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BlackRock Enhanced Government Fund, Inc.  
Form N-CSR  
February 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21793

Name of Fund: BlackRock Enhanced Government Fund, Inc. (EGF)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Enhanced Government Fund, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 12/31/2014

Date of reporting period: 12/31/2014

Item 1 – Report to Stockholders

DECEMBER 31, 2014

ANNUAL REPORT

**BlackRock Enhanced Government Fund, Inc. (EGF)**

**Not FDIC Insured   May Lose Value   No Bank Guarantee**

## Section 19(a) Notice

BlackRock Enhanced Government Fund, Inc.'s (EGF) (the Fund) reported amounts and sources of distributions are estimates and are provided to you pursuant to regulatory requirements and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon the Fund's investment experience during the year and may be subject to changes based on the tax regulations. The Fund will provide a Form 1099-DIV each calendar year that will tell you how to report these distributions for federal income tax purposes.

**December 31, 2014**

Total Cumulative Distributions for the Fiscal Year-to-Date				% Breakdown of the Total Cumulative Distributions for the Fiscal Year-to-Date			
Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share	Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share
EGF	\$0.532926	\$0.127074	\$0.660000	81%	0%	19%	100%

The Fund estimates that it has distributed more than the amount of earned income and net realized gains; therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the shareholder's investment in the Fund is returned to the shareholder. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with 'yield' or 'income'. When distributions exceed total return performance, the difference will incrementally reduce the Fund's net asset value per share.

Section 19(a) notices for the Fund, as applicable, are available on the BlackRock website at <http://www.blackrock.com>.

## Section 19(b) Disclosure

The Fund, acting pursuant to a U.S. Securities and Exchange Commission (SEC) exemptive order and with the approval of the Fund's Board of Directors (the Board), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the Plan). In accordance with the Plan, the Fund currently distributes \$0.055 per share on a monthly basis.

The fixed amount distributed per share is subject to change at the discretion of the Fund's Board. Under its Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the Code). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan without prior notice if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain a level distribution. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code. Please refer to the Fund's prospectus for a more complete description of its risks.

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## The Markets in Review

Dear Shareholder.

After an extended period of calm, market volatility increased over the course of 2014, driven largely by higher valuations in risk assets (such as equities and high yield bonds), rising geopolitical risks and expectations around global central bank policies. Several key trends drove strong performance in U.S. markets, particularly large-cap stocks, Treasuries and municipal bonds, while markets outside the U.S. were more challenged.

Investors began the year in search of relatively safer assets due to heightened risks in emerging markets, slowing growth in China and weakening U.S. economic data. As a result, equities globally declined in January while bond markets strengthened despite the expectation that interest rates would rise as the U.S. Federal Reserve had begun reducing its asset purchase programs. Strong demand for relatively safer assets pushed U.S. Treasury bond prices higher and thus kept rates low in the United States. This surprising development, as well as increasing evidence that the soft patch in U.S. economic data had been temporary and weather-related, brought equity investors racing back to the market in February.

In the months that followed, interest rates trended lower in a modest growth environment and more investors turned to equities in search of yield. Markets remained relatively calm despite rising tensions in Russia and Ukraine and further signs of decelerating growth in China. Strong corporate earnings, increased merger and acquisition activity and signs of a strengthening recovery in the U.S. and other developed economies kept equity prices moving higher. Not all segments benefited from these trends, however, as investors ultimately became wary of high valuations, resulting in a broad rotation into cheaper assets.

Volatility ticked up in the summer as geopolitical tensions escalated and investors feared that better U.S. economic indicators may compel the Fed to increase short-term interest rates sooner than previously anticipated. Global credit markets tightened as the U.S. dollar strengthened, ultimately putting a strain on investor flows, and financial markets broadly weakened in the third quarter.

