# ANNUAL REPORT 2006

BlackRock

On September 29, 2006, two great investment managers became one. Together, we have significantly broader capabilities and deeper intellectual capital around the globe. We are focused on a singular mission to provide exceptional investment products and services to our clients worldwide. **Welcome to the new BlackRock.**

# ANNUAL REPORT 2006

BlackRock

## BUSINESS HIGHLIGHTS

On September 29, 2006, BlackRock and Merrill Lynch Investment Managers (MLIM) merged to form one of the world's largest investment management companies.

The merger greatly enhanced our capabilities, expanded our global presence and diversified our business.

Revenues reached a record $2.1 billion, and diluted earnings per share[1] increased 32% to $5.33 for 2006.

We managed $1.125 trillion of assets at year-end 2006 on behalf of institutional and individual investors worldwide.

Collectively, we were awarded $60.5 billion of net new business during 2006 across a wide variety of mandates.

Assets managed for non-U.S. clients reached $383.3 billion, or 34% of AUM, on the strength of approximately $32.0 billion of combined net new business.

Assets managed for U.S. clients grew to $741.3 billion, including approximately $29.0 billion in combined net new business.

Combined net inflows of $21.5 billion from international retail investors helped drive global retail and high net worth AUM to $352.5 billion, or 31% of total AUM.

AUM for institutional investors increased to $772.1 billion, driven in part by $23.6 billion of net new business.

The merger transformed our equity business, substantially expanding our capabilities and propelling equity assets to $392.7 billion or 35% of total AUM.

Fixed income AUM increased to $455.9 billion, and we enhanced our platform with strong U.S. tax-exempt, sterling, euro and Australian dollar investment products.

We closed the year with $227.8 billion of cash management AUM, positioning us as the third largest manager of money funds globally.

Assets invested in real estate and other alternative investment products rose to $48.1 billion, driven by successful new product launches during the year.

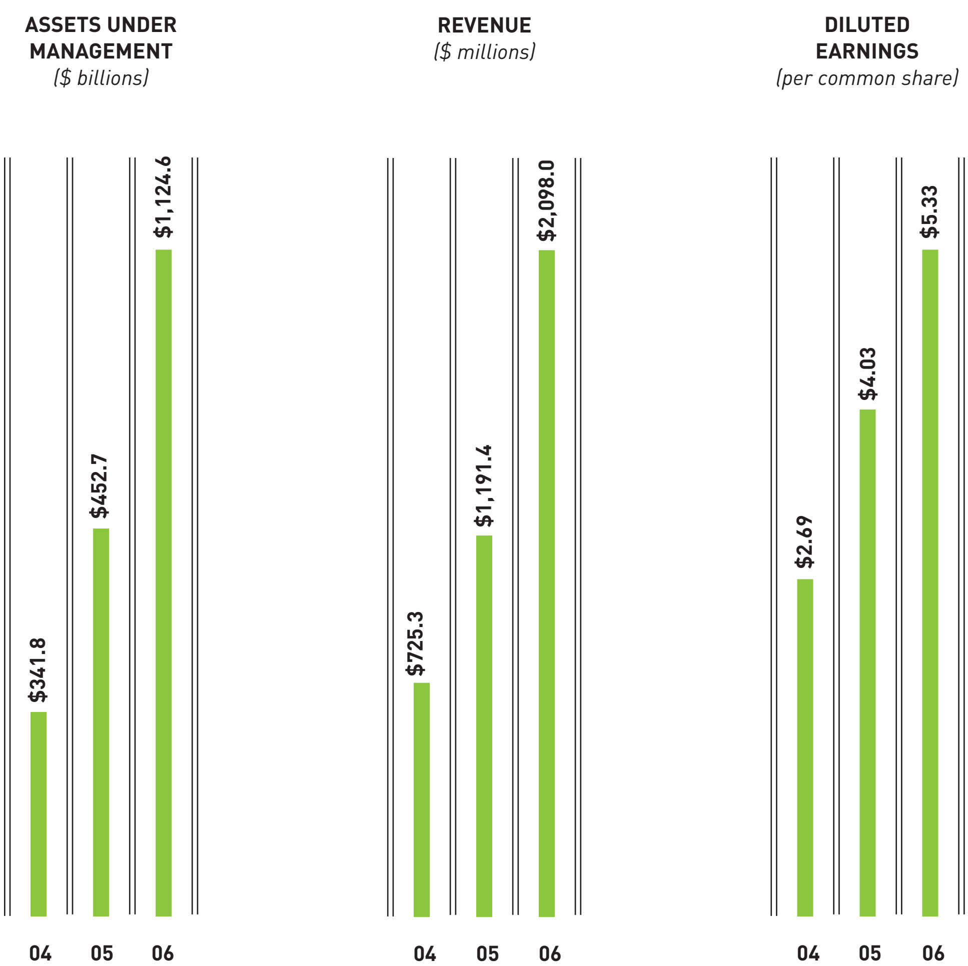
Revenues from *BlackRock Solutions*® products grew 20% to $148.0 million, and we added 17 net new assignments in 2006.

We ended the year with over 5,000 employees across the globe working together to develop and deliver innovative investment solutions to clients in more than 50 countries.

## FINANCIAL HIGHLIGHTS

Years ended December 31,

| *(in thousands of dollars, except per share data)* | **2006** | 2005 | 2004 |
|---|---|---|---|
| Revenue | **$2,097,976** | $1,191,386 | $725,311 |
| Operating Income | **707,598** [1] | 408,448 [1] | 263,311 [1] |
| Net Income | **444,703** [1] | 269,622 [1] | 177,709 [1] |
| Per Common Share: | | | |
| Diluted Earnings | **5.33** [1] | 4.03 [1] | 2.69 [1] |
| Book Value | **83.57** | 14.41 | 12.07 |
| Assets Under Management *(in millions)* | **1,124,627** | 452,682 | 341,760 |




[1] *Operating income, net income and diluted earnings per share are presented on an as adjusted basis. Please see pages 28 and 29 for GAAP reconciliation.*

April 2007

## MY FELLOW SHAREHOLDERS:

In past years, my annual letters have discussed the sea changes occurring in the global financial markets and the implications for investors and investment managers. I believed that BlackRock would have substantial opportunities to capitalize on those trends, but vowed to remain committed to our financial discipline and integrated operating model. Having completed the State Street Research acquisition in January 2005, we were both cognizant of the ways in which the right combination could infuse the organization with new energy and realistic about execution challenges. We were open to considering strategic transactions, but happy to continue building organically in the absence of a truly compelling opportunity.

