As adjusted items are described in more detail in *Non-GAAP Financial Measures*.
(2) Total BlackRock stockholders' equity divided by total shares outstanding at June 30 of the respective period-end.

**THREE MONTHS ENDED JUNE 30, 2021 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2020**

*GAAP.* Operating income of $1,931 million increased $525 million and operating margin of 40.1% increased 160 bps from the second quarter of 2020. Increases in operating income and operating margin reflected significant market gains as well as strong organic growth, higher performance fees and technology services revenue, partially offset by higher expense, including higher employee compensation and benefits, higher volume-related expense and higher general and administration expense. Nonoperating income (expense) less net income (loss) attributable to noncontrolling interests ("NCI") decreased $68 million from the second quarter of 2020, reflecting lower mark-to-market gains on the Company's un-hedged seed capital portfolios and certain minority investments, partially offset by higher mark-to-market gains on the Company's private equity co-investment portfolio.

Second quarter 2021 income tax expense included $171 million of noncash net expense related to the revaluation of certain deferred tax assets and liabilities as a result of legislation enacted in the UK increasing its corporate tax rate. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share increased $1.07, or 14%, from the second quarter of 2020, reflecting higher operating income, partially offset by lower nonoperating income and a higher effective tax rate in the current quarter.

*As Adjusted.* Operating income of $1,931 million increased $525 million and operating margin of 44.9% increased 120 bps from the second quarter of 2020. Earnings per diluted common share increased $2.18, or 28%, from the second quarter of 2020. The noncash net tax expense related to the revaluation of certain deferred tax assets and liabilities described above has been excluded from as adjusted results.

**SIX MONTHS ENDED JUNE 30, 2021 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2020**

*GAAP.* Operating income of $3,476 million increased $1,386 million and operating margin of 37.7% increased 930 bps from the six months ended June 30, 2020. Increases in operating income and operating margin reflected the impact of $589 million related to the previously reported charitable contribution of BlackRock's remaining 20% stake in PennyMac Financial Services, Inc. (the "Charitable Contribution") during the six months ended June 30, 2020. Operating income and operating margin also reflected higher investment advisory and administration fees (collectively "base fees"), performance fees and technology services revenue, partially offset by higher employee compensation and benefits expense and higher product launch costs in 2021, including the impact of $178 million associated with the March 2021 close of the $4.9 billion BlackRock Innovation and Growth Trust.

Nonoperating income (expense) less net income (loss) attributable to NCI decreased $204 million from the six months ended June 30, 2020, reflecting the impact of a pre-tax gain of approximately $240 million in connection with a recapitalization of iCapital Network, Inc. ("iCapital") and $122 million pre-tax gain related to the Charitable Contribution during the six months ended June 30, 2020, partially offset by mark-to-market gains on the Company's co-investment and un-hedged seed capital portfolios during the six months ended June 30, 2021.

Income tax expense for the six months ended June 30, 2021 reflected the $171 million noncash net expense described above. Income tax expense for the six months ended June 30, 2020 included a discrete tax benefit of $241 million recognized in connection with the Charitable Contribution. Income tax expense for the six months ended June 30, 2021 and 2020 also reflected $39 million and $66 million, respectively, of discrete tax benefits, including benefits related to stock-based compensation awards that vested in the first quarter of each year. See *Income Tax Expense* within *Discussion of Financial Results* for more information.

Earnings per diluted common share increased $3.70, or 28%, from the six months ended June 30, 2020, reflecting the impact of the Charitable Contribution incurred in the six months ended June 30, 2020. The increase in earnings per diluted common share also included higher revenue, partially offset by higher product launch costs, lower nonoperating income, and a higher effective tax rate in the six months ended June 30, 2021.

*As Adjusted.* Operating income of $3,476 million increased $797 million and operating margin of 44.7% increased 200 bps from the six months ended June 30, 2020. Earnings per diluted common share increased $3.36, or 23%, from the six months ended June 30, 2020, primarily due to higher operating income, partially offset by lower nonoperating income and a higher effective tax rate in the six months ended June 30, 2021. Income tax expense for the six months ended June 30, 2021 excluded the $171 million noncash net expense described above. The financial impact related to the Charitable Contribution has been excluded from as adjusted results for the six months ended June 30, 2020.

See *Non-GAAP Financial Measures* for further information on as adjusted items and the reconciliation to accounting principles generally accepted in the United States ("GAAP").

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

**NON-GAAP FINANCIAL MEASURES**

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

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

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| **Operating income, GAAP basis** | **$ 1,931** | **$ 1,406** | **$ 3,476** | **$ 2,090** |
| Non-GAAP expense adjustment: | | | | |
| Charitable Contribution | — | — | — | 589 |
| **Operating income, as adjusted** | **1,931** | **1,406** | **3,476** | **2,679** |
| Product launch costs and commissions | — | — | 185 | 87 |
| Operating income used for operating margin measurement | $ 1,931 | $ 1,406 | $ 3,661 | $ 2,766 |
| Revenue, GAAP basis | $ 4,820 | $ 3,648 | $ 9,218 | $ 7,358 |
| Non-GAAP adjustments: | | | | |
| Distribution fees | (369) | (253) | (709) | (529) |
| Investment advisory fees | (154) | (176) | (319) | (345) |
| Revenue used for operating margin measurement | $ 4,297 | $ 3,219 | $ 8,190 | $ 6,484 |
| **Operating margin, GAAP basis** | **40.1%** | **38.5%** | **37.7%** | **28.4%** |
| **Operating margin, as adjusted** | **44.9%** | **43.7%** | **44.7%** | **42.7%** |

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. Management believes that operating margin, as adjusted, reflects the Company's long-term ability to manage ongoing costs in relation to its revenues. The Company uses operating margin, as adjusted, to assess the Company's financial performance and to determine the long-term and annual compensation of the Company's senior-level employees. Furthermore, this metric is used to evaluate the Company's relative performance against industry peers, as it eliminates margin variability arising from the accounting of revenues and expenses related to distributing different product structures in multiple distribution channels utilized by asset managers.

- Operating income, as adjusted, includes a non-GAAP expense adjustment during the six months ended June 30, 2020. The Charitable Contribution expense of $589 million has been excluded from operating income, as adjusted, due to its nonrecurring nature.
- Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of product launch costs (e.g. closed-end fund launch costs) and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact BlackRock's results until future periods.

- Revenue used for calculating operating margin, as adjusted, is reduced to exclude all of the Company's distribution fees, which are recorded as a separate line item on the condensed consolidated statements of income, as well as a portion of investment advisory fees received that is used to pay distribution and servicing costs. For certain products, based on distinct arrangements, distribution fees are collected by the Company and then passed-through to third-party client intermediaries. For other products, investment advisory fees are collected by the Company and a portion is passed-through to third-party client intermediaries. However, in both structures, the third-party client intermediary similarly owns the relationship with the retail client and is responsible for distributing the product and servicing the client. The amount of distribution and investment advisory fees fluctuates each period primarily based on a predetermined percentage of the value of AUM during the period. These fees also vary based on the type of investment product sold and the geographic location where it is sold. In addition, the Company may waive fees on certain products that could result in the reduction of payments to the third-party intermediaries.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| **Nonoperating income (expense), GAAP basis** | **$ 270** | **$ 357** | **$ 316** | **$ 286** |
| Less: Net income (loss) attributable to NCI | 169 | 188 | 243 | 9 |
| Nonoperating income (expense), net of NCI | 101 | 169 | 73 | 277 |
| Less: Gain related to the Charitable Contribution | — | — | — | 122 |
| **Nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted** | **$ 101** | **$ 169** | **$ 73** | **$ 155** |

Management believes nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, is an effective measure for reviewing BlackRock's nonoperating contribution to its results and provides comparability of this information among reporting periods. Management believes nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, provides a useful measure, for both management and investors, of BlackRock's nonoperating results, which ultimately impact BlackRock's book value. During the six months ended June 30, 2020, the noncash, nonoperating pre-tax gain of $122 million related to the Charitable Contribution has been excluded from nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, due to its nonrecurring nature.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except per share data)* | **2021** | **2020** | **2021** | **2020** |
| **Net income attributable to BlackRock, Inc., GAAP basis** | **$ 1,378** | **$ 1,214** | **$ 2,577** | **$ 2,020** |
| Non-GAAP adjustment: | | | | |
| Charitable Contribution, net of tax | — | — | — | 226 |
| Income tax matters | 171 | — | 171 | — |
| **Net income attributable to BlackRock, Inc., as adjusted** | **$ 1,549** | **$ 1,214** | **$ 2,748** | **$ 2,246** |
| Diluted weighted-average common shares outstanding | 154.4 | 154.7 | 154.4 | 155.6 |
| **Diluted earnings per common share, GAAP basis** | **$ 8.92** | **$ 7.85** | **$ 16.69** | **$ 12.99** |
| **Diluted earnings per common share, as adjusted** | **$ 10.03** | **$ 7.85** | **$ 17.80** | **$ 14.44** |

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 nonrecurring items, charges that ultimately will not impact BlackRock's book value or certain tax items that do not impact cash flow.

See aforementioned discussion regarding operating income, as adjusted, operating margin, as adjusted, and nonoperating income (expense), less net income (loss) attributable to NCI, as adjusted, for information on the Charitable Contribution.

The six months ended June 30, 2020 included a discrete tax benefit of $241 million that was recognized in connection with the Charitable Contribution. The discrete tax benefit has been excluded from as adjusted results due to the nonrecurring nature of the Charitable Contribution. Amounts for income tax matters represent net noncash (benefits) expense primarily associated with the revaluation of certain deferred tax liabilities related to intangible assets and goodwill as a result of tax rate changes. These amounts have been excluded from the as adjusted results as these items will not have a cash flow impact and to ensure comparability among periods presented.

Per share amounts reflect net income attributable to BlackRock, Inc., as adjusted divided by diluted weighted-average common shares outstanding.