Several themes dominated the markets in the fourth quarter, resulting in higher levels of volatility and the outperformance of U.S. markets versus other areas of the world. Economic growth strengthened considerably in the United States while the broader global economy showed signs of slowing. The European Central Bank and the Bank of Japan took aggressive measures to stimulate growth while the Fed moved toward tighter policy. This divergence in central bank policy caused further strengthening in the U.S. dollar versus other currencies. Oil prices, which had been falling gradually since the summer, plummeted in the fourth quarter due to a global supply-and-demand imbalance. Energy stocks sold off sharply and oil-exporting economies suffered, resulting in the poor performance of emerging market stocks.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit **blackrock.com** for further insight about investing in today's markets.

Sincerely,

**Rob Kapito**

President, BlackRock Advisors, LLC

**Rob Kapito**

President, BlackRock Advisors, LLC

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### Total Returns as of December 31, 2014

	6-month		12-month	
		%		%
U.S. large cap equities (S&P 500® Index)	6.12		13.69	
U.S. small cap equities (Russell 2000® Index)	1.65		4.89	

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International equities (MSCI Europe, Australasia, Far East Index)	(9.24 )	(4.90 )
Emerging market equities (MSCI Emerging Markets Index)	(7.84 )	(2.19 )
3-month Treasury bill (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.01	0.03
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	4.33	10.72
U.S. investment grade bonds (Barclays U.S. Aggregate Bond Index)	1.96	5.97
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.00	9.25
U.S. high yield bonds (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	(2.84 )	2.46

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

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4 THIS PAGE NOT PART OF YOUR FUND REPORT



## Option Over-Writing

In general, the goal of the Fund is to provide shareholders with current income and gains. The Fund seeks to pursue this goal primarily by investing in a portfolio of U.S. Government and U.S. Agency securities and utilizing an option over-writing strategy in an effort to enhance distribution yield and total return performance. However, these objectives cannot be achieved in all market conditions.

The Fund writes call options on individual U.S. Government and U.S. Agency securities or on baskets of such securities or on interest rate swaps ( swaptions ), and may write call options on other debt securities. When writing (selling) a call option, the Fund grants the counterparty the right to buy an underlying reference security or enter into a defined transaction (e.g., a swap contract, in the case of the swaption) at an agreed-upon price ( strike price ) within an agreed upon time period. The Fund receives cash premiums from the counterparties upon writing (selling) the option or swaption, which along with net investment income and net realized gains, if any, are generally available to support current or future distributions paid by the Fund. During the option term, the counterparty may elect to exercise the option if the market value of the underlying reference security or underlying contract rises above the strike price, and the Fund is obligated to sell the security or contract to the counterparty at the strike price, realizing a gain or loss. If the option remains unexercised upon its expiration, the Fund realizes gains equal to the premiums received.

Writing call options and swaptions entails certain risks, which include but are not limited to, the following: an increase in the value of the underlying security above the strike price can result in the exercise of a written option (sale by the Fund to the counterparty) when the Fund might not otherwise have sold the security; exercise of the option by the counterparty may result in a sale below the current market value and in a gain or loss realized by the Fund; writing call options and swaptions limits the potential appreciation on the underlying interest rate swap or security and the yield on the Fund could decline; if current market interest rates fall below the strike price, the counterparty could exercise a written swaption when the Fund might not otherwise have entered into an interest rate swap; the Fund is bound by the terms of the underlying interest rate swap agreement upon exercise of the option by the counterparty which can result in a loss to the Fund in excess of the premium received. As such, an option over-writing strategy may outperform the general fixed income market in rising or flat interest rate environments (when bond prices are steady or falling) but underperform in a falling interest rate environment (when bond prices are rising).

The Fund employs a plan to support a level distribution of income, capital gains and/or return of capital. The goal of the plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of the Fund. Such distributions, under certain circumstances, may exceed the Fund's total return performance. When total distributions exceed total return performance for the period, the difference reduces the Fund's total assets and net asset value per share ( NAV ) and, therefore, could have the effect of increasing the Fund's expense ratio and/or reducing the amount of assets the Fund has available for long-term investment. In order to make these distributions, the Fund may have to sell portfolio securities at less than opportune times.