In early 2006, we were presented with what we perceived to be a unique proposition, and we seized the opportunity to merge with Merrill Lynch Investment Managers (MLIM). We believed that the combination would be a catalyst for transforming our respective platforms into a more powerful global organization. We believed that the complementary capabilities and deep intellectual capital of our companies would greatly enhance our collective ability to serve clients throughout the world. We believed that the work to bring these two great companies together would be hard, and it is. The year has been exhausting and exhilarating, but I believe we have created a stronger platform with greater opportunities than we have ever had.

I am incredibly proud of the enormous effort put forth by all of my colleagues to integrate our businesses and weave together the culture of the new BlackRock. Mergers are not completed in weeks or months – it takes years to cement a shared culture, establish a unified organization, and ensure robust processes. We recognize that a great deal of work lies ahead and that it is too early to declare victory. Nonetheless, I am encouraged by our early successes. Clients have been tremendously supportive, awarding us $60.5 billion in net new business collectively over the course of the year. In total, combined assets increased $133.0 billion to $1.125 trillion at year-end. Our AUM positions us as one of the largest asset managers in the world, with the scale to more effectively serve our clients and create value for our shareholders.

The merger greatly accelerated BlackRock's evolution as a global enterprise with a considerably more diversified business. We serve clients in more than 50 countries, and over one-third of our total assets are managed on behalf of international investors. Institutional and retail investors contribute almost equally to our revenues. Nearly one-third of our employees live and work outside of the U.S., enhancing local delivery of our global capabilities. Our investment professionals invest in more markets, meet with more companies and share more insights globally. Our shared mission is to help our clients solve their investment challenges and pursue their investment objectives with innovative products and services.

In addition to expanding our global presence, the merger brought together remarkably complementary investment platforms. Our equity business was transformed with broad investment capabilities and strong leadership. Our alternatives platform was expanded with additional products, including private equity fund of funds, international real estate and equity hedge funds. Our fixed income team was enhanced with euro, sterling, U.S. tax-exempt and distressed investment expertise. Our goal is not to be all things to all people, but to utilize our global perspective to be smarter investors, to provide products that are highly responsive to our clients' needs, and to consistently achieve superior investment results.

Our distribution efforts were equally complementary, resulting in unique capabilities to serve both retail and institutional investors. A strong, collaborative effort by both firms in the months leading up to the merger enabled us to achieve a seamless transition for all clients and to retain and grow our business through the merger. Post-closing, we serve a diverse universe of institutional investors, including defined benefit and defined contribution pension plans, corporations, insurance companies, banks, government agencies, foundations, endowments and charitable trusts. I believe that the merger enhanced BlackRock's formidable institutional capabilities in a number of ways. Our broader global footprint will enable us to enhance local business development and client service. Further, our deep industry and product expertise, as well as our expanded investment capabilities, should strengthen our ability to develop innovative solutions to help our clients address their investment challenges.

MLIM had well-established retail businesses in both the U.S. and internationally. Robust offerings in the U.S. supported a substantial asset base gathered primarily through Merrill Lynch. One of our early priorities is to offer these products through a broader universe of U.S. distributors, while maintaining exceptional sales and service to existing advisors and their clients. Outside the U.S., MLIM's industry-leading mutual fund family, which had grown to $66.3 billion in AUM by year-end 2006, was well positioned with an extensive network of international intermediaries. Registrations in 34 countries serve as a competitive advantage, and the team has built solid market share with a strong equity fund line-up. Another early priority is to add fixed income funds to the international retail product range, offering our distributors a more complete set of investment opportunities appropriate to managing diversified portfolios in a variety of market environments.

*BlackRock Solutions* continues to be a strong differentiating force. It is an embodiment of the firm's commitment to risk-aware investing and operational excellence. The underlying capabilities reflect the depth of BlackRock's capital markets, investment and risk management expertise. These capabilities continue to be vital to BlackRock, as well as a growing number of institutional clients. Our third party business grew at a healthy rate in 2006, driven by the addition of 17 net new assignments and completion of three system implementations. Late last year, two international governmental agencies selected our enterprise system, Aladdin®, for their investment operations. I believe these wins portend substantially greater global business for *BlackRock Solutions* in the future, as investors worldwide focus on investment and operational risk management. More importantly, I am confident that *BlackRock Solutions* will continue to distinguish BlackRock from all other asset managers, and that the close ties between our investment and non-investment activities will continue to be an important driver of our long-term success.

Our technology, operations and infrastructure groups serve as the backbone of our operating model. These teams worked tirelessly to unify our combined platform. Prior to closing, they consolidated our corporate systems, transitioned office space worldwide, and put in place the global network needed to support our substantially larger, more complex business. All fixed income portfolios managed in the U.S. and London were converted to Aladdin before closing, and U.S. equity portfolios were integrated shortly thereafter. The conversion of international equity portfolios and products managed in Australia is expected to continue throughout 2007. While we are anxious to be on a single platform, we would rather take our time to make sure we fully understand business needs and can implement in a way that ensures practical solutions consistent with our high standards for operational excellence.

As work continues on our integration, I remain mindful of market and industry trends that are affecting our clients and our business. Many of these are the very same trends I have discussed in the past – globalization and the flattening of the world, global liquidity and the dollarization of international investment portfolios, the global search for yield and the need for risk management. Over the past year, these have come into sharper focus, reinforcing for me the strategic rationale of the MLIM merger and spurring additional thoughts on future priorities.

We have new perspective on being a global enterprise, and appreciate much more directly the cost required to support an employee base operating on five continents. In the past, I have commented on the scale required to build global presence – now I can confirm firsthand that scale is absolutely essential and that smaller firms will be hard pressed to build truly global capabilities. This suggests to me that consolidation will continue in our industry. BlackRock will have ample strategic opportunities, but we are more likely to consider situations that add key regional capabilities, fill in particular product gaps, or bring certain activities to scale.

Global liquidity continues to dominate economic and market discussions. I have talked previously about the effect of abundant liquidity on U.S. yields and credit spreads. Rates stayed low and spreads tightened even further throughout much of 2006. The credit markets feel more and more like late 1999 – like we are in a bubble driven by irrational exuberance and exposed to considerable risk. As investors buy increasingly risky assets, they are betting that current levels of global liquidity will be sustained. I continue to believe that investors will turn to other markets to diversify their holdings and to seek higher returns. Our global and non-dollar strategies will be key in such circumstances, and we will continue to expand our international investment capabilities over time.

The sources of liquidity are also of interest because in a market driven so heavily by the flow of funds, it is necessary to understand what drives investment behavior of key market participants. Few have been more critical to this market than foreign central banks and sovereign investment funds (SIFs) investing their current account surpluses and petrodollars. I first wrote about the emergence of new SIFs last year, and I believe their impact on the global capital markets will be enormous over time. The purpose of the SIFs is to enhance returns by investing excess reserves in riskier assets. For BlackRock, this underscores the need to continue building alternative investment capabilities and ensure that we have strong core equity products.

