

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2019**

Commission file number **000-32191**

T. ROWE PRICE GROUP, INC.

(Exact name of registrant as specified in its charter)

Maryland

State of incorporation

52-2264646

IRS Employer Identification No.

100 East Pratt Street, Baltimore, Maryland 21202

Address, including zip code, of principal executive offices

(410) 345-2000

Registrant's telephone number, including area code

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

Common stock, \$.20 par value per share

(Title of class)

TROW

(Ticker symbol)

The NASDAQ Stock Market LLC

(Name of exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes **No**

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, and (2) has been subject to such filing requirements for the past 90 days. **Yes** No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. **Yes** No

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

Large accelerated filer

Accelerated filer

Smaller reporting company

Non-accelerated filer (do not check if 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 Act). Yes **No**

The aggregate market value of the common equity (all voting) held by non-affiliates (excludes executive officers and directors) computed using \$109.71 per share (the NASDAQ Official Closing Price on June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter) was \$25.6 billion.

The number of shares outstanding of the registrant's common stock as of the latest practicable date, February 11, 2020, is 236,041,040.

DOCUMENTS INCORPORATED BY REFERENCE: In Part III, the Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A.

Exhibit index begins on page 83.

PART I

Item 1. Business.

T. Rowe Price Group, Inc. is a financial services holding company that provides global investment management services through its subsidiaries to investors worldwide. We provide an array of U.S. mutual funds, subadvised funds, separately managed accounts, and other T. Rowe Price products. The other T. Rowe Price products include: collective investment trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S. We also provide certain investment advisory clients with related administrative services, including distribution, mutual fund transfer agent, accounting, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage; and trust services. We are focused on delivering global investment management excellence to help clients around the world achieve their long-term investment goals.

The late Thomas Rowe Price, Jr., founded our firm in 1937, and the common stock of T. Rowe Price Associates, Inc. was first offered to the public in 1986. The T. Rowe Price Group, Inc. corporate holding company structure was established in 2000.

Our core capabilities have enabled us to deliver excellent operating results since our initial public offering. We maintain a strong corporate culture that is focused on delivering strong long-term investment performance and world-class service to our clients. We distribute our broad array of active investment strategies through a diverse set of distribution channels and vehicles to meet the needs of our clients globally. Our ongoing financial strength and discipline has allowed us to take advantage of attractive growth opportunities and invest in key capabilities. Our investments have been focused on increasing our investment professional headcount globally, expanding our product offerings, expanding our global distribution footprint to strengthen our regional relationships and brand, and investing in new technology and the core infrastructure of the firm.

The industry in which we operate has been evolving quickly and a number of headwinds have arisen over the last few years, including passive investments taking market share from traditional active strategies; continued downward fee pressure; demand for new investment vehicles to meet client needs; and an ever-changing regulatory landscape.

Despite the headwinds, we believe there are significant opportunities that align to our core capabilities. As such, we have been responding with several multi-year initiatives that are designed to strengthen our long-term competitive position and to:

- Maintain our position as a premier active asset manager, delivering durable value to clients.
- Build T. Rowe Price into a more globally diversified asset manager.
- Extend and leverage our retirement expertise globally while becoming an ever more integrated investment solutions provider.
- Embed best practices for sustainability and environmental, social and corporate governance throughout the company.
- Maintain strong processes and controls, which is increasingly important with growing business complexity and regulation.
- Remain a destination of choice for top talent, with a culture of empowerment, accountability and collaboration.
- Deliver attractive financial results and balance sheet strength for our stockholders over the long term.

Financial Overview / Assets Under Management

We derive the vast majority of our consolidated net revenues and net income from investment advisory services provided by our subsidiaries, primarily T. Rowe Price Associates and T. Rowe Price International Ltd. Our revenues depend largely on the total value and composition of our assets under management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

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At December 31, 2019, we had \$1,206.8 billion in assets under management, including \$682.7 billion in U.S. mutual funds and \$524.1 billion in subadvised funds, separately managed accounts, and other T. Rowe Price products. During 2019, market appreciation and income, net of distributions not reinvested, of \$231.3 billion combined with net cash inflows of \$13.2 billion increased assets under management by \$244.5 billion from the end of 2018. In 2019, our net cash inflows included \$9.8 billion into our target date retirement products, which provide shareholders with a single, diversified portfolio that invests in underlying U.S. mutual funds or collective investment trusts. The assets under management in our target date retirement products totaled \$292.4 billion at December 31, 2019, or 24.2% of our managed assets at December 31, 2019, compared with 23.9% at the end of 2018.