The final tax characterization of distributions is determined after the fiscal year and is reported in the Fund's annual report to shareholders. Distributions can be characterized as ordinary income, capital gains and/or return of capital. The Fund's taxable net investment income or net realized capital gains ( taxable income ) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed the Fund's current and accumulated earnings and profits, the excess may be treated as a non-taxable return of capital. Distributions that exceed the Fund's taxable income but do not exceed the Fund's current and accumulated earnings and profits may be classified as ordinary income, which is taxable to shareholders.

A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with 'yield or 'income. A return of capital is a return of a portion of an investor's original investment. A return of capital is not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

The Fund intends to write call options to varying degrees depending upon market conditions. Please refer to the Schedule of Investments and the Notes to Financial Statements for details of written swaptions.

### The Benefits and Risks of Leveraging

The Fund may utilize leverage to seek to enhance the yield and NAV of its common shares ( Common Shares ). However, these objectives cannot be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by the Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume the Fund's capitalization is \$100 million and it utilizes leverage for an additional \$30 million, creating a total value of \$130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund's financing costs on the \$30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Fund's financing cost of leverage is significantly lower than the income earned on the Fund's longer-term investments acquired from such leverage proceeds, and therefore the holders of Common Shares ( Common Shareholders ) are the beneficiaries of the incremental net income.

However, in order to benefit shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Fund's return on assets purchased with leverage proceeds, income to shareholders is lower than if the Fund had not used leverage. Furthermore, the value of the Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although

other factors can influence the value of portfolio investments. In contrast, the value of the Fund's obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's NAV positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that the Fund's intended leveraging strategy will be successful.

Leverage also generally causes greater changes in the Fund's NAV, market price and dividend rate than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the net asset value and market price of a Fund's shares than if the Fund were not leveraged. In addition, the Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Fund to incur losses. The use of leverage may limit the Fund's ability to invest in certain types of securities or use certain types of hedging strategies. The Fund incurs expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income to the shares.

The Fund may utilize leverage through reverse repurchase agreements as described in the Notes to Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act ), the Fund is permitted to issue debt up to ~~33~~39% of its total managed assets. The Fund may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act.

If the Fund segregates or designates on its books and records cash or liquid assets having values not less than the value of the Fund's obligations under the reverse repurchase agreement (including accrued interest), then such transaction is not considered a senior security and is not subject to the foregoing limitations and requirements under the 1940 Act.

### Derivative Financial Instruments

The Fund may invest in various derivative financial instruments. Derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to manage market, equity, credit, interest

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rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage. Derivative financial instruments also involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial

instrument. The Fund's ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may limit the amount of appreciation the Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Fund's investments in these instruments are discussed in detail in the Notes to Financial Statements.

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Fund Summary as of December 31, 2014

## **Fund Overview**

**BlackRock Enhanced Government Fund, Inc. s (EGF) (the Fund )** investment objective is to provide shareholders with current income and gains. The Fund seeks to achieve its investment objective by investing primarily in a portfolio of U.S. Government securities and U.S. Government Agency securities, including U.S. Government mortgage-backed securities that pay interest in an attempt to generate current income, and by employing a strategy of writing (selling) call options on individual or baskets of U.S. Government securities, U.S. Government Agency securities or other debt securities held by the Fund in an attempt to generate gains from option premiums.

No assurance can be given that the Fund s investment objective will be achieved.

## **Portfolio Management Commentary**

### **How did the Fund perform?**

For the 12-month period ended December 31, 2014, the Fund returned 7.08% based on market price and 3.65% based on NAV. For the same period, the BofA Merrill Lynch 1-3 Year U.S. Treasury Index returned 0.62% and the Citigroup Government/Mortgage Index posted a return of 5.32%. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion pertains to performance based on NAV.

### **What factors influenced performance?**

The Fund s performance is reviewed on an absolute basis due to the unique strategy of the Fund, which entails writing call options on individual or baskets of U.S. government securities or interest rates. The index returns listed above are for reference purposes only as these indices do not reflect an option over-writing strategy.