Pension investing continues to evolve as well, with equally important implications for the global capital markets and our business. During the year, the Pension Protection Act of 2006 was signed into law, and FASB announced the first phase of pension accounting changes. These have implications for both defined benefit and defined contribution plans in the U.S. Higher funding targets and quasi-market value accounting will motivate DB plan sponsors to reduce future earnings volatility and minimize the potential need for future contributions by adopting liability driven strategies as soon as funding ratios allow. Recently, GM and Boeing undertook such strategies, sharply increasing bond allocations at the expense of equities. Other plan sponsors are likely to follow.

The Act also contains provisions that encourage the use of target date investment strategies as the default option for DC plans. We believe this fuels a growing demand for products that combine a variety of traditional and alternative investments as well as derivative instruments to meet investor needs. Managers will add value through the strategic and tactical allocation of the assets, and through management of the underlying strategies either directly or through third party managers (i.e., funds of funds). While approaches undoubtedly will evolve, we felt that this trend was important enough to formalize our effort through the creation of a new group focused exclusively on multi-asset class products and strategies.

All of these trends point to enormous opportunities in a changing landscape. Clients will need creative solutions to their investment challenges. I believe BlackRock has the ability to differentiate itself, more so than ever, on the basis of our intellectual capital, scale, investment capabilities and service ethic. To do so, I believe that we will have to further evolve our operating processes and organizational model to better capitalize on the power and promise of our platform. In particular, we will need to do a better job of balancing global functional capabilities with local business acumen in order to best serve our clients. These efforts will challenge the management team to consider new ways of working within and across functions and regions. While I recognize that new approaches may be uncomfortable, I believe they are necessary as we continue to shape the new BlackRock.

As I stated earlier, I am incredibly proud of the accomplishments of our team – over 5,000 strong in 18 countries. The effort they have put forth in providing uninterrupted service to our clients, achieving competitive investment results and integrating our business has been truly inspirational. A great deal of hard work lies ahead, but I have confidence in our collective ability to navigate unfamiliar terrain and conquer whatever challenges may arise. I am also grateful to our Directors, who have helped us consider industry developments and trends and evaluate strategic opportunities over the past several years. I know that their guidance will be invaluable as we transition BlackRock to a much larger, global platform. Finally, I want to thank all of our clients and their advisors for their ongoing support. As I hope my letter conveys, we measure our success by our ability to help you meet your investment needs and capitalize on investment opportunities wherever they may be in the world. Above all, this remains our mission.

Sincerely,

Laurence D. Fink
*Chairman and Chief Executive Officer*

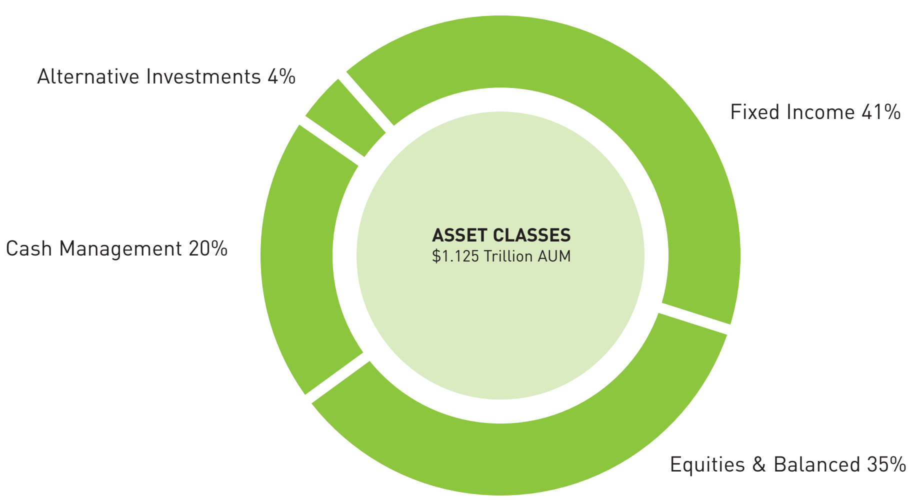
**OUR PEOPLE**...ARE TRUSTED PARTNERS, RESPECT DIFFERENCES, BELIEVE ANYTHING IS POSSIBLE

## >>> OUR CLIENTS >>>>>>>>>

BlackRock serves a diverse universe of institutional and retail investors globally. Products are offered both directly and through financial intermediaries. A key rationale for pursuing the MLIM merger was to enhance our ability to serve our clients by offering a more diverse set of products and capabilities and by leveraging our significantly expanded global footprint to provide timely, responsive service locally. We seek to use the combined organization's enhanced global perspective and scale to benefit clients and help them creatively solve problems.

At year-end, the Company had $1.125 trillion of assets under management, up $133.0 billion over pro forma combined AUM of $991.6 billion at year-end 2005. During the year, BlackRock and MLIM were awarded $60.5 billion of net new business from new and existing clients, $27.7 billion of which was reported as "acquired AUM" in connection with the MLIM merger. Net inflows were well diversified geographically as well as by client type. In addition, the Company was retained on 17 net new *BlackRock Solutions* assignments during the year.

The international business that MLIM brought to the new organization gave BlackRock a significantly expanded global presence. At December 31, 2006, we managed $383.3 billion of assets, including $238.4 billion added in the MLIM merger, on behalf of international investors in more than 50 countries. During the year, BlackRock and MLIM were awarded approximately $32.0 billion of net new business from non-U.S. clients. New business efforts encompass direct calling on institutional investors and their consultants, as well as wholesale distribution of funds and unit trusts through



broker dealers and other financial intermediaries. International clients are served by employees in over 25 offices across the globe.