The following tables show our assets under management by distribution channel, vehicle, account type, and asset class:

(in billions)	2019	2018
Assets under management by vehicle		
U.S. mutual funds	\$ 682.7	\$ 564.5
Subadvised and separate accounts and other investment products:		
Subadvised and separately managed accounts	313.8	250.0
T. Rowe Price collective investment trusts	158.7	106.0
T. Rowe Price stable value and variable annuity products	21.4	20.0
T. Rowe Price SICAVs and other funds regulated outside the U.S.	30.2	21.8
Total subadvised and separate accounts and other investment products	524.1	397.8
Total assets under management	\$ 1,206.8	\$ 962.3
Assets under management by asset class		
Equity	\$ 698.9	\$ 539.9
Fixed income, including money market	147.9	136.1
Multi-Asset ⁽¹⁾	360.0	286.3
Total assets under management	\$ 1,206.8	\$ 962.3
Assets under management by distribution channel		
Global financial intermediaries ⁽²⁾	\$ 623.0	\$ 484.0
Global institutions ⁽²⁾⁽³⁾	265.4	211.4
Individual U.S. investors on a direct basis	190.7	159.3
U.S. retirement plan sponsors - full service recordkeeping	127.7	107.6
Total assets under management	\$ 1,206.8	\$ 962.3
Assets under management by account type		
Defined contribution retirement assets:		
Defined contribution - investment only	\$ 510.6	\$ 401.8
Defined contribution - full-service recordkeeping	121.0	101.8
Total defined contribution retirement assets	631.6	503.6
Deferred annuity and direct retail retirement assets	186.0	149.9
Total defined contribution, deferred annuity, and direct retail retirement assets	817.6	653.5
Other	389.2	308.8
Total assets under management	\$ 1,206.8	\$ 962.3

⁽¹⁾ The underlying assets under management of the multi-asset portfolios have been aggregated and presented in this category and not reported in the equity and fixed income rows.

⁽²⁾ Includes Americas, Europe Middle East and Africa ("EMEA"), and Asia Pacific ("APAC") financial intermediaries and institutions.

⁽³⁾ Includes T. Rowe Price investments in proprietary products, assets of the T. Rowe Price employee benefit plans, Private Asset Management accounts, and other.

Additional information concerning our assets under management, results of operations, and financial condition during the past three years is contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, as well as our consolidated financial statements, which are included in Item 8 of this Form 10-K.

INVESTMENT MANAGEMENT SERVICES.

Distribution Channels and Products

We distribute our products across three broad geographical regions: Americas, Europe Middle East and Africa ("EMEA"), and Asia Pacific ("APAC"). We service clients in 50 countries around the world. Investors domiciled outside the U.S. represented nearly 7% of total assets under management at the end of 2019.

We accumulate our assets under management from a diversified client base across five primary distribution channels: Americas financial intermediaries, EMEA and APAC financial intermediaries, individual U.S. investors on a direct basis, U.S. retirement plan sponsors for which we provide recordkeeping services, and institutional investors globally. The following table outlines as of December 31, 2019, the types of products within each distribution channel through which our assets under management are sourced.

Americas financial intermediaries	EMEA & APAC financial intermediaries	Individual U.S. investors on a direct basis	U.S. retirement plan sponsors - full service recordkeeping	Global institutions
U.S. Mutual Funds	SICAVs ⁽¹⁾ / FCPs ⁽²⁾	U.S. Mutual Funds	U.S. Mutual Funds	U.S. Mutual Funds
Collective Investment Trusts	Australian Unit Trusts ("AUTs")	Separate Accounts	Collective Investment Trusts	Collective Investment Trusts
Subadvised Accounts	OEICs ⁽³⁾	College Savings Plans	Separate Accounts	SICAVs ⁽¹⁾ / FCPs ⁽²⁾
Managed Accounts / Model Delivery	Cayman Funds	Model Portfolio ⁽⁴⁾		Separate / Subadvised Accounts
College Savings Plans	Subadvised Accounts			Canadian Pooled Funds
Canadian Pooled Funds	Japanese ITMs ⁽⁵⁾			Japanese ITMs ⁽⁵⁾

⁽¹⁾Société d'Investissement à Capital Variable (Luxembourg), ⁽²⁾Fonds Commun de Placement (Luxembourg), ⁽³⁾Open-Ended Investment Company (U.K.), ⁽⁴⁾Provided through our ActivePlus Portfolios, ⁽⁵⁾Japanese Investment Trust Management Funds

Investment Capabilities

We manage a broad range of investment strategies in equity, fixed income, and multi-asset across sectors, styles and regions. Our strategies are designed to meet the varied and changing needs and objectives of investors and are delivered across a range of vehicles. We also offer specialized advisory services, including management of stable value investment contracts, modeled multi-asset solutions, and a distribution management service for the disposition of equity securities our clients receive from third-party venture capital investment pools.