The Fund held an allocation to securitized assets, specifically agency mortgage-backed securities ( MBS ), which consisted of 15-year and 30-year pass-throughs as well as adjustable-rate mortgages ( ARMs ) and collateralized mortgage obligations ( CMOs ). This allocation had a positive impact on Fund performance during 2014, a time that was characterized by benign volatility in U.S. interest rates and low prepayments. The Fund s positions in longer-duration capital securities also added to performance. (Duration is a measure of interest-rate sensitivity). In addition, the Fund s performance was helped by its yield curve positioning.

Conversely, the Fund s duration exposure and allocation to U.S. Treasuries had a negative impact on performance.

The Fund utilized interest rate swaps as a means to manage interest rate risk, duration, spread exposure and yield curve positioning. During the period, the use of swaps was a small contributor to performance. The use of swaps continues to be an efficient interest rate management tool and should be viewed in the context of its overall contribution to risk reduction as well as performance.

As part of its principal investment strategy, the Fund writes covered calls on interest rates to generate income while dampening the level of portfolio volatility. The Fund took advantage of the continued environment of relatively low interest rates by purchasing U.S. Treasury securities and writing call options to generate incremental yield.

### **Describe recent portfolio activity.**

The Fund tactically adjusted its yield curve positioning throughout the period, while maintaining a flattening bias in

the short end of the yield curve. (A flattening yield curve indicates a falling gap between the yields on short- and long-term bonds). The Fund increased leverage by purchasing Treasuries and writing call options to generate incremental yield.

**Describe portfolio positioning at period end.**

The Fund's option over-writing strategy had the effect of reducing overall portfolio duration. The Fund maintained a high degree of liquidity through a core exposure to government-owned and government-related debt securities, with U.S. Treasuries and agency MBS being the two largest sector allocations. The Fund also maintained limited exposure to a diversified basket of non-government spread sectors, including commercial mortgage-backed securities, asset-backed securities, corporate credit and non-agency residential MBS.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

BLACKROCK ENHANCED GOVERNMENT FUND, INC. DECEMBER 31, 2014 7

**Fund Information**

Symbol on New York Stock Exchange ( NYSE )	EGF
Initial Offering Date	October 31, 2005
Current Distribution Rate on Closing Market Price as of December 31, 2014 (\$14.26) <sup>1</sup>	4.63%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.055
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.660
Economic Leverage as of December 31, 2014 <sup>3</sup>	32%

<sup>1</sup> Current Distribution Rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. See the Section 19(a) Notice on page 2 for the estimated actual sources and character of distributions. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

<sup>3</sup> Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to reverse repurchase agreements, minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 6.

**Market Price and Net Asset Value Per Share Summary**

	12/31/14	12/31/13	Change	High	Low
Market Price	\$14.26	\$13.95	2.22%	\$14.50	\$13.75
Net Asset Value	\$14.97	\$15.13	(1.06)%	\$15.27	\$14.95

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Long-Term Investments**

Portfolio Composition	12/31/14	12/31/13
U.S. Government Sponsored Agency Securities	53%	58%
U.S. Treasury Obligations	41	35
Preferred Securities	2	2
Asset-Backed Securities	2	2
Corporate Bonds	1	2
Non-Agency Mortgage-Backed Securities	1	1

Credit Quality Allocation <sup>4</sup>	12/31/14	12/31/13
AAA/Aaa <sup>5</sup>	94%	95%
AA/Aa		1
BBB/Baa	2	3
BB/Ba	4	1

<sup>4</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's ( S&P ) or Moody's Investors Service ( Moody's ) if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used.

Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

- <sup>5</sup> The investment advisor evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors, individual investments and/or issuer. Using this approach, the investment advisor has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

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Schedule of Investments December 31, 2014

(Percentages shown are based on Net Assets)

<b>Asset-Backed Securities</b>	<b>Par (000)</b>	<b>Value</b>
First Franklin Mortgage Loan Trust, Series 2005-FF2, Class M2, 0.83%, 3/25/35 (a)	\$ 642	\$ 641,799
Securitized Asset Backed Receivables LLC Trust (a):		
Series 2005-OP1, Class M2, 0.84%, 1/25/35	1,417	1,333,444
Series 2005-OP2, Class M1, 0.60%, 10/25/35	1,025	895,650
<b>Total Asset-Backed Securities 2.4%</b>		2,870,893