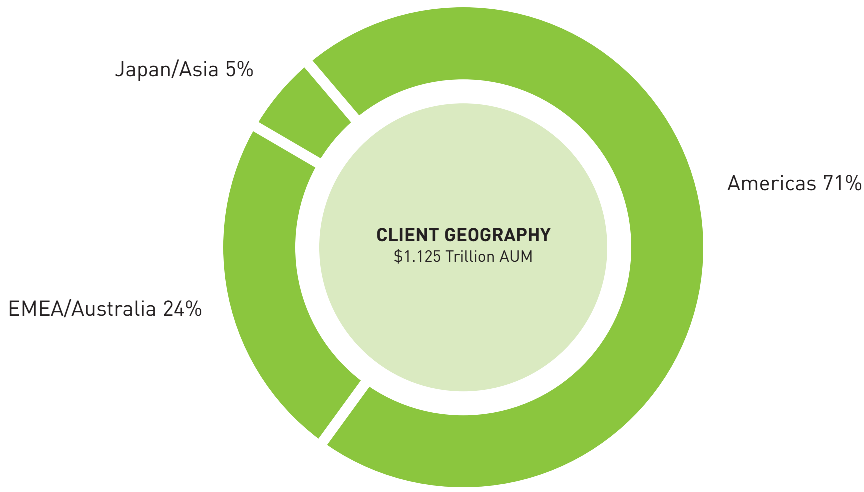
BlackRock also serves a large and growing base of U.S. investors. In 2006, combined net new business from these clients was approximately $29.0 billion across products, contributing to an increase in U.S. client assets to $741.3 billion at year-end. Our clients include pension plans and other tax-exempt investors, insurance companies and other taxable institutions, corporate treasurers and other institutional cash managers, and individual investors. The professionals serving these clients are primarily based in the Company's New York, Boston, Princeton (New Jersey), Florham Park (New Jersey), San Francisco and Wilmington (Delaware) offices.

The MLIM merger brought greater balance to our client base, increasing assets managed for retail and high net worth investors to $352.5 billion, or 31% of total AUM, at year-end 2006. This contrasts sharply with the 10% of BlackRock's AUM that this clientele represented at year-end 2005. Offerings for U.S. individual investors include open-end funds, closed-end funds, separately managed accounts, and alternative investment vehicles. Our non-U.S. retail platform was greatly enhanced by the addition of MLIM's industry-leading international mutual fund platform and their unit trust offerings, which garnered $21.5 billion of net inflows in 2006. We believe that we have significant opportunities to grow this asset base over time as we deliver our substantially more robust product range to a broader universe of U.S. distributors and add our fixed income and cash management products to our international platform.

At year-end 2006, $772.1 billion, or 69% of total AUM, was managed on behalf of institutional clients. The MLIM merger contributed $138.7 billion and $86.1 billion in long-dated assets managed for international and U.S. institutions, respectively. Excluding MLIM's net inflows in the first nine months of the year, net new business from institutional investors worldwide totaled $23.5 billion. Search activity and flows slowed somewhat during the year as investors adopted a cautious attitude with respect to both the markets and the announcement of our merger. As the year progressed, investors began to gain comfort with the stability of the organization and appreciate the increased capabilities of our combined platform. We regained considerable new business momentum in the fourth quarter and into 2007.

Assets managed for tax-exempt institutions, including defined benefit and defined contribution pension plans, foundations, endowments and other non-profit organizations, increased to $352.7 billion at year-end. The MLIM acquisition contributed $132.8 billion of assets managed for tax-exempt investors worldwide, and net new business (excluding MLIM's flows prior to closing) totaled $15.3 billion over the course of the year. We work closely with these clients and their consultants to understand their evolving needs and identify creative solutions. For example, we have worked collaboratively with defined contribution plan sponsors in the U.S., the U.K. and Australia to create innovative products, such as daily valued separate accounts, institutionally priced mutual funds, customized collective trusts, book–value synthetic guaranteed investment contracts, asset allocation products, and most recently, target-date and target-risk lifecycle funds.

AUM for taxable institutions grew to $240.5 billion at year-end 2006, including $88.7 billion added through the MLIM transaction. Clients served include insurance companies, corporations,




banks and other mutual fund sponsors. Our insurance business is highly differentiated, bringing together specialized investment, risk management and accounting services tailored to the unique needs of these clients. As a result, BlackRock is one of the largest independent managers of insurance assets in the world, with $104.3 billion under management. This business is, however, subject to event risk arising from insurance company mergers and client decisions to internalize asset management, notwithstanding a continuing industry-wide trend toward investment outsourcing. In 2006, outflows resulting from such one-time events totaled $7.0 billion, which overshadowed $5.9 billion of net inflows from other taxable institutions throughout the year.

At year-end 2006, AUM in institutional cash management products stood at $174.5 billion. The MLIM merger added $81.1 billion of assets at closing and net inflows totaled $9.4 billion for the year (excluding MLIM flows prior to closing). BlackRock continually seeks ways to provide new cash management solutions to clients. In 2006, these efforts focused on helping clients identify opportunities to invest more profitably in a low rate environment, while assuming relatively little additional risk. BlackRock also emphasizes flexible and responsive client service, which is conducted through our call center and online account management tools. These efforts, together with competitive yields on the Company's products, will enable BlackRock to better withstand volatility in asset flows, build its client base and increase market share over time.

Going into 2007, the Company is well positioned to pursue new business opportunities by attracting new clients and expanding existing relationships. We strive to be innovative in providing solutions to our clients and distribution partners. These efforts take many forms, from customized portfolios and benchmarks to new product development, liability driven investing, portable alpha strategies, and multiple asset class solutions. We also seek to differentiate BlackRock on the basis of "non-investment alpha" in the form of thoughtful, high quality service that helps clients and their advisors solve problems and capitalize on opportunities. We are confident that our broader capabilities, global platform, and focus on building long-term client relationships will support strong organic growth in our business over time.

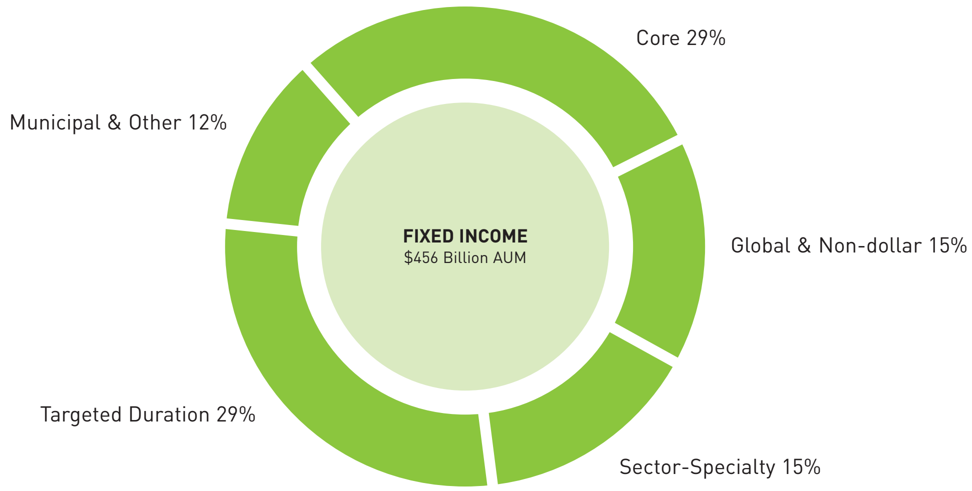
...RECOGNIZE THERE ARE THINGS WE CAN DO AS A TEAM THAT WOULD BE IMPOSSIBLE AS INDIVIDUALS

## >>> FIXED INCOME >>>>>>>>>

BlackRock's fixed income AUM increased 50% to $455.9 billion at December 31, 2006, including $132.8 billion of assets added through the MLIM merger. The firm offers a wide range of fixed income products spanning global bond markets and sectors as well as the full spectrum of maturities along the yield curve. The MLIM merger greatly accelerated our expansion into the international fixed income market. Global bond mandates almost doubled to $38.0 billion at year-end 2006. The merger also increased local market capabilities, adding established teams in London and Sydney. BlackRock now offers bond portfolios denominated in U.S. and Australian dollars, pounds sterling, euros and yen. Capabilities in distressed, high yield, municipal bonds and credit research were also strengthened.