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The following table sets forth our broad investment capabilities as of December 31, 2019.

Equity		Fixed income		Multi-Asset
U.S.	International / Global	U.S.	International / Global	U.S. / International / Global
Large-Cap: Growth, Core, Value	Global: All-Cap, Concentrated, Equity Income, Growth, Value	Core Bond	Global Aggregate	Target Date/Custom Target Date
Mid-Cap: Growth, Core, Value	International Developed: Growth, Concentrated, Core, Small-Cap, Value	Credit Opportunities	Global Multi-Sector	Target Allocation
Small-Cap: Growth, Core, Value	International Developed Regional: Australia, Europe, Europe ex UK, Europe Smaller Companies, Europe Core, Japan	Corporate	Global Dynamic Bond	Global Allocation
Quantitative Equity: Multi-Cap, Factor Portfolios	Emerging Markets Global: Growth, Value	Bank Loan	Global High Income	Managed Volatility
Tax Efficient	Emerging Markets Regional: Asia ex-Japan, China, Emerging Europe, Frontier Markets, Latin America, Middle East, Africa	High Yield	Emerging Markets: Corporate, Hard Currency, Local Currency	Multi-Asset Solutions
Sectors	Quantitative Equity: Global Growth, Global Value	Stable Value	International Developed	Real Assets
	Sectors	Securitized	Global Corporate	Retirement Income
		Treasury	Global High Yield	Alternatives
		Short Duration	Global Government	
		Municipal	Asia	
		Municipal Ladders		
		Quantitative Fixed: Factor Portfolios		

We employ fundamental and quantitative security analysis in the performance of the investment advisory function through substantial internal equity and fixed income investment research capabilities. We perform original industry and company research using such sources as inspection of corporate activities, management interviews, company-published financials and other information, and field checks with suppliers and competitors in the same industry and particular business sector. Our dedicated, in-house research analysts consider tangible investment factors such as financial information, valuation, and macroeconomics in tandem with intangible environmental, social, and corporate governance investment factors.

Our research staff operates primarily from offices located in the U.S. and U.K. with additional staff based in Australia, Hong Kong, Japan, Singapore, and Switzerland. We also use research provided by brokerage firms and security analysts in a supportive capacity and information received from private economists, political observers,

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commentators, government experts, and market analysts. Our securities selection process for some investment portfolios is based on quantitative analysis using computerized data modeling.

From time to time, we introduce new strategies, investment vehicles, and other products to complement and expand our investment offerings, respond to competitive developments in the financial marketplace, and meet the changing needs of our investment advisory clients. We will introduce a new investment strategy if we believe that we have the appropriate investment management expertise and that its objective will be useful to investors over a long period. In 2019, we introduced six new strategies and several new vehicles and share classes of existing strategies.

We typically provide seed capital for new investment products to enable the portfolio manager to begin building an investment performance history in advance of the portfolio receiving sustainable client assets. The length of time we hold our seed capital investment will vary for each new investment product as it is highly dependent on how long it takes to generate cash flows into the product from unrelated investors. We attempt to ensure that the new investment product has a sustainable level of assets from unrelated shareholders before we consider redemption of our seed capital investment in order to not negatively impact the new investment product's net asset value or its investment performance record. At December 31, 2019, we had seed capital investments in our products of \$1.3 billion.

Conversely, we may also close or limit new investments to new investors across T. Rowe Price investment products in order to maintain the integrity of the investment strategy and to protect the interests of its existing shareholders and investors. At present, the following strategies, which represent about 20% of total assets under management at December 31, 2019, are generally closed to new investors:

Strategy	Year closed
U.S. Mid-Cap Growth	2010
U.S. Mid-Cap Value	2010
High Yield Bond	2012
U.S. Small-Cap Growth	2013
U.S. Small-Cap Core	2013
Capital Appreciation	2014
Global Technology*	2017
Emerging Markets Growth	2018
International Small-Cap Growth	2018

* This fund will re-open for new accounts in the second quarter of 2020.

Investment Advisory Fees

We provide investment advisory services through our subsidiaries to the U.S. mutual funds; clients on a subadvised or separately managed account basis; and other T. Rowe Price products, including collective investment trusts, funds offered to investors outside the U.S., and portfolios offered through variable annuity life insurance plans in the U.S.