## ASSETS UNDER MANAGEMENT

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

### *AUM and Net Inflows (Outflows) by Client Type and Product Type*

| | AUM | | | | Net inflows (outflows) | | |
|---|---|---|---|---|---|---|---|
| *(in millions)* | June 30, 2021 | March 31, 2021 | December 31, 2020 | June 30, 2020 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2021 | Twelve Months Ended June 30, 2021 |
| Retail | $ 995,483 | $ 934,177 | $ 845,917 | $ 695,154 | $ 21,386 | $ 57,896 | $ 112,767 |
| ETFs | 3,031,505 | 2,813,524 | 2,669,007 | 2,162,597 | 75,147 | 143,636 | 263,723 |
| Institutional: | | | | | | | |
| Active | 1,624,049 | 1,524,430 | 1,524,462 | 1,341,610 | 43,469 | 60,002 | 90,975 |
| Index | 3,097,073 | 3,009,150 | 2,948,683 | 2,482,336 | (80,298) | (69,192) | (61,319) |
| Institutional subtotal | 4,721,122 | 4,533,580 | 4,473,145 | 3,823,946 | (36,829) | (9,190) | 29,656 |
| **Long-term** | **8,748,110** | **8,281,281** | **7,988,069** | **6,681,697** | **59,704** | **192,342** | **406,146** |
| Cash management | 727,603 | 703,916 | 666,252 | 619,351 | 23,339 | 62,529 | 99,239 |
| Advisory(1) | 20,280 | 22,214 | 22,359 | 16,901 | (2,083) | (2,269) | 2,853 |
| **Total** | **$ 9,495,993** | **$ 9,007,411** | **$ 8,676,680** | **$ 7,317,949** | **$ 80,960** | **$ 252,602** | **$ 508,238** |

### *AUM and Net Inflows (Outflows) by Investment Style and Product Type*

| | AUM | | | | Net inflows (outflows) | | |
|---|---|---|---|---|---|---|---|
| *(in millions)* | June 30, 2021 | March 31, 2021 | December 31, 2020 | June 30, 2020 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2021 | Twelve Months Ended June 30, 2021 |
| Active | $ 2,446,632 | $ 2,297,642 | $ 2,250,887 | $ 1,943,828 | $ 62,750 | $ 121,704 | $ 199,824 |
| Index and ETFs | 6,301,478 | 5,983,639 | 5,737,182 | 4,737,869 | (3,046) | 70,638 | 206,322 |
| **Long-term** | **8,748,110** | **8,281,281** | **7,988,069** | **6,681,697** | **59,704** | **192,342** | **406,146** |
| Cash management | 727,603 | 703,916 | 666,252 | 619,351 | 23,339 | 62,529 | 99,239 |
| Advisory(1) | 20,280 | 22,214 | 22,359 | 16,901 | (2,083) | (2,269) | 2,853 |
| **Total** | **$ 9,495,993** | **$ 9,007,411** | **$ 8,676,680** | **$ 7,317,949** | **$ 80,960** | **$ 252,602** | **$ 508,238** |

### *AUM and Net Inflows (Outflows) by Product Type*

| | AUM | | | | Net inflows (outflows) | | |
|---|---|---|---|---|---|---|---|
| *(in millions)* | June 30, 2021 | March 31, 2021 | December 31, 2020 | June 30, 2020 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2021 | Twelve Months Ended June 30, 2021 |
| Equity | $ 5,034,391 | $ 4,745,781 | $ 4,419,806 | $ 3,519,225 | $ (26,453) | $ 23,407 | $ 73,654 |
| Fixed income | 2,712,165 | 2,620,460 | 2,674,488 | 2,411,092 | 41,290 | 102,129 | 235,197 |
| Multi-asset | 748,770 | 677,372 | 658,733 | 551,362 | 36,137 | 49,889 | 63,467 |
| Alternatives: | | | | | | | |
| Illiquid alternatives | 95,961 | 92,207 | 85,770 | 76,607 | 3,347 | 9,572 | 16,303 |
| Liquid alternatives | 81,560 | 76,266 | 73,218 | 63,120 | 3,319 | 5,673 | 9,262 |
| Currency and commodities(2) | 75,263 | 69,195 | 76,054 | 60,291 | 2,064 | 1,672 | 8,263 |
| Alternatives subtotal | 252,784 | 237,668 | 235,042 | 200,018 | 8,730 | 16,917 | 33,828 |
| **Long-term** | **8,748,110** | **8,281,281** | **7,988,069** | **6,681,697** | **59,704** | **192,342** | **406,146** |
| Cash management | 727,603 | 703,916 | 666,252 | 619,351 | 23,339 | 62,529 | 99,239 |
| Advisory(1) | 20,280 | 22,214 | 22,359 | 16,901 | (2,083) | (2,269) | 2,853 |
| **Total** | **$ 9,495,993** | **$ 9,007,411** | **$ 8,676,680** | **$ 7,317,949** | **$ 80,960** | **$ 252,602** | **$ 508,238** |

(1) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the Federal Reserve Bank of New York ("FRBNY") assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within ETFs AUM or Fixed Income AUM above. These holdings are excluded from Advisory AUM.

(2) Amounts include commodity ETFs.

***Component Changes in AUM for the Three Months Ended June 30, 2021***

The following table presents the component changes in AUM by client type and product type for the three months ended June 30, 2021.

| *(in millions)* | March 31, 2021 | Net inflows (outflows) | Market change | FX impact(1) | June 30, 2021 | Average AUM(2) |
|---|---|---|---|---|---|---|
| Retail: | | | | | | |
| Equity | $ 407,715 | $ 9,866 | $ 28,643 | $ 103 | $ 446,327 | $ 431,075 |
| Fixed income | 349,640 | 6,689 | 2,480 | 671 | 359,480 | 355,500 |
| Multi-asset | 139,115 | 879 | 7,161 | 73 | 147,228 | 144,138 |
| Alternatives | 37,707 | 3,952 | 748 | 41 | 42,448 | 40,310 |
| Retail subtotal | 934,177 | 21,386 | 39,032 | 888 | 995,483 | 971,023 |
| ETFs: | | | | | | |
| Equity | 2,077,818 | 51,376 | 126,762 | 1,872 | 2,257,828 | 2,186,497 |
| Fixed income | 667,829 | 21,710 | 9,639 | 831 | 700,009 | 686,205 |
| Multi-asset | 6,958 | 379 | 310 | 16 | 7,663 | 7,359 |
| Alternatives | 60,919 | 1,682 | 3,380 | 24 | 66,005 | 65,379 |
| ETFs subtotal | 2,813,524 | 75,147 | 140,091 | 2,743 | 3,031,505 | 2,945,440 |
| Institutional: | | | | | | |
| Active: | | | | | | |
| Equity | 176,081 | (3,958) | 11,876 | 175 | 184,174 | 181,046 |
| Fixed income | 692,474 | 9,058 | 14,558 | 581 | 716,671 | 706,642 |
| Multi-asset | 522,220 | 35,148 | 26,086 | 1,128 | 584,582 | 549,152 |
| Alternatives | 133,655 | 3,221 | 1,708 | 38 | 138,622 | 136,351 |
| Active subtotal | 1,524,430 | 43,469 | 54,228 | 1,922 | 1,624,049 | 1,573,191 |
| Index: | | | | | | |
| Equity | 2,084,167 | (83,737) | 143,764 | 1,868 | 2,146,062 | 2,127,456 |
| Fixed income | 910,517 | 3,833 | 21,230 | 425 | 936,005 | 931,252 |
| Multi-asset | 9,079 | (269) | 500 | (13) | 9,297 | 9,193 |
| Alternatives | 5,387 | (125) | 451 | (4) | 5,709 | 5,671 |
| Index subtotal | 3,009,150 | (80,298) | 165,945 | 2,276 | 3,097,073 | 3,073,572 |
| Institutional subtotal | 4,533,580 | (36,829) | 220,173 | 4,198 | 4,721,122 | 4,646,763 |
| **Long-term** | **8,281,281** | **59,704** | **399,296** | **7,829** | **8,748,110** | **8,563,226** |
| Cash management | 703,916 | 23,339 | (84) | 432 | 727,603 | 732,270 |
| Advisory(3) | 22,214 | (2,083) | 141 | 8 | 20,280 | 21,596 |
| **Total** | **$ 9,007,411** | **$ 80,960** | **$ 399,353** | **$ 8,269** | **$ 9,495,993** | **$ 9,317,092** |

(1) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(3) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM above. These holdings are excluded from Advisory AUM.

The following table presents the component changes in AUM by investment style and product type for the three months ended June 30, 2021.

| *(in millions)* | March 31, 2021 | Net inflows (outflows) | Market change | FX impact(1) | June 30, 2021 | Average AUM(2) |
|---|---|---|---|---|---|---|
| Active: | | | | | | |
| Equity | $ 443,780 | $ 4,182 | $ 31,012 | $ 266 | $ 479,240 | $ 465,115 |
| Fixed income | 1,021,168 | 15,370 | 16,743 | 1,236 | 1,054,517 | 1,040,682 |
| Multi-asset | 661,333 | 36,026 | 33,246 | 1,201 | 731,806 | 693,285 |
| Alternatives | 171,361 | 7,172 | 2,457 | 79 | 181,069 | 176,660 |
| Active subtotal | 2,297,642 | 62,750 | 83,458 | 2,782 | 2,446,632 | 2,375,742 |
| Index and ETFs: | | | | | | |
| ETFs: | | | | | | |
| Equity | 2,077,818 | 51,376 | 126,762 | 1,872 | 2,257,828 | 2,186,497 |
| Fixed income | 667,829 | 21,710 | 9,639 | 831 | 700,009 | 686,205 |
| Multi-asset | 6,958 | 379 | 310 | 16 | 7,663 | 7,359 |
| Alternatives | 60,919 | 1,682 | 3,380 | 24 | 66,005 | 65,379 |
| ETFs subtotal | 2,813,524 | 75,147 | 140,091 | 2,743 | 3,031,505 | 2,945,440 |
| Non-ETF Index: | | | | | | |
| Equity | 2,224,183 | (82,011) | 153,271 | 1,880 | 2,297,323 | 2,274,462 |
| Fixed income | 931,463 | 4,210 | 21,525 | 441 | 957,639 | 952,712 |
| Multi-asset | 9,081 | (268) | 501 | (13) | 9,301 | 9,198 |
| Alternatives | 5,388 | (124) | 450 | (4) | 5,710 | 5,672 |
| Non-ETF Index subtotal | 3,170,115 | (78,193) | 175,747 | 2,304 | 3,269,973 | 3,242,044 |
| Index & ETFs subtotal | 5,983,639 | (3,046) | 315,838 | 5,047 | 6,301,478 | 6,187,484 |
| **Long-term** | **8,281,281** | **59,704** | **399,296** | **7,829** | **8,748,110** | **8,563,226** |
| Cash management | 703,916 | 23,339 | (84) | 432 | 727,603 | 732,270 |
| Advisory(3) | 22,214 | (2,083) | 141 | 8 | 20,280 | 21,596 |
| **Total** | **$ 9,007,411** | **$ 80,960** | **$ 399,353** | **$ 8,269** | **$ 9,495,993** | **$ 9,317,092** |

The following table presents the component changes in AUM by product type for the three months ended June 30, 2021.

| *(in millions)* | March 31, 2021 | Net inflows (outflows) | Market change | FX impact(1) | June 30, 2021 | Average AUM(2) |
|---|---|---|---|---|---|---|
| Equity | $ 4,745,781 | $ (26,453) | $ 311,045 | $ 4,018 | $ 5,034,391 | $ 4,926,074 |
| Fixed income | 2,620,460 | 41,290 | 47,907 | 2,508 | 2,712,165 | 2,679,599 |
| Multi-asset | 677,372 | 36,137 | 34,057 | 1,204 | 748,770 | 709,842 |
| Alternatives: | | | | | | |
| Illiquid alternatives | 92,207 | 3,347 | 352 | 55 | 95,961 | 94,238 |
| Liquid alternatives | 76,266 | 3,319 | 1,945 | 30 | 81,560 | 79,138 |
| Currency and commodities(4) | 69,195 | 2,064 | 3,990 | 14 | 75,263 | 74,335 |
| Alternatives subtotal | 237,668 | 8,730 | 6,287 | 99 | 252,784 | 247,711 |
| **Long-term** | **8,281,281** | **59,704** | **399,296** | **7,829** | **8,748,110** | **8,563,226** |
| Cash management | 703,916 | 23,339 | (84) | 432 | 727,603 | 732,270 |
| Advisory(3) | 22,214 | (2,083) | 141 | 8 | 20,280 | 21,596 |
| **Total** | **$ 9,007,411** | **$ 80,960** | **$ 399,353** | **$ 8,269** | **$ 9,495,993** | **$ 9,317,092** |

(1) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(3) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM or Fixed Income AUM above. These holdings are excluded from Advisory AUM.
(4) Amounts include commodity ETFs.