BlackRock applies a consistent style to all fixed income strategies, emphasizing controlled duration and active sector rotation. All bond portfolios are managed by a seasoned team of sector specialists who work together to share information, formulate investment themes and implement specific strategies in accordance with each portfolio's investment objectives and guidelines. They are supported by extensive analytical tools and a unique global research database. Investment operations are facilitated by Aladdin, BlackRock's proprietary enterprise investment system, and by an experienced team of operations, administration and compliance professionals.

While our investment process is designed to consistently outperform benchmarks, ensuring that portfolio risks are consistent with client objectives is paramount. Throughout the year, we remained steadfast in our process and cautious about markets that continued to be driven more by global liquidity than by fundamentals. While returns reflected our conservative bias during the year, 92% of BlackRock's institutional composites outperformed their benchmarks for the one-year period, and 100% outperformed for the three- and five-year periods, ended December 31, 2006.*






* Please see Product Performance Notes on inside back cover.

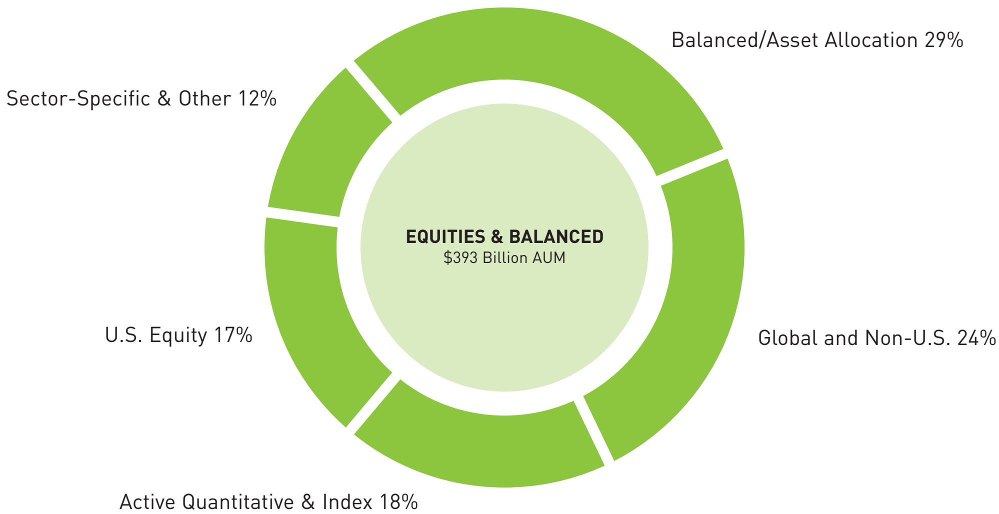
Net new business in fixed income totaled $3.0 billion during the year. Several factors accounted for the slower growth relative to historical experience. The persistence of low rates in the U.S. continued to hamper clients' asset allocation strategies, and a shift to higher yielding strategies ensued. In addition, our new business flows were adversely affected by "event risk" – outflows triggered by client mergers or other one-time shifts in corporate strategy. Despite these challenges, BlackRock sustained positive momentum in key products including core, global and local currency strategies, which contributed $5.9 billion of net inflows during the year.

We have benefited historically from the growth of the global bond markets and continued strong international demand for U.S. fixed income products. We remain optimistic about our continuing growth opportunities. Interest in global bonds remains strong, and our expanded international fixed income capabilities should be of greater interest as investors seek to diversify their exposure to the U.S. market. In addition, we expect to roll-out a range of fixed income offerings on our international retail platform during 2007, and to capitalize on growth opportunities through this new distribution channel over time. Finally, when rates in the U.S. increase, although net asset values will erode, institutional investors will be able to reallocate to this asset class and take advantage of opportunities to better match their liabilities. BlackRock should be well positioned to benefit from such an environment.

## >>> EQUITIES & BALANCED >>>>>>>>>

BlackRock closed 2006 with equity and balanced AUM of $392.7 billion, including $314.4 billion added through the merger. These products represented 35% of total AUM at year-end 2006, up from an 8% share of BlackRock's AUM at year-end 2005. Combined equity and balanced assets grew $77.6 billion year-over-year, driven by favorable markets and approximately $30.0 billion of combined net new business throughout the year. Both the product and client range were well diversified. At December 31, 2006, 48% of equity and balanced AUM were managed for U.S. investors and 52% for international clients. Similarly, 45% of assets were managed on behalf of institutions and 55% on behalf of retail and high net worth investors.

The dramatic expansion of BlackRock's global equity platform and resulting shift in overall product mix was a principal motivation for pursuing the combination with MLIM. In addition to U.S., international and emerging market offerings, the combined firm now manages equity portfolios with strategies specific to the U.K., Europe, Japan and Australia. Equity investment professionals manage portfolios from offices in New York, London, Boston, Edinburgh, Hong Kong, Melbourne, Philadelphia, Princeton, Singapore and Tokyo.