Nearly 70% of our investment advisory fees are earned from our U.S. mutual funds, while about 30% of our investment advisory fees are earned from our other investment portfolios. Ten of our 181 U.S. mutual funds - Blue Chip Growth, Growth Stock, Capital Appreciation, Mid-Cap Growth, New Horizons, Value, Emerging Markets Stock, Overseas Stock, Equity Income, and Institutional Large-Cap Growth - accounted for approximately 35% of our investment advisory revenues in 2019, and approximately 27% of our assets under management at December 31, 2019. Our largest client account relationship, apart from the U.S. mutual funds, is with a third-party financial intermediary that accounted for about 7% of our investment advisory revenues in 2019.

U.S. Mutual Funds

At December 31, 2019, assets under our management in the U.S. mutual funds aggregated \$682.7 billion, an increase of 20.9% or \$118.2 billion from the beginning of the year. Investment advisory services are provided to each U.S. mutual fund under individual investment management agreements that grant the fund the right to use the

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T. Rowe Price name. The Boards of the respective funds, including a majority of directors who are not interested persons of the funds or of T. Rowe Price Group (as defined in the Investment Company Act of 1940), must approve the investment management agreements annually. Fund shareholders approve material changes to these investment management agreements. Each agreement automatically terminates in the event of its assignment (as defined in the Investment Company Act) and, generally, either party may terminate the agreement without penalty after a 60-day notice. The termination of one or more of these agreements could have a material adverse effect on our results of operations. Independent directors and trustees of the U.S. mutual funds regularly review our fee structures.

The advisory fee paid monthly by each of the U.S. mutual funds is computed on a daily basis by multiplying a fund's net assets by its effective fee rate. For the majority of the U.S. mutual funds, the fee rate is equal to the sum of a tiered group fee rate plus an individual fund rate. The tiered group rate is based on the combined net assets of nearly all of the U.S. mutual funds. If the combined net assets of these U.S. mutual funds exceed \$650 billion, the weighted-average fee across pricing tiers is 28.6 basis points for the first \$650 billion of net assets plus 26.5 basis points for net assets in excess of \$650 billion. To the extent that the combined net assets of the funds included in the group rate calculation increase, the group charge component of a fund's advisory fee rate and the resulting advisory fee rate paid by each fund will decrease.

The individual fund rates are generally flat rates that are set based on the fund's specific investment objective. Several funds, including the Blue Chip Growth, Equity Income, Growth Stock, and Mid-Cap Growth funds, have an effective tiered individual fund rate in which their base individual flat rate is reduced by about 15% on net assets in excess of \$15 billion. The New Income and Value funds have their base individual flat rate reduced by about 15% on net assets in excess of \$20 billion. The Capital Appreciation Fund has its base individual flat rate reduced by 10% on net assets in excess of \$27.5 billion. The effective fee rates for each of the stock and bond funds on which we earned annual advisory fees of approximately \$6.0 million or greater in 2019, varied from a low of 15 basis points for the U.S. Treasury Long-Term Fund to a high of 104 basis points for the Emerging Markets Stock and International Discovery funds.

The fee rate of several of the U.S. mutual funds, including the Index funds as well as specific funds offered solely to institutional investors, does not include a group fee component but rather an individual fund fee or an all-inclusive fee. An all-inclusive fee covers both the investment management fee and ordinary operating expenses incurred by the fund and, as a result, our management fee varies with the level of operating expenses a fund incurs. The funds in the Spectrum Funds series and in the multiple target date retirement funds series that we offer have no separate investment advisory fee; rather, they indirectly bear the expenses of the funds in which they invest.

Each U.S. mutual fund typically bears all expenses associated with its operation and the issuance and redemption of its securities. In particular, each fund pays investment advisory fees; shareholder servicing fees and expenses; fund accounting fees and expenses; transfer and sub-transfer agent fees; custodian fees and expenses; legal and auditing fees; expenses of preparing, printing and mailing prospectuses and shareholder reports to existing shareholders; registration fees and expenses; proxy and annual meeting expenses; and independent trustee or director fees and expenses.

We usually provide that a newly organized fund's expenses will not exceed a specified percentage of its net assets during an initial operating period. Generally, during the earlier portion of the period, we will waive advisory fees and absorb other fund expenses, such as those described above, in excess of these self-imposed limits. During the latter portion of the period, we may recover some or all of the waived fees and absorbed costs, but such recovery is not assured.

Additionally, we have contractual management fee waivers for certain U.S. mutual funds, including nearly all money market funds, which could occur under certain specified circumstances. Unlike traditional expense limits for newly organized funds, these waivers will not be recovered by T. Rowe Price in the future.