**Corporate Bonds****Diversified Telecommunication Services 1.8%**

Verizon Communications, Inc., 2.50%, 9/15/16	2,057	2,102,614
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**Non-Agency Mortgage-Backed Securities****Collateralized Mortgage Obligations 1.1%**

Bank of America Mortgage Securities, Inc., Series 2003-J, Class 2A1, 2.78%, 11/25/33 (a)	155	154,802
Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.91%, 11/25/34 (a)	217	215,428
Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.44%, 10/25/35 (a)	1,158	1,027,292
		1,397,522

**Interest Only Collateralized Mortgage Obligations 0.1%**

CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37	303	80,518
<b>Total Non-Agency Mortgage-Backed Securities 1.2%</b>		1,478,040

**U.S. Government Sponsored Agency Securities****Agency Obligations 3.3%**

Federal Farm Credit Bank, 4.55%, 6/08/20	3,500	3,943,859
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**Collateralized Mortgage Obligations 7.9%**

Fannie Mae Mortgage-Backed Securities, Series 2014-28, Class BD, 3.50%, 8/25/43	1,866	1,962,168
Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 4/16/39 (a)	7,390	7,550,405
		9,512,573

**Interest Only Collateralized Mortgage Obligations 2.2%**

Fannie Mae Mortgage-Backed Securities:		
Series 2012-96, Class DI, 4.00%, 2/25/27	2,472	247,725
Series 2012-M9, Class X1, 4.04%, 12/25/17 (a)	5,285	497,933
Series 2012-47, Class NI, 4.50%, 4/25/42	2,043	294,458
Ginnie Mae Mortgage-Backed Securities (a):		
Series 2006-30, Class IO, 1.03%, 5/16/46	1,003	65,942
Series 2009-78, Class SD, 6.03%, 9/20/32	2,117	377,859

**U.S. Government Sponsored Agency Securities**

**Par  
(000)** **Value**



**Interest Only Collateralized Mortgage Obligations (concluded)**

Ginnie Mae Mortgage-Backed Securities (a) (concluded):

Series 2009-116, Class KS, 6.31%, 12/16/39	\$ 795	\$ 107,063
Series 2011-52, Class NS, 6.51%, 4/16/41	5,621	1,000,075
		2,591,055

**Mortgage-Backed Securities 64.7%**

Fannie Mae Mortgage-Backed Securities:

2.50%, 4/01/28	7,656	7,811,024
3.00%, 6/01/42 4/01/43	8,188	8,297,314
3.50%, 8/01/26 8/01/44	16,847	17,716,505
4.00%, 4/01/24 2/01/41	16,152	17,270,096
4.50%, 4/01/39 8/01/40	10,778	11,795,668
5.00%, 11/01/33 2/01/40	6,231	6,925,224
5.50%, 10/01/23 1/01/45 (b)	5,626	6,316,802
6.00%, 2/01/36 3/01/38	1,113	1,264,951
Freddie Mac Mortgage-Backed Securities, 4.50%, 5/01/34	271	293,996
Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35	10	11,026
		77,702,606
<b>Total U.S. Government Sponsored Agency Securities 78.1%</b>		<b>93,750,093</b>

**U.S. Treasury Obligations**

U.S. Treasury Bonds:

6.63%, 2/15/27	2,000	2,916,876
5.38%, 2/15/31	2,000	2,787,656
3.88%, 8/15/40 (c)	12,000	14,649,372
4.38%, 5/15/41 (c)	10,000	13,264,060
3.75%, 8/15/41 (c)	10,000	12,052,340
3.38%, 5/15/44 (c)	3,000	3,377,343

U.S. Treasury Notes:

0.50%, 7/31/17	1,600	1,581,875
1.38%, 6/30/18	3,000	3,005,859
1.63%, 4/30/19 (c)	5,000	5,017,190
3.13%, 5/15/21 (c)	10,000	10,731,250
1.75%, 5/15/22 (c)	2,000	1,966,094