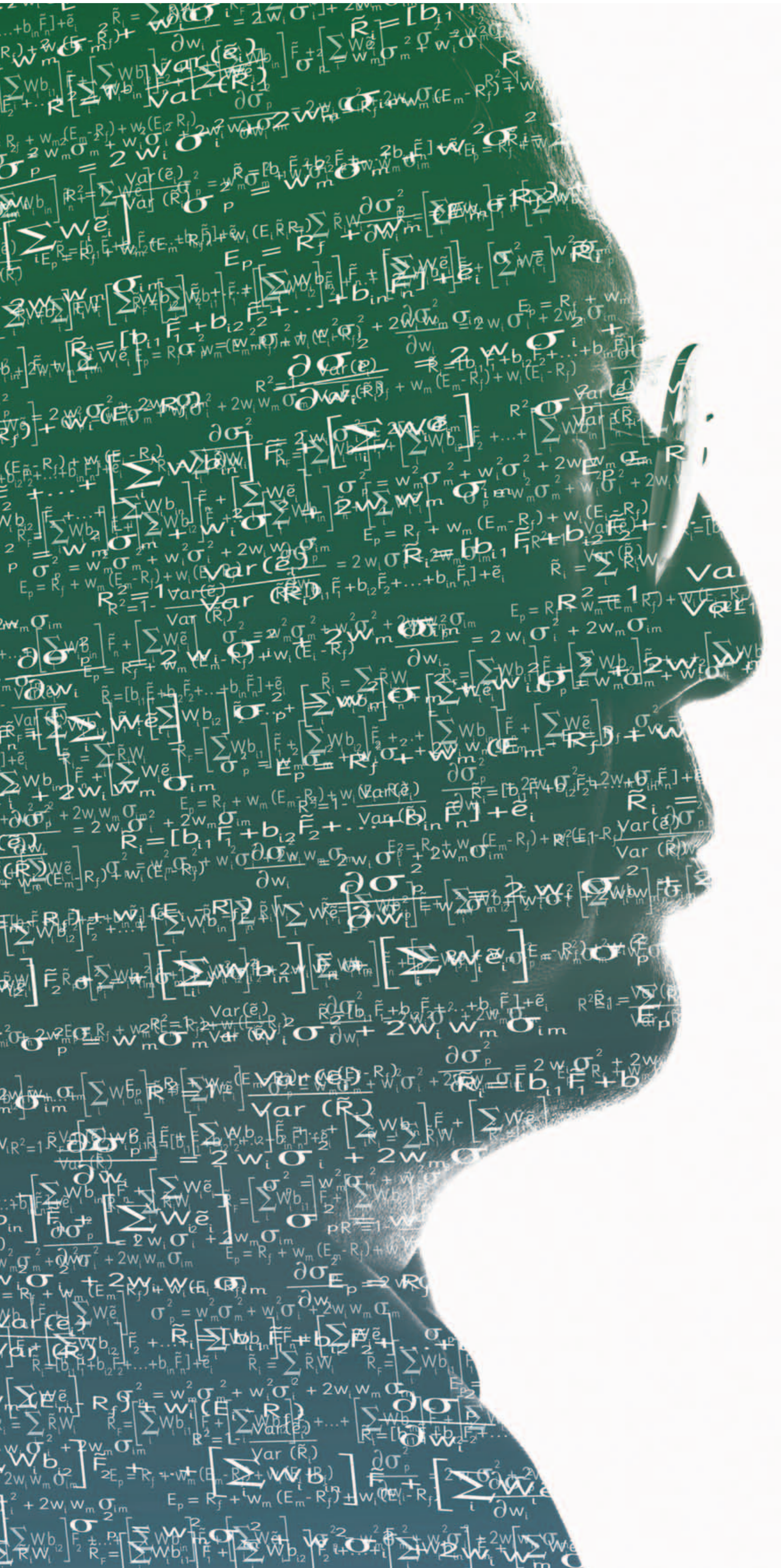

The Company's equity platform emphasizes an active investment approach aimed at adding value principally through stock selection. Fundamental strategies emphasize in-depth company and sector research as well as macroeconomic analysis as the basis for stock selection. Active quantitative strategies employ sophisticated, proprietary models to drive the investment process. Portfolios are managed by distinct teams that invest according to their own philosophy, process and style. All benefit from shared information and insight facilitated by BlackRock's proprietary research database and by regular meetings within and across teams. In January 2007, we completed the conversion of MLIM's U.S. equity portfolios to BlackRock's Aladdin system. The conversion of international equity portfolios is expected to continue throughout 2007.

Our balanced AUM, which include traditional balanced products as well as asset allocation strategies, totaled $113.8 billion at December 31, 2006. BlackRock's asset allocation portfolios allow clients to benefit from two or more portfolio management teams' expertise within a single product. Asset allocation specialists customize the mix of cash, bonds and equities, as well as geographies, styles and capitalization ranges within asset classes, based on risk/return objectives. Our new target-date and target-risk lifecycle funds, portable alpha strategies and liability driven investments are examples of products that utilize these capabilities.

Throughout the MLIM integration, we were careful to ensure that our portfolio managers remained focused on the markets and managing portfolios. Overall we sustained strong performance track records, with 66% of the Company's equity mutual fund assets ranked in the top two peer group quartiles for the one-year period ended December 31, 2006, and over 70% ranked in the top two peer group quartiles for the three- and five-year periods ended December 31, 2006.* If we continue to achieve competitive results, and fill-in selective product gaps, we will be well positioned to accelerate growth through the cross-selling of our equity capabilities to institutional and retail investors worldwide.



** Please see Product Performance Notes on inside back cover.*



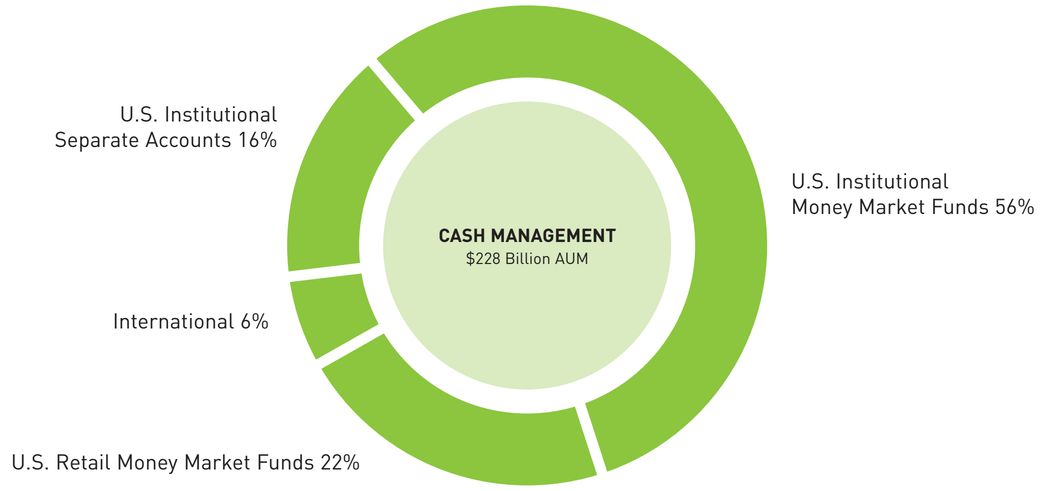
...ARE PASSIONATE IN THE BELIEF THAT THE VALUE OF INFORMATION MULTIPLIES WHEN IT IS SHARED

## >>> CASH MANAGEMENT >>>>>>>>>

BlackRock is a leading provider of cash management products with $227.8 billion in AUM at December 31, 2006. AUM in these strategies increased $141.7 billion during the year, including $127.7 billion of assets added in the MLIM merger. Net new business (excluding MLIM's flows prior to closing) totaled $12.4 billion during the year across a variety of products. Money market funds represented $183.8 billion, or 81% of total cash management AUM, at year-end. BlackRock ranked as the third largest manager of money funds globally and the second largest manager of institutional money funds in the U.S.