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Our subadvised and separate accounts and other investment products had assets under management of \$524.1 billion at December 31, 2019, an increase of \$126.3 billion from the beginning of the year. Other investment products include collective investment trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S. We earn investment management fees from these clients based on, among other things, the specific investment services to be provided and are computed using the value of assets under management at a contracted annual fee rate or the products' effective fee rate for those with a tiered-fee rate structure. The value of assets under management billed is generally based on daily valuations, end of billing period valuations, or month-end average valuations. In 2019, approximately 79% of our advisory fees were recognized based on daily portfolio valuations, 13% were based on end of billing period valuations, and 8% were based on month-end averages.

Our standard form of investment advisory agreement with other T. Rowe Price products that pay management fees on a daily basis normally provides for termination with thirty days notice. Our standard separately managed account agreements provide for termination at any time and the refunding of any unearned fees paid in advance. Our standard subadvised client account agreement typically provides for termination with sixty days notice.

The following table details the services provided by certain of our subsidiaries based on our non-U.S. global investment products:

T. Rowe Price Subsidiary	Products	Services Provided
T. Rowe Price (Luxembourg) Management Sàrl	SICAVs / FCPs	Management company
T. Rowe Price Australia	AUTs	Investment management
T. Rowe Price UK	OEICs	Authorized corporate director
T. Rowe Price (Canada)	Canadian Pooled Funds	Investment management
T. Rowe Price Japan	Japanese ITMs	Investment management

Our subsidiaries T. Rowe Price Associates, T. Rowe Price International, T. Rowe Price Hong Kong, as well as T. Rowe Price Australia and T. Rowe Price Japan, may also provide subadvised investment management services to those global investment products listed in the table above.

We distribute the products listed in the table above outside the U.S. through distribution agents and other financial intermediaries. The fees we earn for distributing and marketing these products are part of our overall investment management fees for managing the product assets. We currently recognize any related distribution fees paid to these financial intermediaries in distribution and servicing costs.

In addition to providing investment management services to the U.S. mutual funds, our subsidiaries, T. Rowe Price Associates and T. Rowe Price International offer separately managed institutional investment management and subadvised investment management services to global intermediaries. Our subsidiary, T. Rowe Price Trust Company, offers and provides investment management services to our T. Rowe Price collective investment trusts, which are used in the investment portfolios of certain qualified U.S. retirement plans.

ADMINISTRATIVE, DISTRIBUTION, AND SERVICING FEES.**Administrative Services**

We also provide certain administrative services as ancillary services to our investment advisory clients. These administrative services are provided by several of our subsidiaries and include mutual fund transfer agent, accounting, distribution, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans investing in U.S. mutual funds; recordkeeping services for defined contribution retirement plans investing in mutual funds outside the T. Rowe Price complex; brokerage; and trust services.

T. Rowe Price Services provides the U.S. mutual funds transfer agency and shareholder services, including the staff, facilities, technology, and other equipment to respond to inquiries from fund shareholders. The U.S. mutual funds contract directly with BNY Mellon to provide mutual fund accounting services, including maintenance of financial records, preparation of financial statements and reports, daily valuation of portfolio securities, and computation of each mutual fund's daily net asset value per share.

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T. Rowe Price Retirement Plan Services provides participant accounting and plan administration for defined contribution retirement plans that invest in the U.S. mutual funds, the T. Rowe Price collective investment trusts, and funds outside the T. Rowe Price complex. T. Rowe Price Retirement Plan Services also provides transfer agent services to the U.S. mutual funds. The pricing on these transfer agent services is based on basis points of the related assets under management. Plan sponsors and participants compensate us for some of the administrative services while the U.S. mutual funds and outside fund families compensate us for maintaining and administering the individual participant accounts for those plans that invest in the respective funds. As of December 31, 2019, we provided recordkeeping services for \$210 billion in assets under administration, of which nearly \$128 billion are assets we manage.

T. Rowe Price Trust Company provides administrative trustee services. Through this entity, which is a Maryland-chartered limited service trust company, we serve as trustee for employer sponsored retirement plans and other retirement products. T. Rowe Price Trust Company may not accept deposits and cannot make personal or commercial loans.

We also provide non-discretionary advisory planning services to fund shareholders and potential investors through our subsidiary T. Rowe Price Advisory Services. These services are limited in scope and include retirement planning services, such as saving for retirement, transitioning into retirement, and income in retirement. An investment portfolio evaluation service is an integral part of these services. An ongoing checkup service is also available to assist investors in staying on track to achieve their financial goals.