AUM increased $488.6 billion to $9.5 trillion at June 30, 2021, driven by net market appreciation and positive net inflows.

Long-term net inflows of $59.7 billion were comprised of net inflows of $75.1 billion and $21.4 billion into ETFs and retail, respectively, partially offset by net outflows $36.8 billion from institutional clients. Net flows in long-term products are described below.

- ETFs net inflows of $75.1 billion reflected continued growth in core equity and sustainable ETFs, as well as inflows into precision exposures and renewed strength in fixed income ETFs. Net inflows were positive across all asset classes and were led by equity and fixed income. Equity net inflows of $51.4 billion were driven by both US and international equity market exposures. Fixed income net inflows of $21.7 billion were led by flows into core, inflation linked, emerging market and municipal bond ETFs. By region, ETFs inflows were diversified with $45.8 billion of net inflows in US-listed ETFs and $25.9 billion of net inflows in European-listed ETFs.
- Retail net inflows of $21.4 billion were positive in both the US and internationally, and across all major asset classes. Equity net inflows of $9.9 billion reflected strength in global and thematic equity funds, and fixed income net inflows of $6.7 billion were driven by global and US core fixed income funds. Retail alternatives net inflows of $4.0 billion were led by event-driven and systematic multi-strategy funds.
- Institutional active net inflows of $43.5 billion were led by $35.1 billion of multi-asset net inflows largely driven by a significant Outsourced Chief Investment Officer (“OCIO”) mandate from a UK pension client. Net inflows also reflected continued growth in *LifePath*® target-date funds and alternatives.
- Institutional index net outflows of $80.3 billion included the full impact of a $58 billion low-fee institutional index redemption from a large US public pension client.

Cash management AUM increased to $727.6 billion, driven by net inflows of $23.3 billion.

Net market appreciation of $399.4 billion was primarily driven by global equity and fixed income market appreciation.

AUM increased $8.3 billion due to the positive impact of foreign exchange movements, primarily due to the weakening of the US dollar, largely against the Euro and the Canadian dollar.

***Component Changes in AUM for the Six Months Ended June 30, 2021***

The following table presents the component changes in AUM by client type and product type for the six months ended June 30, 2021.

| *(in millions)* | December 31, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Retail: | | | | | | | |
| Equity | $ 338,434 | $ 24,199 | $ 41,324 | $ 43,286 | $ (916) | $ 446,327 | $ 401,271 |
| Fixed income | 340,468 | 21,486 | — | (1,300) | (1,174) | 359,480 | 350,847 |
| Multi-asset | 132,624 | 4,874 | — | 9,837 | (107) | 147,228 | 139,864 |
| Alternatives | 34,391 | 7,337 | — | 787 | (67) | 42,448 | 38,207 |
| Retail subtotal | 845,917 | 57,896 | 41,324 | 52,610 | (2,264) | 995,483 | 930,189 |
| ETFs: | | | | | | | |
| Equity | 1,905,101 | 117,798 | — | 238,644 | (3,715) | 2,257,828 | 2,080,914 |
| Fixed income | 690,033 | 23,315 | — | (11,332) | (2,007) | 700,009 | 685,500 |
| Multi-asset | 6,268 | 945 | — | 420 | 30 | 7,663 | 6,948 |
| Alternatives | 67,605 | 1,578 | — | (3,151) | (27) | 66,005 | 66,467 |
| ETFs subtotal | 2,669,007 | 143,636 | — | 224,581 | (5,719) | 3,031,505 | 2,839,829 |
| Institutional: | | | | | | | |
| Active: | | | | | | | |
| Equity | 169,522 | (3,491) | — | 18,964 | (821) | 184,174 | 176,544 |
| Fixed income | 716,269 | 11,322 | — | (7,836) | (3,084) | 716,671 | 707,256 |
| Multi-asset | 511,242 | 43,631 | — | 32,733 | (3,024) | 584,582 | 532,983 |
| Alternatives | 127,429 | 8,540 | — | 3,124 | (471) | 138,622 | 133,087 |
| Active subtotal | 1,524,462 | 60,002 | — | 46,985 | (7,400) | 1,624,049 | 1,549,870 |
| Index: | | | | | | | |
| Equity | 2,006,749 | (115,099) | — | 264,295 | (9,883) | 2,146,062 | 2,076,052 |
| Fixed income | 927,718 | 46,006 | — | (25,587) | (12,132) | 936,005 | 925,527 |
| Multi-asset | 8,599 | 439 | — | 499 | (240) | 9,297 | 8,872 |
| Alternatives | 5,617 | (538) | — | 685 | (55) | 5,709 | 5,619 |
| Index subtotal | 2,948,683 | (69,192) | — | 239,892 | (22,310) | 3,097,073 | 3,016,070 |
| Institutional subtotal | 4,473,145 | (9,190) | — | 286,877 | (29,710) | 4,721,122 | 4,565,940 |
| **Long-term** | **7,988,069** | **192,342** | **41,324** | **564,068** | **(37,693)** | **8,748,110** | **8,335,958** |
| Cash management | 666,252 | 62,529 | — | (211) | (967) | 727,603 | 697,856 |
| Advisory(4) | 22,359 | (2,269) | — | 176 | 14 | 20,280 | 21,952 |
| **Total** | **$ 8,676,680** | **$ 252,602** | **$ 41,324** | **$ 564,033** | **$ (38,646)** | **$ 9,495,993** | **$ 9,055,766** |

(1) Amounts include AUM attributable to the Aperio Transaction.
(2) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing seven months.
(4) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM above. These holdings are excluded from Advisory AUM.

The following table presents the component changes in AUM by investment style and product type for the six months ended June 30, 2021.

| *(in millions)* | December 31, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Active: | | | | | | | |
| Equity | $ 410,189 | $ 25,202 | $ — | $ 45,605 | $ (1,756) | $ 479,240 | $ 445,721 |
| Fixed income | 1,035,015 | 32,122 | — | (8,317) | (4,303) | 1,054,517 | 1,036,594 |
| Multi-asset | 643,864 | 48,504 | — | 42,569 | (3,131) | 731,806 | 672,842 |
| Alternatives | 161,819 | 15,876 | — | 3,912 | (538) | 181,069 | 171,293 |
| Active subtotal | 2,250,887 | 121,704 | — | 83,769 | (9,728) | 2,446,632 | 2,326,450 |
| Index and ETFs: | | | | | | | |
| ETFs: | | | | | | | |
| Equity | 1,905,101 | 117,798 | — | 238,644 | (3,715) | 2,257,828 | 2,080,914 |
| Fixed income | 690,033 | 23,315 | — | (11,332) | (2,007) | 700,009 | 685,500 |
| Multi-asset | 6,268 | 945 | — | 420 | 30 | 7,663 | 6,948 |
| Alternatives | 67,605 | 1,578 | — | (3,151) | (27) | 66,005 | 66,467 |
| ETFs subtotal | 2,669,007 | 143,636 | — | 224,581 | (5,719) | 3,031,505 | 2,839,829 |
| Non-ETF Index: | | | | | | | |
| Equity | 2,104,516 | (119,593) | 41,324 | 280,940 | (9,864) | 2,297,323 | 2,208,146 |
| Fixed income | 949,440 | 46,692 | — | (26,406) | (12,087) | 957,639 | 947,036 |
| Multi-asset | 8,601 | 440 | — | 500 | (240) | 9,301 | 8,877 |
| Alternatives | 5,618 | (537) | — | 684 | (55) | 5,710 | 5,620 |
| Non-ETF Index subtotal | 3,068,175 | (72,998) | 41,324 | 255,718 | (22,246) | 3,269,973 | 3,169,679 |
| Index & ETFs subtotal | 5,737,182 | 70,638 | 41,324 | 480,299 | (27,965) | 6,301,478 | 6,009,508 |
| **Long-term** | **7,988,069** | **192,342** | **41,324** | **564,068** | **(37,693)** | **8,748,110** | **8,335,958** |
| Cash management | 666,252 | 62,529 | — | (211) | (967) | 727,603 | 697,856 |
| Advisory(4) | 22,359 | (2,269) | — | 176 | 14 | 20,280 | 21,952 |
| **Total** | **$ 8,676,680** | **$ 252,602** | **$ 41,324** | **$ 564,033** | **$ (38,646)** | **$ 9,495,993** | **$ 9,055,766** |

The following table presents the component changes in AUM by product type for the six months ended June 30, 2021.

| *(in millions)* | December 31, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Equity | $ 4,419,806 | $ 23,407 | $ 41,324 | $ 565,189 | $ (15,335) | $ 5,034,391 | $ 4,734,781 |
| Fixed income | 2,674,488 | 102,129 | — | (46,055) | (18,397) | 2,712,165 | 2,669,130 |
| Multi-asset | 658,733 | 49,889 | — | 43,489 | (3,341) | 748,770 | 688,667 |
| Alternatives: | | | | | | | |
| Illiquid alternatives | 85,770 | 9,572 | — | 952 | (333) | 95,961 | 90,987 |
| Liquid alternatives | 73,218 | 5,673 | — | 2,736 | (67) | 81,560 | 77,169 |
| Currency and commodities(5) | 76,054 | 1,672 | — | (2,243) | (220) | 75,263 | 75,224 |
| Alternatives subtotal | 235,042 | 16,917 | — | 1,445 | (620) | 252,784 | 243,380 |
| **Long-term** | **7,988,069** | **192,342** | **41,324** | **564,068** | **(37,693)** | **8,748,110** | **8,335,958** |
| Cash management | 666,252 | 62,529 | — | (211) | (967) | 727,603 | 697,856 |
| Advisory(4) | 22,359 | (2,269) | — | 176 | 14 | 20,280 | 21,952 |
| **Total** | **$ 8,676,680** | **$ 252,602** | **$ 41,324** | **$ 564,033** | **$ (38,646)** | **$ 9,495,993** | **$ 9,055,766** |

(1) Amounts include AUM attributable to the Aperio Transaction.
(2) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing seven months.
(4) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM or Fixed Income AUM above. These holdings are excluded from Advisory AUM.
(5) Amounts include commodity ETFs.

AUM increased $819.3 billion to $9.5 trillion at June 30, 2021, driven by net market appreciation, positive net inflows, and AUM acquired in the Aperio Transaction, partially offset by the impact of foreign exchange movements.

Long-term net inflows of $192.3 billion were comprised of net inflows of $143.6 billion and $57.9 billion into ETFs and retail, respectively, partially offset by net outflows of $9.2 billion from institutional clients. Net flows in long-term products are described below.