We offer a wide array of cash management products, including a full range of money market funds and a variety of enhanced cash strategies. Portfolios are managed by investment specialists based in Wilmington (Delaware), Princeton (New Jersey) and London. They employ an investment process that seeks to achieve competitive yields while adhering to an unwavering focus on risk management, credit quality and liquidity. Portfolio managers benefit from a sharing of information and resources with the fixed income team, including a deep team of credit analysts supporting both businesses.

A number of factors contributed to BlackRock's growth in cash management assets during 2006. A continued neutral stance by the Federal Reserve Bank and a flat U.S. yield curve contributed to favorable flows in institutional liquidity products. Competitive performance and an abiding focus on client service were also vital to ongoing new business efforts. For the year ended December 31, 2006, 89% of BlackRock's U.S. institutional money market fund assets ranked in the top two peer group quartiles.* Finally, the Company's expanded product set, which includes enhanced yield strategies and a suite of non-U.S. cash management products that were added in the combination with MLIM, help to bolster BlackRock's already strong offerings.






*Please see Product Performance Notes on inside back cover.*

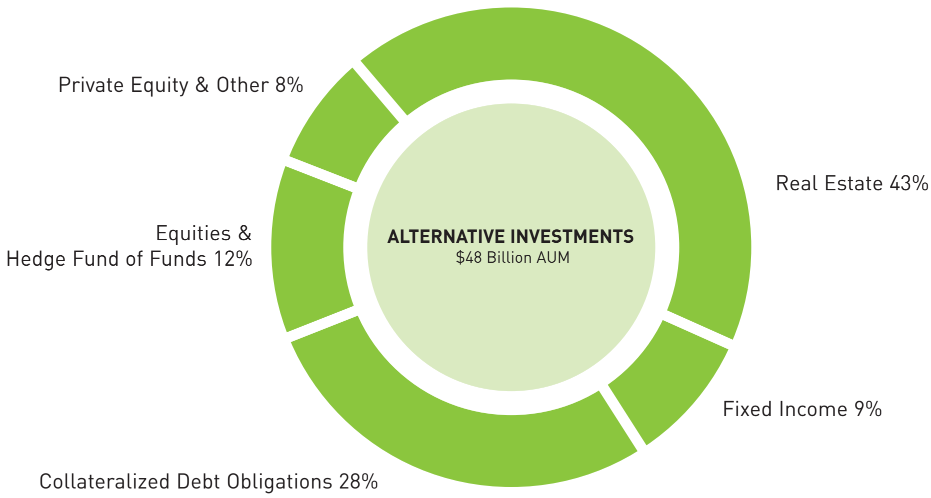
BlackRock's cash management activities are primarily conducted on behalf of U.S. clients, although there is increasing demand among international clients for similar products. At December 31, 2006, cash management AUM for U.S. investors reached $213.5 billion and assets from international investors were $14.3 billion. For the year, net inflows totaled $10.4 billion and $2.0 billion from U.S. and international investors, respectively. Institutional clients represented $174.5 billion, or 77% of total cash management AUM at December 31, 2006. Retail client assets have grown from $3.1 billion at year-end 2005 to $53.3 billion at year-end 2006, largely as a result of the merger.

While this is a mature business in the U.S., consistently competitive performance, industry-leading client service and product innovation have helped drive market share growth over time. We believe that the ability to cross-sell our capabilities across a broader institutional client base will further strengthen our new business efforts. In addition, we believe that there are considerable opportunities for growth internationally, where the market is at a much earlier stage of development. We will seek to enhance our international efforts over time in order to capitalize on these opportunities.

## >>> ALTERNATIVE INVESTMENTS >>>>>>>>>

Assets managed in alternative investment products totaled $48.1 billion at December 31, 2006, up $22.8 billion year-over-year. The increase was driven by the addition of $14.2 billion of assets in the merger and $6.8 billion of net new business (excluding MLIM's net inflows during the first nine months of the year). The Company's offerings encompass a variety of products that generally are designed to provide returns with low correlations to the broad equity and bond markets, and in many cases employ structural leverage in an effort to enhance returns.

BlackRock's real estate platform continued to flourish, growing to $20.6 billion at year-end 2006. Growth was led by $4.2 billion of assets acquired in the MLIM transaction and $5.7 billion of net inflows and property acquisitions. Notably in the fourth quarter of 2006, BlackRock and Tishman Speyer formed a joint venture to acquire Peter Cooper Village and Stuyvesant Town, the largest apartment complex in New York City. Through the merger, we added key international products managed by teams in Australia and the U.K., enhancing BlackRock's growing global real estate platform.




Fixed income sector specialists managed $13.2 billion of assets in collateralized debt obligations (CDOs) as of December 31, 2006. During the year, BlackRock added $3.7 billion of assets through the issuance of six new CDOs. BlackRock's fixed income team also manages a number of alternative investment strategies using the same investment process that supports traditional bond portfolios. Assets in fixed income hedge funds, commodities portfolios and long-only absolute return strategies totaled $4.4 billion at December 31, 2006.

Assets in the Company's equity hedge funds and hedge fund of funds grew to $5.8 billion at December 31, 2006, including $3.2 billion of assets in products added through the MLIM merger. These products are managed by experienced teams in New York, Boston and London. BlackRock also expanded its private equity offerings in 2006 with the addition of MLIM's private equity fund of funds business. Assets managed in these products and in our business development company, BlackRock Kelso Capital Corporation, totaled $3.4 billion at year-end.

Demand for real estate and alternative investments continues to grow as investors seek to diversify their market exposures and distinguish between market-correlated returns and investment alpha. Clients also are increasingly interested in investment solutions that combine traditional asset classes and alternative investments into targeted, risk managed strategies. In early 2007, we brought together a team of professionals to focus on the creation and management of multi-asset class portfolios, including asset allocation products, portable alpha strategies, liability driven investment solutions and fiduciary outsourcing assignments.

Looking forward, we expect investors to continue to seek innovative investment strategies to help them meet their financial objectives. We also believe that a wide range of alternative strategies, including global real estate products, will play an important role in their portfolios. We will pursue opportunities to expand BlackRock's alternative investment offerings over time both by leveraging our existing expertise and by expanding our capabilities.