<b>Total U.S. Treasury Obligations 59.4%</b>		<b>71,349,915</b>
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**Preferred Securities**
**Capital Trusts**
**Diversified Financial Services 0.4%**

ZFS Finance (USA) Trust V, 6.50%, 5/09/67 (a)(d)	504	536,760
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**Electric Utilities 1.7%**

PPL Capital Funding, Inc., 6.70%, 3/30/67 (a)	2,000	1,995,000
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<b>Total Capital Trusts 2.1%</b>		<b>2,531,760</b>
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**Portfolio Abbreviations**

**LIBOR** London Interbank Offered Rate

**OTC** Over-the-Counter

**TBA** To Be Announced

See Notes to Financial Statements.

BLACKROCK ENHANCED GOVERNMENT FUND, INC. DECEMBER 31, 2014

## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

	Shares	Value
<b>Trust Preferred 1.7%</b>		
<b>Capital Markets 1.7%</b>		
Morgan Stanley Capital Trust VIII, 6.45%, 4/15/67	80,000	\$ 1,988,587
<b>Total Preferred Securities 3.8%</b>		4,520,347
<b>Total Long-Term Investments</b>		
<b>(Cost \$166,653,538) 146.7%</b>		176,071,902
<hr/>		
<b>Short-Term Securities</b>		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.04% (e)(f)	1,848,337	1,848,337
<b>Total Short-Term Securities</b>		
<b>(Cost \$1,848,337) 1.5%</b>		1,848,337
<b>Total Investments Before TBA Sale</b>		
<b>Commitments and Options Written</b>		
<b>(Cost \$168,501,875) 148.2%</b>		177,920,239
<b>TBA Sale Commitments</b>	<b>Par (000)</b>	<b>Value</b>
Fannie Mae Mortgage-Backed Securities, 5.50%, 1/01/45 (b)	\$5,300	\$ (5,928,547)
<b>Total TBA Sale Commitments</b>		
<b>(Proceeds \$5,925,719) (4.9)%</b>		(5,928,547)
<b>Options Written</b>		
<b>(Premiums Received \$400,000) (0.4)%</b>		(422,617)
<b>Total Investments, Net of TBA Sale Commitments and Options Written</b>		
<b>(Cost \$162,176,156) 142.9%</b>		171,569,075
<b>Liabilities in Excess of Other Assets (42.9)%</b>		(51,522,931)
<b>Net Assets 100.0%</b>		\$120,046,144

## Notes to Schedule of Investments

- (a) Variable rate security. Rate shown is as of report date.  
 (b) Represents or includes a TBA transaction. As of December 31, 2014, unsettled TBA transactions were as follows:

Counterparty	Value	Unrealized Depreciation
Credit Suisse Securities (USA) LLC	\$(2,349,047)	\$(1,313)
Goldman Sachs & Co.	\$(3,467,641)	\$(1,500)

(c) All or a portion of security has been pledged as collateral in connection with outstanding reverse

repurchase agreements.

- (d) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (e) As of December 31, 2014, investments in issuers considered to be an affiliate of the Fund for purposes of Section 2(a)(3) of the 1940 Act, as amended, were as follows:

<b>Affiliate</b>	<b>Shares Held at December 31, 2013</b>	<b>Net Activity</b>	<b>Shares Held at December 31, 2014</b>	<b>Income</b>
BlackRock Liquidity Funds, TempFund, Institutional Class	3,984,792	(2,136,455)	1,848,337	\$ 1,891
(f)	Represents the current yield as of report date.			
	As of December 31, 2014, reverse repurchase agreements outstanding were as follows:			

<b>Counterparty</b>	<b>Interest Rate</b>	<b>Trade Date</b>	<b>Maturity Date<sup>1</sup></b>	<b>Face Value</b>	<b>Face Value Including Accrued Interest</b>
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.11%	10/28/14	Open	\$10,895,000	\$10,897,131
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.11%	10/28/14	Open	1,975,000	1,975,386
Credit Suisse Securities (USA) LLC	0.16%	12/10/14	Open	9,143,750	9,144,700