- ETFs net inflows of $143.6 billion reflected positive flows across core equity, strategic and precision ETFs, and across asset classes. Equity net inflows of $117.8 billion were driven by both US and international equity market exposures. Fixed income net inflows of $23.3 billion were led by flows into investment grade corporate bonds, high yield, treasuries and core bond ETFs. By region, ETFs inflows were diversified with $90.3 billion of net inflows in US-listed ETFs and $44.9 billion of net inflows in European-listed ETFs.
- Retail net inflows of $57.9 billion primarily reflected net inflows of $33.4 billion and $24.5 billion in the US and internationally, respectively. Retail net inflows reflected strength in thematic and global equity funds, global and US core fixed income funds, and alternatives funds.
- Institutional active net inflows of $60 billion included the previously discussed impact of a significant OCIO mandate from a UK pension client, and also reflected continued growth in *LifePath* target-date funds, active fixed income strategies and illiquid alternatives.
- Institutional index net outflows of $69.2 billion included the previously discussed impact of a $58 billion low-fee institutional index redemption. Equity net outflows of $115.1 billion were partially offset by fixed income net inflows of $46 billion.

Cash management AUM increased to $727.6 billion, driven by net inflows of $62.5 billion.

Net market appreciation of $564 billion was driven primarily by global equity market appreciation, partially offset by fixed income market declines.

AUM decreased $38.6 billion due to the negative impact of foreign exchange movements, primarily resulting from the strengthening of the US dollar, largely against the Japanese yen and the Euro.

***Component Changes in AUM for the Twelve Months Ended June 30, 2021***

The following table presents the component changes in AUM by client type and product type for the twelve months ended June 30, 2021.

| *(in millions)* | June 30, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Retail: | | | | | | | |
| Equity | $ 254,104 | $ 47,302 | $ 41,324 | $ 97,009 | $ 6,588 | $ 446,327 | $ 345,277 |
| Fixed income | 301,160 | 44,028 | — | 9,401 | 4,891 | 359,480 | 334,847 |
| Multi-asset | 111,934 | 9,296 | — | 25,148 | 850 | 147,228 | 130,418 |
| Alternatives | 27,956 | 12,141 | — | 1,923 | 428 | 42,448 | 34,768 |
| Retail subtotal | 695,154 | 112,767 | 41,324 | 133,481 | 12,757 | 995,483 | 845,310 |
| ETFs: | | | | | | | |
| Equity | 1,470,314 | 197,907 | — | 578,981 | 10,626 | 2,257,828 | 1,858,812 |
| Fixed income | 634,098 | 56,540 | — | 2,637 | 6,734 | 700,009 | 675,322 |
| Multi-asset | 5,074 | 1,516 | — | 997 | 76 | 7,663 | 6,250 |
| Alternatives | 53,111 | 7,760 | — | 5,006 | 128 | 66,005 | 65,259 |
| ETFs subtotal | 2,162,597 | 263,723 | — | 587,621 | 17,564 | 3,031,505 | 2,605,643 |
| Institutional: | | | | | | | |
| Active: | | | | | | | |
| Equity | 133,932 | (2,308) | — | 49,350 | 3,200 | 184,174 | 163,639 |
| Fixed income | 666,693 | 26,849 | — | 14,142 | 8,987 | 716,671 | 698,882 |
| Multi-asset | 426,553 | 52,413 | — | 93,379 | 12,237 | 584,582 | 499,070 |
| Alternatives | 114,432 | 14,021 | — | 7,477 | 2,692 | 138,622 | 126,717 |
| Active subtotal | 1,341,610 | 90,975 | — | 164,348 | 27,116 | 1,624,049 | 1,488,308 |
| Index: | | | | | | | |
| Equity | 1,660,875 | (169,247) | — | 623,656 | 30,778 | 2,146,062 | 1,937,458 |
| Fixed income | 809,141 | 107,780 | — | (19,713) | 38,797 | 936,005 | 894,457 |
| Multi-asset | 7,801 | 242 | — | 1,296 | (42) | 9,297 | 8,576 |
| Alternatives | 4,519 | (94) | — | 1,176 | 108 | 5,709 | 5,244 |
| Index subtotal | 2,482,336 | (61,319) | — | 606,415 | 69,641 | 3,097,073 | 2,845,735 |
| Institutional subtotal | 3,823,946 | 29,656 | — | 770,763 | 96,757 | 4,721,122 | 4,334,043 |
| **Long-term** | **6,681,697** | **406,146** | **41,324** | **1,491,865** | **127,078** | **8,748,110** | **7,784,996** |
| Cash management | 619,351 | 99,239 | — | (157) | 9,170 | 727,603 | 673,619 |
| Advisory(4) | 16,901 | 2,853 | — | 479 | 47 | 20,280 | 20,975 |
| **Total** | **$ 7,317,949** | **$ 508,238** | **$ 41,324** | **$ 1,492,187** | **$ 136,295** | **$ 9,495,993** | **$ 8,479,590** |

(1) Amounts include AUM attributable to the Aperio Transaction.
(2) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM above. These holdings are excluded from Advisory AUM.

The following table presents the component changes in AUM by investment style and product type for the twelve months ended June 30, 2021.

| *(in millions)* | June 30, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Active: | | | | | | | |
| Equity | $ 312,809 | $ 43,888 | $ — | $ 116,600 | $ 5,943 | $ 479,240 | $ 400,020 |
| Fixed income | 950,143 | 68,072 | — | 23,910 | 12,392 | 1,054,517 | 1,013,129 |
| Multi-asset | 538,489 | 61,704 | — | 118,526 | 13,087 | 731,806 | 629,486 |
| Alternatives | 142,387 | 26,160 | — | 9,402 | 3,120 | 181,069 | 161,484 |
| Active subtotal | 1,943,828 | 199,824 | — | 268,438 | 34,542 | 2,446,632 | 2,204,119 |
| Index and ETFs: | | | | | | | |
| ETFs: | | | | | | | |
| Equity | 1,470,314 | 197,907 | — | 578,981 | 10,626 | 2,257,828 | 1,858,812 |
| Fixed income | 634,098 | 56,540 | — | 2,637 | 6,734 | 700,009 | 675,322 |
| Multi-asset | 5,074 | 1,516 | — | 997 | 76 | 7,663 | 6,250 |
| Alternatives | 53,111 | 7,760 | — | 5,006 | 128 | 66,005 | 65,259 |
| ETFs subtotal | 2,162,597 | 263,723 | — | 587,621 | 17,564 | 3,031,505 | 2,605,643 |
| Non-ETF Index: | | | | | | | |
| Equity | 1,736,102 | (168,141) | 41,324 | 653,415 | 34,623 | 2,297,323 | 2,046,354 |
| Fixed income | 826,851 | 110,585 | — | (20,080) | 40,283 | 957,639 | 915,057 |
| Multi-asset | 7,799 | 247 | — | 1,297 | (42) | 9,301 | 8,578 |
| Alternatives | 4,520 | (92) | — | 1,174 | 108 | 5,710 | 5,245 |
| Non-ETF Index subtotal | 2,575,272 | (57,401) | 41,324 | 635,806 | 74,972 | 3,269,973 | 2,975,234 |
| Index & ETFs subtotal | 4,737,869 | 206,322 | 41,324 | 1,223,427 | 92,536 | 6,301,478 | 5,580,877 |
| **Long-term** | **6,681,697** | **406,146** | **41,324** | **1,491,865** | **127,078** | **8,748,110** | **7,784,996** |
| Cash management | 619,351 | 99,239 | — | (157) | 9,170 | 727,603 | 673,619 |
| Advisory(4) | 16,901 | 2,853 | — | 479 | 47 | 20,280 | 20,975 |
| **Total** | **$ 7,317,949** | **$ 508,238** | **$ 41,324** | **$ 1,492,187** | **$ 136,295** | **$ 9,495,993** | **$ 8,479,590** |

The following table presents the component changes in AUM by product type for the twelve months ended June 30, 2021.

| *(in millions)* | June 30, 2020 | Net inflows (outflows) | Acquisition(1) | Market change | FX impact(2) | June 30, 2021 | Average AUM(3) |
|---|---|---|---|---|---|---|---|
| Equity | $ 3,519,225 | $ 73,654 | $ 41,324 | $ 1,348,996 | $ 51,192 | $ 5,034,391 | $ 4,305,186 |
| Fixed income | 2,411,092 | 235,197 | — | 6,467 | 59,409 | 2,712,165 | 2,603,508 |
| Multi-asset | 551,362 | 63,467 | — | 120,820 | 13,121 | 748,770 | 644,314 |
| Alternatives: | | | | | | | |
| Illiquid alternatives | 76,607 | 16,303 | — | 1,570 | 1,481 | 95,961 | 85,690 |
| Liquid alternatives | 63,120 | 9,262 | — | 7,496 | 1,682 | 81,560 | 72,848 |
| Currency and commodities(5) | 60,291 | 8,263 | — | 6,516 | 193 | 75,263 | 73,450 |
| Alternatives subtotal | 200,018 | 33,828 | — | 15,582 | 3,356 | 252,784 | 231,988 |
| **Long-term** | **6,681,697** | **406,146** | **41,324** | **1,491,865** | **127,078** | **8,748,110** | **7,784,996** |
| Cash management | 619,351 | 99,239 | — | (157) | 9,170 | 727,603 | 673,619 |
| Advisory(4) | 16,901 | 2,853 | — | 479 | 47 | 20,280 | 20,975 |
| **Total** | **$ 7,317,949** | **$ 508,238** | **$ 41,324** | **$ 1,492,187** | **$ 136,295** | **$ 9,495,993** | **$ 8,479,590** |

(1) Amounts include AUM attributable to the Aperio Transaction.
(2) Foreign exchange reflects the impact of translating non-US dollar denominated AUM into US dollars for reporting purposes.
(3) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing thirteen months.
(4) Advisory AUM represents mandates linked to purchases and disposition of assets and portfolios on behalf of official institutions and long-term portfolio liquidation assignments. Approximately $2.2 billion of ETFs AUM held in advisory accounts associated with the FRBNY assignment as of June 30, 2021 (disclosed via FRBNY reporting as of July 13, 2021) are included within Fixed Income ETFs AUM or Fixed Income AUM above. These holdings are excluded from Advisory AUM.
(5) Amounts include commodity ETFs.

AUM increased $2.18 trillion to $9.5 trillion at June 30, 2021, driven by net market appreciation, positive net inflows, the positive impact of foreign exchange movements and AUM acquired in the Aperio Transaction.

Long-term net inflows of $406.1 billion were comprised of net inflows of $263.7 billion, $112.8 billion and $29.6 billion from ETFs, retail and institutional clients, respectively. Net flows in long-term products are described below.