Distribution and Servicing

The Investor Class of all U.S. mutual funds can be purchased in the U.S. on a no-load basis, without a sales commission or 12b-1 fee. No-load mutual fund shares offer investors a low-cost and relatively easy method of directly investing in a variety of equity, fixed income, and multi-asset strategies. The I Class of certain U.S. mutual funds is designed to meet the needs of institutionally oriented clients who seek investment products with lower shareholder servicing costs and lower expense ratios. This share class limits ordinary operating expenses (other than interest; expenses related to borrowings, taxes, and brokerage; and any non-extraordinary expenses) to 5 basis points for a period of time and there are no external 12b-1 or administrative fee payments.

Certain of the U.S. mutual funds also offer Advisor Class and R Class shares that are distributed to investors and defined contribution retirement plans, respectively. These share classes pay 12b-1 fees of 25 and 50 basis points, respectively, for distribution, administration, and personal services. Our subsidiary, T. Rowe Price Investment Services ("TRPIS"), is the principal distributor of the U.S. mutual funds and contracts with third-party financial intermediaries who distribute these share classes. TRPIS enters into agreements with each intermediary under which each fund is responsible to pay the distribution and service fees directly to the applicable intermediaries. In addition, those U.S. mutual funds offered to investors through variable annuity life insurance plans have a share class that pays a 12b-1 fee of 25 basis points.

In accounting for 12b-1 fees, the applicable mutual fund share classes incur the related expense and we recognize the corresponding distribution and servicing fee revenue in the administrative, distribution, and servicing fees line of our consolidated statements of income. We also recognize the corresponding cost paid to the third-party financial intermediaries who distribute these funds' share classes within the distribution and servicing costs line of the consolidated statements of income. The fee revenue that we recognize from the funds and the expense that we recognize for the fees paid to third-party intermediaries are equal in amount and, therefore, do not impact our net operating income.

We believe that our lower fund cost structure, distribution methods, and fund shareholder and administrative services help promote the stability of our fund assets under management through market cycles.

Except as noted above for 12b-1 fees earned from the mutual funds, we bear all advertising and promotion expenses associated with the distribution of our investment products. These costs are recognized when incurred and include advertising and direct mail communications to potential shareholders, as well as substantial staff and communications capabilities to respond to investor inquiries. Marketing and promotional efforts are focused in print media, television, and digital and social media. Advertising and promotion expenditures vary over time based on investor interest, market conditions, new and existing investment offerings, and the development and expansion of new marketing initiatives, including the enhancement of our digital capabilities.

REGULATION.

All aspects of our business are subject to extensive federal, state, and foreign laws and regulations. These laws and regulations are primarily intended to benefit or protect our clients and T. Rowe Price product shareholders. They generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict the conduct of our business in the event that we fail to comply with laws and regulations. Possible sanctions that may be imposed on us, in the event that we fail to comply, include the suspension of individual employees, limitations on engaging in certain business activities for specified periods of time, revocation of our investment adviser and other registrations, censures, and fines.

T. Rowe Price Associates, T. Rowe Price International, T. Rowe Price Australia, T. Rowe Price (Canada), T. Rowe Price Hong Kong, T. Rowe Price Japan, T. Rowe Price Singapore, and T. Rowe Price Advisory Services are registered with the Securities and Exchange Commission ("SEC") as investment advisers under the Investment Advisers Act of 1940. The Investment Advisers Act of 1940 imposes substantive regulation around, among other things, fiduciary duties to clients, transactions with clients, effective compliance programs, conflicts of interest, advertising, recordkeeping, reporting, and disclosure requirements.

T. Rowe Price International is also regulated by the Financial Conduct Authority ("FCA") in the United Kingdom and, in certain cases, by other foreign regulators in countries in which we have a license to conduct business.

T. Rowe Price UK, the authorized corporate director of our UK OEIC funds, is also regulated by the FCA. The Securities and Futures Commission ("SFC") and Monetary Authority of Singapore ("MAS") also regulate T. Rowe Price Hong Kong and T. Rowe Price Singapore, respectively. T. Rowe Price (Canada) is also registered with several of the provincial securities commissions in Canada. T. Rowe Price (Luxembourg) Management Sàrl, the management company of our Luxembourg-based FCP and SICAV funds is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). T. Rowe Price Australia is regulated by the Australian Securities and Investments Commission and T. Rowe Price Japan is regulated by the Japan Financial Services Agency.

Our subsidiaries providing transfer agent services, T. Rowe Price Services and T. Rowe Price Retirement Plan Services, are registered under the Securities Exchange Act of 1934, and our trust company is regulated by the State of Maryland, Commissioner of Financial Regulation.