**...ARE FUNDAMENTALLY CURIOUS, LOOK BEYOND THE SURFACE, SEE PATTERNS IN COMPLEX EVENTS**

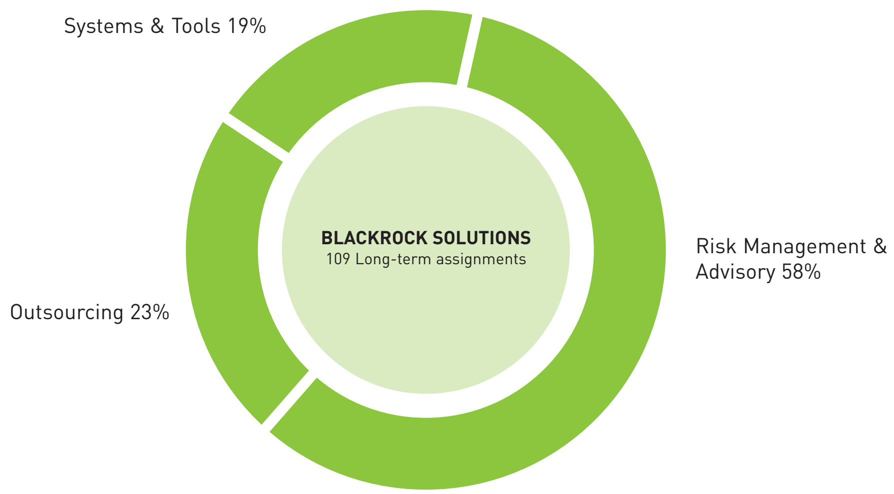
## >>> BLACKROCK SOLUTIONS >>>>>>>>>

Since its formation, BlackRock has developed and maintained proprietary investment systems and analytical tools to support its growing and diverse asset management business. We offer these capabilities, as well as complementary advisory and outsourcing services, to institutional investors under the brand name *BlackRock Solutions*. During the year, *BlackRock Solutions'* revenues from system outsourcing, risk management, advisory and transition management services grew by 20% to $148.0 million. Revenue growth was driven principally by the addition of 17 net new assignments and completion of three system implementations during the year.

In 2006, *BlackRock Solutions* surpassed the milestone of having over 100 distinct assignments for more than 90 clients, while at the same time being extensively involved in the conversion of MLIM's global fixed income and U.S. equity portfolios to our enterprise investment system, Aladdin. We achieved another noteworthy milestone during the year when two international government agencies selected Aladdin to be their fixed income investment platform.

*BlackRock Solutions'* core products consist of tools that support the investment process. These include Aladdin, which integrates risk analytics and information processing capabilities to support efficient workflow, and a variety of other proprietary analytical tools for clients that do not require all of the functionality of the enterprise system. During 2006, *BlackRock Solutions* was retained on six new Aladdin assignments.

In addition, *BlackRock Solutions* offers a variety of risk management and financial advisory services. These services leverage our extensive analytical capabilities, as well as our risk management and capital markets expertise. During 2006, we added seven net new ongoing risk management and advisory assignments. We also serve clients on short-term engagements that vary in nature, but are generally non-recurring assignments focused on financial and business strategy and risk management for major financial institutions.




*BlackRock Solutions* also provides investment accounting outsourcing, typically bundled with asset management and/or ancillary outsourcing services, such as performance measurement and middle and back office trade support, for clients who wish to extend their relationships. *BlackRock Solutions* added four net new investment accounting relationships in 2006. As a result of the merger, *BlackRock Solutions* now offers transition management services, assisting in portfolio restructuring for institutional investors worldwide.

*BlackRock Solutions*' business has become increasingly well-diversified across products and clients. As of December 31, 2006, we had 21 Aladdin assignments, 63 risk management and advisory assignments and 25 outsourcing assignments. Clients served include banks, insurance companies, broker dealers, asset managers and hedge funds, pensions, endowments, corporations, and other financial institutions.

We believe that we continue to have extremely robust opportunities to expand *BlackRock Solutions*. In particular, successful implementations for our two new international clients should position *BlackRock Solutions* to better compete for what we believe to be substantial new business opportunities outside the U.S. In addition, as we continue to implement Aladdin for MLIM's international equity portfolios, we expect to significantly enhance the functionality of the system. Over time, that will broaden *BlackRock Solutions*' product set and should expand our growth potential considerably.

# OUR MANAGEMENT

## EXECUTIVE COMMITTEE

*Seated from left to right:* **Laurence D. Fink**, Chairman and Chief Executive Officer; **Keith T. Anderson**, Vice Chairman, Global Chief Investment Officer — Fixed Income; **Robert W. Fairbairn**, Vice Chairman, Chairman — Europe, Middle East, Africa and Australia; **Ralph L. Schlosstein**, President.

*Standing from left to right:* **Robert P. Connolly**, Managing Director, General Counsel; **Susan L. Wagner**, Vice Chairman, Chief Operating Officer; **Robert C. Doll**, Vice Chairman, Global Chief Investment Officer — Equities; **Bennett W. Golub, Ph.D.**, Managing Director, head of Risk and Quantitative Analysis; **Charles S. Hallac**, Vice Chairman, head of *BlackRock Solutions*; **Robert S. Kapito**, Vice Chairman, head of Portfolio Management; **Barbara G. Novick**, Vice Chairman, head of Account Management; **Paul L. Audet**, Managing Director, acting Chief Financial Officer and head of Cash Management.

## MANAGEMENT COMMITTEE


Anne F. Ackerley

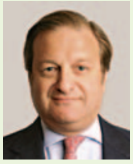

Scott M. Amero


Howard P. Berkowitz


Steven E. Buller

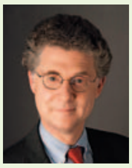

Donald C. Burke


Robert E. Capaldi

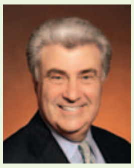

James J. Charrington


Richard S. Davis


Andrew C. Dyson

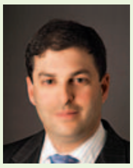

Peter R. Fisher


Seiichi Fukuyama


Henry Gabbay, Ph.D.

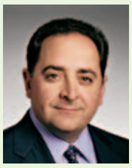

Robert L. Goldstein


Michael C. Huebsch


J. Richard Kushel


Fred Lieblich


Susan Ward Mink


Francis M. Porcelli


Quintin Price


Maarten F. Slendebroek

## MANAGING DIRECTORS

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Jay Alexander
Blair Alleman
Nicholas Anderson
Neal Andrews
Wayne Archambo
Hiroyuki Arita
Elliot Asarnow
Gonzalo Azcoitia
Sacha Bacro
Edward Baer
Ian Bailey
Michael Bailey
Thomas Bain
Michele Baldasarre
Graham Bamping
Lynn Baranski
Kenneth Barbuscio
Nigel Barry
Ara Basil
Robert Bass
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Bartholomew Battista
Elise Baum
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Judson Weaver
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