- ETFs net inflows of $263.7 billion reflected positive flows across core equity, strategic and precision ETFs, and across asset classes. Equity net inflows of $197.9 billion were driven by both US and international equity market exposures. Fixed income net inflows of $56.5 billion were led by flows into investment grade corporate bonds, high yield, treasuries and core bond ETFs. By region, ETFs net inflows were diversified with $166.7 billion of net inflows in US-listed ETFs and $83.1 billion of net inflows in European-listed ETFs.
- Retail net inflows of $112.8 billion included net inflows of $51.1 billion and $61.7 billion in the US and internationally, respectively. Retail net inflows reflected strength in thematic and global equity funds, global and US core fixed income funds, and alternatives funds.
- Institutional active net inflows of $91 billion included the previously discussed impact of a significant OCIO mandate from a UK pension client, and also reflected continued growth in *LifePath* target-date funds, active fixed income strategies and illiquid alternatives.
- Institutional index net outflows of $61.4 billion included the previously discussed impact of a $58 billion low-fee institutional index redemption. Equity net outflows of $169.2 billion were partially offset fixed income net inflows of $107.8 billion.

Cash management AUM increased to $727.6 billion, driven by net inflows of $99.2 billion.

Net market appreciation of $1.49 trillion was driven primarily by global equity market appreciation.

AUM increased $136.3 billion due to the positive impact of foreign exchange movements, primarily resulting from the weakening of the US dollar, largely against the British pound and the Euro.

**DISCUSSION OF FINANCIAL RESULTS**

The Company's results of operations for the three and six months ended June 30, 2021 and 2020 are discussed below. For a further description of the Company's revenue and expense, see the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K").

**Revenue**

The table below presents detail of revenue for the three and six months ended June 30, 2021 and 2020 and includes the product type mix of base fees and securities lending revenue and performance fees.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Investment advisory, administration fees and securities lending revenue: | | | | |
| Equity: | | | | |
| Active | $ 641 | $ 381 | $ 1,217 | $ 779 |
| ETFs | 1,156 | 792 | 2,224 | 1,671 |
| Non-ETF Index | 198 | 178 | 374 | 341 |
| Equity subtotal | 1,995 | 1,351 | 3,815 | 2,791 |
| Fixed income: | | | | |
| Active | 545 | 464 | 1,070 | 945 |
| ETFs | 294 | 261 | 589 | 520 |
| Non-ETF Index | 116 | 129 | 229 | 241 |
| Fixed income subtotal | 955 | 854 | 1,888 | 1,706 |
| Multi-asset | 344 | 270 | 672 | 563 |
| Alternatives: | | | | |
| Illiquid alternatives | 167 | 128 | 335 | 276 |
| Liquid alternatives | 150 | 117 | 297 | 229 |
| Currency and commodities(1) | 55 | 35 | 108 | 67 |
| Alternatives subtotal | 372 | 280 | 740 | 572 |
| **Long-term** | **3,666** | **2,755** | **7,115** | **5,632** |
| Cash management | 91 | 211 | 234 | 389 |
| **Total investment advisory, administration fees and securities lending revenue** | **3,757** | **2,966** | **7,349** | **6,021** |
| Investment advisory performance fees: | | | | |
| Equity | 36 | 23 | 62 | 25 |
| Fixed income | 15 | 2 | 29 | 4 |
| Multi-asset | 9 | 2 | 17 | 3 |
| Alternatives: | | | | |
| Illiquid alternatives | 90 | 32 | 97 | 49 |
| Liquid alternatives | 190 | 53 | 264 | 72 |
| Alternatives subtotal | 280 | 85 | 361 | 121 |
| **Total performance fees** | **340** | **112** | **469** | **153** |
| **Technology services revenue** | **316** | **278** | **622** | **552** |
| Distribution fees: | | | | |
| Retrocessions | 264 | 162 | 502 | 331 |
| 12b-1 fees (US mutual fund distribution fees) | 87 | 78 | 172 | 169 |
| Other | 18 | 13 | 35 | 29 |
| **Total distribution fees** | **369** | **253** | **709** | **529** |
| Advisory and other revenue: | | | | |
| Advisory | 9 | 17 | 24 | 34 |
| Other | 29 | 22 | 45 | 69 |
| **Total advisory and other revenue** | **38** | **39** | **69** | **103** |
| **Total revenue** | **$ 4,820** | **$ 3,648** | **$ 9,218** | **$ 7,358** |

(1) Amounts include commodity ETFs.

The table below lists a percentage breakdown of base fees and securities lending revenue and average AUM by product type:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | Percentage of Base Fees and Securities Lending Revenue | | Percentage of Average AUM by Product Type[1] | | Percentage of Base Fees and Securities Lending Revenue | | Percentage of Average AUM by Product Type[2] | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Equity: | | | | | | | | |
| Active | 18% | 13% | 5% | 4% | 19% | 12% | 5% | 4% |
| ETFs | 31% | 27% | 24% | 20% | 30% | 28% | 23% | 21% |
| Non-ETF Index | 5% | 6% | 23% | 24% | 5% | 6% | 24% | 24% |
| Equity subtotal | 54% | 46% | 52% | 48% | 54% | 46% | 52% | 49% |
| Fixed income: | | | | | | | | |
| Active | 14% | 16% | 12% | 12% | 14% | 16% | 11% | 12% |
| ETFs | 8% | 9% | 7% | 9% | 8% | 9% | 8% | 8% |
| Non-ETF Index | 3% | 4% | 10% | 12% | 3% | 4% | 10% | 12% |
| Fixed income subtotal | 25% | 29% | 29% | 33% | 25% | 29% | 29% | 32% |
| Multi-asset | 9% | 9% | 8% | 8% | 9% | 9% | 8% | 8% |
| Alternatives: | | | | | | | | |
| Illiquid alternatives | 5% | 4% | 1% | 1% | 5% | 5% | 1% | 1% |
| Liquid alternatives | 4% | 4% | 1% | 1% | 4% | 4% | 1% | 1% |
| Currency and commodities[3] | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Alternatives subtotal | 10% | 9% | 3% | 3% | 10% | 10% | 3% | 3% |
| **Long-term** | **98%** | **93%** | **92%** | **92%** | **98%** | **94%** | **92%** | **92%** |
| Cash management | 2% | 7% | 8% | 8% | 2% | 6% | 8% | 8% |
| **Total excluding Advisory AUM** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

(1) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing four months.
(2) Average AUM is calculated as the average of the month-end spot AUM amounts for the trailing seven months.
(3) Amounts include commodity ETFs.

**Three Months Ended June 30, 2021 Compared with Three Months Ended June 30, 2020**

Revenue increased $1,172 million, or 32%, from the three months ended June 30, 2020, reflecting significant market gains as well as strong organic growth, higher performance fees and 14% growth in technology services revenue.

Investment advisory, administration fees and securities lending revenue of $3,757 million increased $791 million from $2,966 million for the three months ended June 30, 2020, primarily driven by the positive impact of market beta and foreign exchange movements on average AUM and strong organic base fee growth, partially offset by the impact of yield-related fee waivers on certain money market funds and strategic pricing changes to certain products, and lower securities lending revenue. Securities lending revenue of $140 million decreased $70 million from $210 million for the three months ended June 30, 2020, primarily reflecting lower spreads, partially offset by higher average balances of securities on loan.

Investment advisory performance fees of $340 million increased $228 million from $112 million for the three months ended June 30, 2020, primarily reflecting higher revenue from liquid and illiquid alternative products.

Technology services revenue of $316 million increased $38 million from $278 million for the three months ended June 30, 2020, primarily reflecting higher revenue from *Aladdin*.

**Six Months Ended June 30, 2021 Compared with Six Months Ended June 30, 2020**

Revenue increased $1,860 million, or 25%, from the six months ended June 30, 2020, reflecting higher base and performance fees and higher technology services revenue, partially offset by lower securities lending revenue.

Investment advisory, administration fees and securities lending revenue of $7,349 million increased $1,328 million from $6,021 million for the six months ended June 30, 2020, primarily driven by the positive impact of market beta and foreign exchange movements on average AUM and organic growth, partially offset by the impact of yield-related fee waivers on certain money market funds and strategic pricing changes to certain products, and lower securities lending revenue. Securities lending revenue of $267 million decreased $101 million from $368 million for the six months ended June 30, 2020, primarily reflecting lower spreads, partially offset by higher average balances of securities on loan.

Investment advisory performance fees of $469 million increased $316 million from $153 million for the six months ended June 30, 2020, primarily reflecting higher revenue from liquid and illiquid alternative and long-only products.

Technology services revenue of $622 million increased $70 million from $552 million for the six months ended June 30, 2020, primarily reflecting higher revenue from *Aladdin*.

Advisory and other revenue of $69 million decreased $34 million from $103 million for the six months ended June 30, 2020, primarily reflecting the impact of the Charitable Contribution and lower fees from advisory assignments.

**Expense**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| **Expense:** | | | | |
| Employee compensation and benefits | $ 1,548 | $ 1,152 | $ 2,957 | $ 2,289 |
| Distribution and servicing costs: | | | | |
| Retrocessions | 264 | 162 | 502 | 331 |
| 12b-1 costs | 85 | 75 | 168 | 164 |
| Other | 174 | 192 | 358 | 379 |
| Total distribution and servicing costs | 523 | 429 | 1,028 | 874 |
| Direct fund expense | 320 | 246 | 640 | 523 |
| General and administration expense: | | | | |
| Marketing and promotional | 53 | 39 | 88 | 108 |
| Occupancy and office related | 80 | 80 | 159 | 158 |
| Portfolio services | 87 | 65 | 174 | 130 |
| Technology | 129 | 92 | 233 | 180 |
| Professional services | 41 | 41 | 80 | 85 |
| Communications | 11 | 14 | 22 | 26 |
| Foreign exchange remeasurement | (2) | 1 | 2 | 6 |
| Contingent consideration fair value adjustments | 1 | (2) | 4 | 23 |
| Product launch costs | — | — | 178 | 84 |
| Charitable Contribution | — | — | — | 589 |
| Other general and administration | 61 | 58 | 106 | 141 |
| Total general and administration expense | 461 | 388 | 1,046 | 1,530 |
| Amortization of intangible assets | 37 | 27 | 71 | 52 |
| **Total expense** | **$ 2,889** | **$ 2,242** | **$ 5,742** | **$ 5,268** |

**Three Months Ended June 30, 2021 Compared with Three Months Ended June 30, 2020**

Expense increased $647 million from the three months ended June 30, 2020, largely driven by higher employee compensation and benefits expense, higher volume-related expense, and higher general and administration expense.

Employee compensation and benefits expense increased $396 million from the three months ended June 30, 2020, primarily reflecting higher incentive compensation, driven by higher operating income and higher performance fees, and higher deferred compensation, reflecting the impact of additional grants associated with prior-year compensation and certain previous acquisition-related compensation arrangements.

Direct fund expense increased $74 million from the three months ended June 30, 2020, primarily reflecting higher average AUM.

General and administration expense increased $73 million from the three months ended June 30, 2020, largely driven by higher technology, portfolio services, and marketing and promotional expense.

Amortization of intangible assets expense increased $10 million from the three months ended June 30, 2020, primarily reflecting amortization of intangible assets related to the Aperio Transaction.

**Six Months Ended June 30, 2021 Compared with Six Months Ended June 30, 2020**

Expense increased $474 million from the six months ended June 30, 2020, largely driven by higher employee compensation and benefits expense and higher volume-related expense, partially offset by lower general and administration expense, reflecting the impact of the Charitable Contribution incurred in the six months ended June 30, 2020. Expense also reflected higher product launch costs during the six months ended June 30, 2021.

Employee compensation and benefits expense increased $668 million from the six months ended June 30, 2020, primarily reflecting higher incentive compensation, driven by higher operating income and higher performance fees, and higher deferred compensation.

Direct fund expense increased $117 million from the six months ended June 30, 2020, primarily reflecting higher average AUM.

General and administration expense decreased $484 million from the six months ended June 30, 2020, largely driven by the Charitable Contribution recorded in the six months ended June 30, 2020. General and administration expense also reflected higher product launch costs, higher technology and portfolio services expense, partially offset by lower marketing and promotional expense and contingent consideration fair value adjustments, and the impact of costs related to certain legal matters incurred during the six months ended June 30, 2020.

Amortization of intangible assets expense increased $19 million from the six months ended June 30, 2020, primarily reflecting amortization of intangible assets related to the Aperio Transaction.

**Nonoperating Results**

The summary of nonoperating income (expense), less net income (loss) attributable to NCI for the three and six months ended June 30, 2021 and 2020 was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Nonoperating income (expense), GAAP basis[1] | $ 270 | $ 357 | $ 316 | $ 286 |
| Less: Net income (loss) attributable to NCI | 169 | 188 | 243 | 9 |
| Nonoperating income (expense), net of NCI[2] | $ 101 | $ 169 | $ 73 | $ 277 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Net gain (loss) on investments[1][2] | | | | |
| Private equity | $ 66 | $ 8 | $ 88 | $ (10) |
| Real assets | 3 | — | 6 | 5 |
| Other alternatives[3] | 17 | 21 | 30 | (4) |
| Other investments[4] | 48 | 130 | 45 | (20) |
| Subtotal | 134 | 159 | 169 | (29) |
| Gain related to the Charitable Contribution | — | — | — | 122 |
| Other gains (losses)[5] | 11 | 51 | (16) | 256 |
| Total net gain (loss) on investments[1][2] | 145 | 210 | 153 | 349 |
| Interest and dividend income | 8 | 10 | 27 | 25 |
| Interest expense | (52) | (51) | (107) | (97) |
| Net interest expense | (44) | (41) | (80) | (72) |
| Nonoperating income (expense)[1] | $ 101 | $ 169 | $ 73 | $ 277 |

(1) Net of net income (loss) attributable to NCI.
(2) Management believes nonoperating income (expense), less net income (loss) attributable to NCI, is an effective measure for reviewing BlackRock's nonoperating results, which ultimately impacts BlackRock's book value. See *Non-GAAP Financial Measures* for further information on non-GAAP financial measures for the three and six months ended June 30, 2021 and 2020.
(3) Amounts primarily include net gains (losses) related to direct hedge fund strategies and hedge fund solutions.
(4) Amounts primarily include net gains (losses) related to unhedged equity, fixed income and multi-asset seed investments.
(5) Amount for the six months ended June 30, 2020 includes a nonoperating pre-tax gain of approximately $240 million in connection with a recapitalization of iCapital. Additional amounts primarily include noncash pre-tax gains (losses) related to the revaluation of certain other corporate minority investments.

**Income Tax Expense**

| | GAAP | | | | As Adjusted[1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | | Three Months Ended June 30, | | Six Months Ended June 30, | |
| *(in millions)* | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Operating income[1] | $ 1,931 | $ 1,406 | $ 3,476 | $ 2,090 | $ 1,931 | $ 1,406 | $ 3,476 | $ 2,679 |
| Total nonoperating income (expense)[1][2] | $ 101 | $ 169 | $ 73 | $ 277 | $ 101 | $ 169 | $ 73 | $ 155 |
| Income before income taxes | $ 2,032 | $ 1,575 | $ 3,549 | $ 2,367 | $ 2,032 | $ 1,575 | $ 3,549 | $ 2,834 |
| Income tax expense | $ 654 | $ 361 | $ 972 | $ 347 | $ 483 | $ 361 | $ 801 | $ 588 |
| Effective tax rate | *32.2%* | *22.9%* | *27.4%* | *14.7%* | *23.8%* | *22.9%* | *22.6%* | *20.7%* |

(1) As adjusted items are described in more detail in *Non-GAAP Financial Measures.*
(2) Net of net income (loss) attributable to NCI.

**2021.** Income tax expense for the three and six months ended June 30, 2021 included $171 million noncash net expense related to the revaluation of certain deferred tax assets and liabilities as a result of legislation enacted in the UK increasing its corporate tax rate. Income tax expense for the six months ended June 30, 2021, also reflected $39 million of discrete tax benefits related to stock-based compensation awards that vested in the first quarter of 2021.

The as adjusted effective tax rate of 23.8% and 22.6% for the three and six months ended June 30, 2021, respectively, excluded the $171 million noncash deferred tax revaluation noncash expense mentioned above as it will not have a cash flow impact and to ensure comparability among periods presented.

**2020.** Income tax expense for the six months ended June 30, 2020, included a discrete tax benefit of $241 million recognized in connection with the Charitable Contribution and $66 million of discrete tax benefits, including benefits related to stock-based compensation awards that vested in the first quarter of 2020.

The as adjusted effective tax rate of 20.7% for the six months ended June 30, 2020 excluded the $241 million discrete tax benefit in connection with the Charitable Contribution due to its nonrecurring nature.

## STATEMENT OF FINANCIAL CONDITION OVERVIEW

### As Adjusted Statement of Financial Condition

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

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

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

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

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

*Consolidated Sponsored Investment Products*

The Company consolidates certain sponsored investment products accounted for as variable interest entities ("VIEs") and voting rights entities ("VREs"), (collectively, "consolidated sponsored investment products" or "CIPs"). See Note 2, *Significant Accounting Policies*, in the notes to the consolidated financial statements contained in the 2020 Form 10-K for more information on the Company's consolidation policy.

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

| | June 30, 2021 | | | |
|---|---|---|---|---|
| *(in millions)* | GAAP Basis | Separate Account Assets/ Collateral[1] | CIPs[2] | As Adjusted |
| **Assets** | | | | |
| Cash and cash equivalents | $ 6,416 | $ — | $ 280 | $ 6,136 |
| Accounts receivable | 3,790 | — | — | 3,790 |
| Investments | 7,595 | — | 2,308 | 5,287 |
| Separate account assets and collateral held under securities lending agreements | 120,042 | 120,042 | — | — |
| Other assets[3] | 5,243 | — | 121 | 5,122 |
| Subtotal | 143,086 | 120,042 | 2,709 | 20,335 |
| Goodwill and intangible assets, net | 33,876 | — | — | 33,876 |
| Total assets | $ 176,962 | $ 120,042 | $ 2,709 | $ 54,211 |
| **Liabilities** | | | | |
| Accrued compensation and benefits | $ 1,704 | $ — | $ — | $ 1,704 |
| Accounts payable and accrued liabilities | 1,238 | — | — | 1,238 |
| Borrowings | 6,491 | — | — | 6,491 |
| Separate account liabilities and collateral liabilities under securities lending agreements | 120,042 | 120,042 | — | — |
| Deferred income tax liabilities[4] | 3,907 | — | — | 3,907 |
| Other liabilities | 5,190 | — | 429 | 4,761 |
| Total liabilities | 138,572 | 120,042 | 429 | 18,101 |
| **Equity** | | | | |
| Total BlackRock, Inc. stockholders' equity | 36,033 | — | — | 36,033 |
| Noncontrolling interests | 2,357 | — | 2,280 | 77 |
| Total equity | 38,390 | — | 2,280 | 36,110 |
| Total liabilities and equity | $ 176,962 | $ 120,042 | $ 2,709 | $ 54,211 |

(1) Amounts represent segregated client assets and related liabilities, in which BlackRock has no economic interest. BlackRock earns an investment advisory fee for the service of managing these assets on behalf of its clients.
(2) Amounts represent the portion of assets and liabilities of CIPs attributable to NCI.
(3) Amounts include property and equipment and other assets.
(4) Amounts include approximately $4.4 billion of deferred income tax liabilities related to goodwill and intangibles.

The following discussion summarizes the significant changes in assets and liabilities on a GAAP basis. Please see the condensed consolidated statements of financial condition as of June 30, 2021 and December 31, 2020 contained in Part I, Item 1 of this filing. The discussion does not include changes related to assets and liabilities that are equal and offsetting and have no impact on BlackRock's stockholders' equity.

***Assets.*** Cash and cash equivalents at June 30, 2021 and December 31, 2020 included $280 million and $206 million, respectively, of cash held by CIPs (see *Liquidity and Capital Resources* for details on the change in cash and cash equivalents during the six months ended June 30, 2021).

Accounts receivable at June 30, 2021 increased $255 million from December 31, 2020, primarily due to higher base and performance fee receivables. Investments, including the impact of CIPs, increased $676 million from December 31, 2020 (for more information see *Investments* herein). Goodwill and intangible assets increased $1,062 million from December 31, 2020, primarily due to the Aperio Transaction, partially offset by amortization of intangible assets. Other assets (including property and equipment) increased $1,363 million from December 31, 2020, primarily due to an increase in unit trust receivables (substantially offset by an increase in unit trust payables recorded within other liabilities) and an increase in current taxes receivable.

***Liabilities.*** Accrued compensation and benefits at June 30, 2021 decreased $795 million from December 31, 2020, primarily due to 2020 incentive compensation cash payments in the first quarter of 2021, partially offset by 2021 incentive compensation accruals. Accounts payable and accrued liabilities at June 30, 2021 decreased $210 million from December 31, 2020, primarily due to increased accruals. Other liabilities increased $1,498 million from December 31, 2020, primarily due to higher unit trust payables (substantially offset by an increase in unit trust receivables recorded within other assets) and higher other liabilities of CIPs. Net deferred income tax liabilities at June 30, 2021 increased $234 million from December 31, 2020, primarily due to the Aperio Transaction and the effects of temporary differences associated with stock-based compensation and the revaluation of certain deferred income tax liabilities due to tax legislation enacted in the UK.

**Investments**

The Company's investments were $7,595 million and $6,919 million at June 30, 2021 and December 31, 2020, respectively. Investments include consolidated investments held by CIPs accounted for as VREs and VIEs. Management reviews BlackRock's investments on an "economic" basis, which eliminates the portion of investments that does not impact BlackRock's book value or net income attributable to BlackRock. 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.

The Company presents investments, as adjusted, to enable investors to understand the portion of investments that is owned by the Company, net of NCI, as a gauge to measure the impact of changes in net nonoperating income (expense) on investments to net income (loss) attributable to BlackRock.

The Company further presents net "economic" investment exposure, net of hedged investments, to reflect another helpful measure for investors. The impact of certain investments is substantially mitigated by swap hedges. Carried interest capital allocations are excluded as there is no impact to BlackRock's stockholders' equity until such amounts are realized as performance fees. Finally, the Company's regulatory investment in Federal Reserve Bank stock, which is not subject to market or interest rate risk, is excluded from the Company's net economic investment exposure.

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Investments, GAAP | **$ 7,595** | **$ 6,919** |
| Investments held by CIPs | (5,282) | (4,976) |
| Net interest in CIPs(1) | 2,974 | 2,490 |
| Investments, as adjusted | **5,287** | **4,433** |
| Federal Reserve Bank stock | (95) | (94) |
| Deferred compensation investments | — | (6) |
| Hedged investments | (863) | (833) |
| Carried interest | (1,213) | (627) |
| Total "economic" investment exposure(2) | **$ 3,116** | **$ 2,873** |

(1) Amounts include carried interest (VIEs) of $1.2 billion and $604 million at June 30, 2021 and December 31, 2020, respectively, which has no impact on the Company's "economic" investment exposure.

(2) Amounts exclude corporate minority investments included in other assets on the condensed consolidated statements of financial condition.

The following table represents the carrying value of the Company's economic investment exposure, by asset type, at June 30, 2021 and December 31, 2020:

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Equity(1) | $ 1,045 | $ 835 |
| Fixed income(2) | 788 | 958 |
| Multi-asset(3) | 117 | 127 |
| Alternatives: | | |
| Private equity | 596 | 418 |
| Real assets | 261 | 251 |
| Other alternatives(4) | 309 | 284 |
| Alternatives subtotal | 1,166 | 953 |
| Total "economic" investment exposure | **$ 3,116** | **$ 2,873** |

(1) Equity includes unhedged seed investments in equity mutual funds/strategies and equity securities.
(2) Fixed income includes unhedged seed investments in fixed income mutual funds/strategies, bank loans and UK government securities, primarily held for regulatory purposes.
(3) Multi-asset includes unhedged seed investments in multi-asset mutual funds/strategies.
(4) Other alternatives include direct hedge fund strategies and hedge fund solutions.

As adjusted investment activity for the six months ended June 30, 2021 was as follows:

| *(in millions)* | Six Months Ended June 30, 2021 |
|---|---|
| **Investments, as adjusted, beginning balance** | **$ 4,433** |
| Purchases/capital contributions | 721 |
| Sales/maturities | (591) |
| Distributions(1) | (88) |
| Market appreciation(depreciation)/earnings from equity method investments | 253 |
| Carried interest capital allocations/(distributions) | 586 |
| Other(2) | (27) |
| **Investments, as adjusted, ending balance** | **$ 5,287** |

(1) Amount includes distributions representing return of capital and return on investments.
(2) Amount includes the impact of foreign exchange movements.

## LIQUIDITY AND CAPITAL RESOURCES

### BlackRock Cash Flows Excluding the Impact of CIPs

The condensed consolidated statements of cash flows include the cash flows of the CIPs. The Company uses an adjusted cash flow statement, which excludes the impact of CIPs, as a supplemental non-GAAP measure to assess liquidity and capital requirements. The Company believes that its cash flows, excluding the impact of the CIPs, provide investors with useful information on the cash flows of BlackRock relating to its ability to fund additional operating, investing and financing activities. BlackRock's management does not advocate that investors consider such non-GAAP measures in isolation from, or as a substitute for, its cash flows presented in accordance with GAAP.

The following table presents a reconciliation of the condensed consolidated statements of cash flows presented on a GAAP basis to the condensed consolidated statements of cash flows, excluding the impact of the cash flows of CIPs:

| *(in millions)* | GAAP Basis | Impact on Cash Flows of CIPs | Cash Flows Excluding Impact of CIPs |
|---|---|---|---|
| **Cash, cash equivalents and restricted cash, December 31, 2020** | **$ 8,681** | **$ 206** | **$ 8,475** |
| Net cash provided by/(used in) operating activities | 1,253 | (665) | 1,918 |
| Net cash provided by/(used in) investing activities | (1,435) | (39) | (1,396) |
| Net cash provided by/(used in) financing activities | (2,066) | 778 | (2,844) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | — | — | — |
| Net increase/(decrease) in cash, cash equivalents and restricted cash | (2,248) | 74 | (2,322) |
| **Cash, cash equivalents and restricted cash, June 30, 2021** | **$ 6,433** | **$ 280** | **$ 6,153** |

Sources of BlackRock's operating cash primarily include base fees and securities lending revenue, performance fees, technology services revenue, advisory and other revenue and distribution fees. BlackRock uses its cash to pay all operating expenses, interest and principal on borrowings, income taxes, dividends on BlackRock's capital stock, repurchases of the Company's stock, acquisitions, capital expenditures and purchases of co-investments and seed investments.

For details of the Company's GAAP cash flows from operating, investing and financing activities, see the condensed consolidated statements of cash flows contained in Part I, Item 1 of this filing.

Cash flows provided by/(used in) operating activities, excluding the impact of CIPs, primarily include the receipt of base fees, securities lending revenue and performance fees offset by the payment of operating expenses incurred in the normal course of business, including year-end incentive compensation accrued for in the prior year.

Cash flows used in investing activities, excluding the impact CIPs, for the six months ended June 30, 2021 were $1.4 billion and primarily reflected $1.1 billion of cash outflows related to the Aperio Transaction, $178 million of purchases of property and equipment and $176 million of net investment purchases, partially offset by $55 million of distributions of capital from equity method investees.

Cash flows used in financing activities, excluding the impact of CIPs, for the six months ended June 30, 2021 were $2.8 billion, primarily resulting from $1.3 billion of cash dividend payments and $873 million of share repurchases, including $600 million in open market transactions and $273 million of employee tax withholdings related to employee stock transactions, and $750 million of repayments of long-term borrowings.

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Liquidity resources at June 30, 2021 and December 31, 2020 were as follows:

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents(1) | $ 6,416 | $ 8,664 |
| Cash and cash equivalents held by CIPs(2) | (280) | (206) |
| Subtotal | 6,136 | 8,458 |
| Credit facility – undrawn | 4,400 | 4,000 |
| Total liquidity resources | $ 10,536 | $ 12,458 |

(1) The percentage of cash and cash equivalents held by the Company's US subsidiaries was approximately 40% and 55% at June 30, 2021 and December 31, 2020, respectively. See *Net Capital Requirements* herein for more information on net capital requirements in certain regulated subsidiaries.
(2) The Company cannot readily access such cash and cash equivalents to use in its operating activities.

Total liquidity resources decreased $1.9 billion during the six months ended June 30, 2021, primarily reflecting cash payments of 2020 year-end incentive awards, cash dividend payments of $1.3 billion, approximately $1.1 billion of cash outflow related to the Aperio Transaction, share repurchases of $873 million and repayments of borrowings of $750 million, partially offset by cash flows from other operating activities and a $400 million increase in the aggregate commitment amount of the credit facility.

A significant portion of the Company's $5,287 million of investments, as adjusted, is illiquid in nature and, as such, cannot be readily convertible to cash.

**Share Repurchases.** During the six months ended June 30, 2021, the Company repurchased 0.8 million common shares under the Company's existing share repurchase program for approximately $600 million. At June 30, 2021, there were 4.3 million shares still authorized to be repurchased under the program.

**Net Capital Requirements.** The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions may have adverse tax consequences that could discourage such transfers.

BlackRock Institutional Trust Company, N.A. ("BTC") is chartered as a national bank that does not accept deposits or make commercial loans and whose powers are limited to trust and other fiduciary activities. BTC provides investment management and other fiduciary services, including investment advisory and securities lending agency services, to institutional clients. BTC is subject to regulatory capital and liquid asset requirements administered by the US Office of the Comptroller of the Currency.

At June 30, 2021 and December 31, 2020, the Company was required to maintain approximately $2.4 billion and $2.2 billion, respectively, in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the UK, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

**Short-Term Borrowings**

*2021 Revolving Credit Facility.* In March 2021, the Company's credit facility was amended to increase the aggregate commitment amount to $4.4 billion and to extend the maturity date to March 2026 (the "2021 credit facility"). In addition, the amendment incorporated certain sustainability-linked pricing metrics into the agreement. Specifically, the Company's applicable interest rate and commitment fee are subject to upward or downward adjustments on an annual basis if the Company achieves, or fails to achieve, certain specified targets. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate, or an applicable replacement benchmark, plus a spread. The 2021 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2021 credit facility to an aggregate principal amount not to exceed $5.4 billion. The 2021 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at June 30, 2021. The 2021 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At June 30, 2021, the Company had no amount outstanding under the 2021 credit facility.

*Commercial Paper Program.* The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4 billion. The commercial paper program is currently supported by the 2021 credit facility. At June 30, 2021, BlackRock had no CP Notes outstanding.

**Long-Term Borrowings**

At June 30, 2021, the principal amount of long-term borrowings outstanding was $6.5 billion. See Note 15, *Borrowings*, in the 2020 Form 10-K for more information on borrowings outstanding as of December 31, 2020.

During the six months ended June 30, 2021, the Company paid approximately $108 million of interest on long-term borrowings. Future principal repayments and interest requirements at June 30, 2021 were as follows:

*(in millions)*

| Year | Principal | Interest | Total Payments |
|---|---|---|---|
| Remainder of 2021 | $ — | $ 82 | $ 82 |
| 2022 | 750 | 161 | 911 |
| 2023 | — | 148 | 148 |
| 2024 | 1,000 | 131 | 1,131 |
| 2025(1) | 830 | 113 | 943 |
| 2026 | — | 103 | 103 |
| Thereafter | 3,950 | 283 | 4,233 |
| Total | $ 6,530 | $ 1,020 | $ 7,550 |

(1) The amount of principal and interest payments for the 2025 Notes (issued in Euros) represents the expected payment amounts using the EUR/USD foreign exchange rate as of June 30, 2021.

In May 2021, the Company fully repaid $750 million of 4.25% notes at maturity.

**Commitments and Contingencies**

*Investment Commitments.* At June 30, 2021, the Company had $930 million of various capital commitments to fund sponsored investment products, including CIPs. These products include private equity funds, real assets funds and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the condensed consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

*Contingent Payments Related to Business Acquisitions.* In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue from acquired contracts. The fair value of the remaining aggregate contingent payments at June 30, 2021 totaled $34 million and is included in other liabilities on the condensed consolidated statements of financial condition.

*Carried Interest Clawback.* As a general partner in certain investment products, including private equity partnerships and certain hedge funds, the Company may receive carried interest cash distributions from the partnerships in accordance with distribution provisions of the partnership agreements. The Company may, from time to time, be required to return all or a portion of such distributions to the limited partners in the event the limited partners do not achieve a return as specified in the various partnership agreements. Therefore, BlackRock records carried interest subject to such clawback provisions in investments, or cash and cash equivalents to the extent that it is distributed, and as a deferred carried interest liability on its condensed consolidated statements of financial condition. Carried interest is recorded as performance fees on BlackRock's condensed consolidated statements of income when fees are no longer probable of significant reversal.

*Indemnifications.* On behalf of certain clients, the Company lends securities to highly rated banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. BlackRock has agreed to indemnify certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. The amount of securities on loan as of June 30, 2021 and subject to this type of indemnification was $297 billion. In the Company's capacity as lending agent, cash and securities totaling $316 billion were held as collateral for indemnified securities on loan at June 30, 2021. The fair value of these indemnifications was not material at June 30, 2021.

While the collateral pledged by a borrower is intended to be sufficient to offset the borrower's obligations to return securities borrowed and any other amounts owing to the lender under the relevant securities lending agreement, in the event of a borrower default, the Company can give no assurance that the collateral pledged by the borrower will be sufficient to fulfill such obligations. If the amount of such pledged collateral is not sufficient to fulfill such obligations to a client for whom the Company has provided indemnification, BlackRock would be responsible for the amount of the shortfall. These indemnifications cover only the collateral shortfall described above, and do not in any way guarantee, assume or otherwise insure the investment performance or return of any cash collateral vehicle into which securities lending cash collateral is invested.

**Critical Accounting Policies**

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding the condensed consolidated financial statements. For a summary of these and additional accounting policies see Note 2, *Significant Accounting Policies*, in the notes to the condensed consolidated financial statements. In addition, see *Critical Accounting Policies* in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, *Significant Accounting Policies*, in the 2020 Form 10-K for further information.

***Consolidation.*** In the normal course of business, the Company is the manager of various types of sponsored investment vehicles. The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VREs are consolidated if the Company can exert control over the financial and operating policies of the investee, which generally exists if there is greater than 50% voting interest. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity. BlackRock is deemed to be the PB of a VIE if it has the power to direct the activities that most significantly impact the entities' economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE. The Company generally consolidates VIEs in which it holds an economic interest of 10% or greater and deconsolidates such VIEs once equity ownership falls below 10%. See Note 6, *Consolidated Sponsored Investment Products*, in the notes to the condensed consolidated financial statements for more information.

In addition to sponsored investment products, the Company consolidates an affiliated entity, which it deems to be a VRE, because it can exert control over its financial and operating policies, based on the Company's 50.1% ownership and voting rights.

***Fair Value Measurements***. The Company's assessment of the significance of a particular input to the fair value measurement according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined) in its entirety requires judgment and considers factors specific to the financial instrument. See Note 2, *Significant Accounting Policies*, in the notes to the condensed consolidated financial statements for more information on fair value measurements.

***Investment Advisory Performance Fees / Carried Interest.*** The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain SMAs. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annual or longer measurement periods.

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Given the unique nature of each fee arrangement, contracts with customers are evaluated on an individual basis to determine the timing of revenue recognition. Significant judgement is involved in making such determination. Performance fees typically arise from investment management services that began in prior reporting periods. Consequently, a portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad range of possible amounts; and (3) the funds or SMAs have the ability to invest or reinvest their sales proceeds.

The Company is allocated carried interest from certain alternative investment products upon exceeding performance thresholds. The Company may be required to reverse/return all, or part, of such carried interest allocations/distributions depending upon future performance of these products. Carried interest subject to such clawback provisions is recorded in investments or cash and cash equivalents to the extent that it is distributed, on its condensed consolidated statements of financial condition.

The Company records a liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At June 30, 2021 and December 31, 2020, the Company had $1.1 billion and $584 million, respectively, of deferred carried interest recorded in other liabilities on the condensed consolidated statements of financial condition. A portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown. See Note 16*, Revenue,* in the notes to the condensed consolidated financial statements for detailed changes in the deferred carried interest liability balance for the three and six months ended June 30, 2021 and 2020.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

**AUM Market Price Risk.** BlackRock's investment advisory and administration fees (collectively "base fees") are primarily comprised of fees based on a percentage of the value of assets under management ("AUM") and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At June 30, 2021, the majority of the Company's base fees were based on average or period end AUM of the applicable investment funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates or all three could cause the value of AUM to decline, which would result in lower base fees.

**Corporate Investments Portfolio Risks.** As a leading investment management firm, BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analyzing market and operating risks, including the management and oversight of its own investment portfolio. The Board of Directors of the Company has adopted guidelines for the review of investments to be made by the Company, requiring, among other things, that investments be reviewed by certain senior officers of the Company, and that certain investments may be referred to the Audit Committee or the Board of Directors, depending on the circumstances, for approval.

In the normal course of its business, BlackRock is exposed to equity market price risk, interest rate/credit spread risk and foreign exchange rate risk associated with its corporate investments.

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes, including real assets, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record or for regulatory purposes. Currently, the Company has a seed capital hedging program in which it enters into swaps to hedge market and interest rate exposure to certain investments. At June 30, 2021, the Company had outstanding total return swaps with an aggregate notional value of approximately $863 million.

At June 30, 2021, approximately $5.3 billion of BlackRock's investments were maintained in consolidated sponsored investment products accounted for as variable interest entities and voting rights entities. Excluding the impact of the Federal Reserve Bank stock, carried interest and certain investments that are hedged via the seed capital hedging program, the Company's economic exposure to its investment portfolio is $3.1 billion. See *Statement of Financial Condition Overview-Investments* in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on the Company's investments.

**Equity Market Price Risk.** At June 30, 2021, the Company's net exposure to equity market price risk in its investment portfolio was approximately $1,276 million of the Company's total economic investment exposure. Investments subject to market price risk include private equity and real assets investments, hedge funds and funds of funds as well as mutual funds. The Company estimates that a hypothetical 10% adverse change in market prices would result in a decrease of approximately $128 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk**. At June 30, 2021, the Company was exposed to interest-rate risk and credit spread risk as a result of approximately $1,840 million of investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately $30 million in the carrying value of such investments.

**Foreign Exchange Rate Risk.** As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the total economic investment exposure denominated in foreign currencies, primarily the British pound and Euro, was $959 million at June 30, 2021. A 10% adverse change in the applicable foreign exchange rates would result in approximately a $96 million decline in the carrying value of such investments.

**Other Market Risks.** The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange risk movements. At June 30, 2021, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $2 billion.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures.*** Under the direction of BlackRock's Chief Executive Officer and Chief Financial Officer, BlackRock evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, BlackRock's Chief Executive Officer and Chief Financial Officer have concluded that BlackRock's disclosure controls and procedures were effective.

***Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. In addition, there was no material impact to our internal control over financial reporting while a majority of our employees are working remotely due to the COVID-19 pandemic. The Company is continually monitoring and assessing the COVID-19 situation to determine any potential impact on the design and operating effectiveness of our internal control over financial reporting.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

For a discussion of the Company's legal proceedings, see Note 15, *Commitments and Contingencies*, in the notes to the condensed consolidated financial statements of this Form 10-Q.

**Item 1A. Risk Factors**

The following discussion supplements the discussion of risk factors previously disclosed in BlackRock's Annual Report on Form 10-K for the year ended December 31, 2020:

**RISKS RELATED TO THE COVID-19 PANDEMIC**

***The COVID-19 pandemic may adversely affect BlackRock's business, operations and financial condition which may cause its AUM, revenue and earnings to decline.***

Towards the end of the first quarter of 2020 the pandemic began to impact BlackRock's business. While global markets have significantly recovered since then, the effects of the pandemic are ongoing and could be prolonged or worsen and have an ongoing adverse impact on BlackRock's business, including its operations and financial condition, as a result of, among other things:

- reduced AUM, resulting in lower base fees, as well as a reduction in the value of BlackRock's investment portfolio, including its coinvestments and seed investments in sponsored investment funds;
- lower alpha generation which may adversely affect future organic growth and BlackRock's ability to generate performance fees;
- reduced client and prospective client demand for BlackRock products and services and/or changing client risk preferences which may adversely affect future organic growth;
- a decline in technology revenue growth as a result of extended sales cycles and longer implementation periods as clients work remotely;
- negative impact of the pandemic on BlackRock's clients, and key vendors (such as pricing providers), market participants and other third-parties with whom it does business;
- the negative operational effects of an extended remote working environment, including strain on *Aladdin* and/or BlackRock's other internal and external technology resources leveraged at the firm, as well as the potential for heightened operational risks, such as cybersecurity and fraud risks;
- the possibility that prolonged periods away from physical office locations and daily in-person interactions with colleagues may cause members of BlackRock's workforce to become disconnected with corporate culture and policies, which may increase operational issues arising from human error and/or individual attempts to circumvent controls due to distractions, fatigue or a lack of oversight; and
- the disruption to BlackRock's workforce due to illness and health concerns, potential limitations of its remote work environment (including any complications associated with hiring and onboarding new employees remotely), and government-imposed restrictions, laws and regulations.

The aggregate extent to which COVID-19, and the related impact on the global economy, affect BlackRock's business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, the emergence and spread of variants of the COVID-19 virus, the continuing prevalence of severe, unconstrained and/or escalating rates of infection in certain countries and regions, the availability, adoption and efficacy of treatments and vaccines, future actions taken by governmental authorities, central banks and other third parties (including new financial regulation and other regulatory reform) in response to the pandemic, and the effects of the COVID-19 pandemic on BlackRock's products, clients, vendors and employees. Moreover, the effects of the COVID-19 pandemic may heighten the other risks described in the section entitled "Risk Factors" in BlackRock's most recent Annual Report on Form 10-K and any subsequent reports filed with the Securities and Exchange Commission.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended June 30, 2021, 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[1] | 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 |
|---|---|---|---|---|
| April 1, 2021 through April 30, 2021 | 125,416 | $ 812.00 | 122,955 | 4,507,322 |
| May 1, 2021 through May 31, 2021 | 213,765 | $ 854.22 | 212,801 | 4,294,521 |
| June 1, 2021 through June 30, 2021 | 23,280 | $ 881.27 | 20,610 | 4,273,911 |
| Total | 362,461 | $ 841.35 | 356,366 | |

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

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 3.1(1) | Amended and Restated Certificate of Incorporation of BlackRock |
| 3.2(2) | Certificate of Change of Registered Agent and/or Registered Office |
| 3.3(2) | Amended and Restated Bylaws of BlackRock |
| 31.1 | Section 302 Certification of Chief Executive Officer |
| 31.2 | Section 302 Certification of Chief Financial Officer |
| 32.1 | Section 906 Certification of Chief Executive Officer and Chief Financial Officer |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

(1) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on May 28, 2021.
(2) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on July 23, 2021.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKROCK, INC.
(Registrant)

By: /s/ Gary S. Shedlin
Gary S. Shedlin
Senior Managing Director &
Chief Financial Officer
(Principal Financial Officer)

Date: August 5, 2021

**Exhibit 31.1**

## CEO CERTIFICATION

I, Laurence D. Fink, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended June 30, 2021 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Laurence D. Fink
Laurence D. Fink
Chairman & Chief Executive Officer

**Exhibit 31.2**

**CFO CERTIFICATION**

I, Gary S. Shedlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended June 30, 2021 of BlackRock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Gary S. Shedlin
Gary S. Shedlin
Senior Managing Director & Chief Financial Officer

**Exhibit 32.1**

**Certification of CEO and CFO Pursuant to**
**18 U.S.C. Section 1350,**
**as Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of BlackRock, Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Laurence D. Fink, as Chief Executive Officer of the Company, and Gary S. Shedlin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Laurence D. Fink
Name: Laurence D. Fink
Title: Chairman & Chief Executive Officer
Date: August 5, 2021

/s/ Gary S. Shedlin
Name: Gary S. Shedlin
Title: Senior Managing Director & Chief Financial Officer
Date: August 5, 2021