T. Rowe Price Investment Services is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. This subsidiary provides brokerage services primarily to complement the other services provided to shareholders of the U.S. mutual funds. Pershing, a third-party clearing broker and an affiliate of BNY Mellon, maintains our brokerage's customer accounts and clears all transactions.

Serving the needs of retirement savers is an important focus of our business. As a result, such activities are subject to regulators such as the U.S. Department of Labor, and applicable laws and regulations including the Employee Retirement Income Security Act of 1974.

Certain of our subsidiaries are subject to net capital requirements, including those of various federal, state, and international regulatory agencies. Each of our subsidiary's net capital, as defined, meets or exceeds all minimum requirements.

For further discussion of the potential impact of current or proposed legal or regulatory requirements, please see the Legal and Regulatory risk factors included in Item 1A of this Form 10-K.

COMPETITION.

As a member of the financial services industry, we are subject to substantial competition in all aspects of our business. A significant number of proprietary and other sponsors' mutual funds are sold to the public by other investment management firms, broker-dealers, mutual fund companies, banks, and insurance companies. We compete with brokerage and investment banking firms, insurance companies, banks, mutual fund companies, hedge funds, and other financial institutions and funds in all aspects of our business and in every country in which we offer our advisory services. Some of these financial institutions have substantially greater resources than we do. We compete with other providers of investment advisory services primarily based on the availability and objectives of the investment products offered, investment performance, fees and related expenses, and the scope and quality of investment advice and other client services.

In recent years, we have faced significant competition from passive oriented investment strategies. As a result, such products have taken market share from active managers. While we cannot predict how much market share these competitors will gain, we believe there will always be demand for good active management.

In order to maintain and enhance our competitive position, we may review acquisition and venture opportunities and, if appropriate, engage in discussions and negotiations that could lead to the acquisition of a new equity or other financial relationship.

EMPLOYEES.

At December 31, 2019, we employed 7,365 associates, up 4.9% from the 7,022 associates employed at the end of 2018. We may add temporary and part-time personnel to our staff from time to time to meet periodic and special project demands, primarily for technology and mutual fund administrative services.

AVAILABLE INFORMATION.

Our Internet address is troweprice.com. We intend to use our website as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. These disclosures will be included in the Investor Relations section of our website, troweprice.gcs-web.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, available free of charge in this section of our website as soon as reasonably practicable after they have been filed with the SEC. In addition, our website includes the following information:

- our financial statement information from our periodic SEC filings in the form of XBRL data files that may be used to facilitate computer-assisted investor analysis;
- corporate governance information including our governance guidelines, committee charters, senior officer code of ethics and conduct, and other governance-related policies;
- other news and announcements that we may post from time to time that investors might find useful or interesting, including our monthly assets under management disclosure; and
- opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

Accordingly, investors should monitor this section of our website, in addition to following our press releases, SEC filings, and public webcasts, all of which will be referenced on the website. Unless otherwise expressly stated, the information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains the materials we file with the SEC at www.sec.gov.

Item 1A. Risk Factors.

An investment in our common stock involves various risks, including those mentioned below and those that are discussed from time to time in our periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding our common stock. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. Any of these risks could have a material adverse effect on our financial condition, results of operations, and value of our common stock.

RISKS RELATING TO OUR BUSINESS AND THE FINANCIAL SERVICES INDUSTRY.

Our revenues are based on the market value and composition of the assets under our management, all of which are subject to fluctuation caused by factors outside of our control.

We derive our revenues primarily from investment advisory services provided by our subsidiaries to individual and institutional investors in the U.S. mutual funds and other investment products. Our investment advisory fees typically are calculated as a percentage of the market value of the assets under our management. We generally earn higher fees on assets invested in our equity funds and equity investment portfolios than we earn on assets invested in our fixed income funds and portfolios. Among equity products, there is a significant variation in fees earned from index-based products at the low end and emerging markets products at the high end. Fees also vary across the fixed income products, though not as widely as equity products, with stable value products and money market products at the lower end and non-U.S. dollar denominated bond products at the high end. As a result, our revenues are dependent on the value and composition of the assets under our management, all of which are subject to substantial fluctuation due to many factors, including:

- **Investment Performance.** If the investment performance of our managed investment portfolios is less than that of our competitors or applicable third-party benchmarks, we could lose existing and potential customers and suffer a decrease in assets under management. Institutional investors in particular, consider changing investment advisers based upon poor relative investment performance. Individual investors in contrast are more likely to react to poor absolute investment performance.
- **General Market Declines.** We derive a significant portion of our revenues from advisory fees on sponsored portfolios. A downturn in stock or bond prices would cause the value of assets under our management to decrease, and may also cause investors to withdraw their investments, thereby further decreasing the level of assets under our management. A decline in equity market valuations may cause investors to transition to lower-fee portfolios such as fixed income, reducing our overall profitability. In addition, international markets, particularly emerging markets, which are often smaller, may not have the liquidity of established markets, may lack established regulations, and may experience significantly more volatility than established markets.
- **Investor Mobility.** Our investors generally may withdraw their funds at any time, without advance notice and with little to no significant penalty.
- **Capacity Constraints.** Prolonged periods of strong relative investment performance and/or strong investor inflows has resulted in and may result in capacity constraints within certain strategies, which can lead to, among other things, the closure of those strategies from additional investor inflows. If certain of our strategies are capacity constrained, our investment results in subsequent periods may be negatively impacted.
- **Investing Trends.** Changes in investing trends, particularly investor preference for passive or alternative investment products, and in retirement savings trends, may reduce interest in our products and may alter our mix of assets under management.
- **Interest Rate Changes.** Investor interest in and the valuation of our fixed income investment funds and portfolios are affected by changes in interest rates.
- **Geo-Political Exposure.** Our managed investment portfolios may have significant investments in international markets that are subject to risk of loss from political or diplomatic developments, government policies, civil unrest, currency fluctuations, illiquidity and capital controls, and changes in legislation related to foreign ownership.

A decrease in the value of assets under our management, or an adverse change in their composition, particularly in market segments where our assets are concentrated, could have a material adverse effect on our investment advisory fees and revenues. For any period in which revenues decline, net income and operating margins will likely

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decline by a greater proportion because certain expenses will be fixed over that finite period and may not decrease in proportion to the decrease in revenues.

A significant majority of our revenues are based on contracts with the U.S. mutual funds that are subject to termination without cause and on short notice.

We provide investment advisory, distribution, and other administrative services to the U.S. mutual funds under various agreements. Investment advisory services are provided to each T. Rowe Price mutual fund under individual investment management agreements. The Board of each T. Rowe Price mutual fund must annually approve the terms of the investment management and service agreements and can terminate the agreement upon 60-days' notice. If a T. Rowe Price mutual fund seeks to lower the fees that we receive or terminate its contract with us, we would experience a decline in fees earned from the U.S. mutual funds, which could have a material adverse effect on our revenues and net income.

We operate in an intensely competitive industry. Competitive pressures may result in a loss of customers and their assets or compel us to reduce the fees we charge to clients, thereby reducing our revenues and net income.

We are subject to competition in all aspects of our business from other financial institutions. Some of these financial institutions have substantially greater resources than we do and may offer a broader range of financial products across more markets. Some competitors operate in a different regulatory environment than we do which may give them certain competitive advantages in the investment products and portfolio structures that they offer. We compete with other providers of investment advisory services primarily based on the availability and objectives of the investment products offered, investment performance, fees and related expenses, and the scope and quality of investment advice and other client services. Some institutions have proprietary products and distribution channels that make it more difficult for us to compete with them. Substantially all of our investment products are available without sales or redemption fees, which means that investors may be more willing to transfer assets to competing products.

The market environment in recent years has led investors to increasingly favor lower fee passive investment products. As a result, investment advisors that emphasize passive products have gained and may continue to gain market share from active managers like us. While we believe there will always be demand for good active management, we cannot predict how much market share these competitors will gain.

If current or potential customers decide to move their assets to one of our competitors, we could face a significant decline in market share, assets under management, revenues, and net income. In the event that we decide to reduce the fees we charge for investment advisory services in response to competitive pressures, which we have done selectively in the past, revenues and operating margins could be adversely impacted.

Our success depends on our key personnel and our financial performance could be negatively affected by the loss of their services.

Our success depends on our highly skilled personnel, including our portfolio managers, investment analysts, sales and client relationship personnel, and corporate officers, many of whom have specialized expertise and extensive experience in our industry. Strong financial services professionals are in demand, and we face significant competition for highly qualified employees. Our U.S.-based associates do not have employment contracts, while our associates outside the U.S. have employment contracts where basic employment terms are confirmed in writing. Generally, our associates can terminate their employment with us at any time. We cannot assure that we will be able to attract or retain key personnel.

Due to the global nature of our investment advisory business, our key personnel may have reasons to travel to regions susceptible to higher risk of civil unrest, organized crime or terrorism and we may be unable to ensure the safety of personnel traveling to these regions. We have near- and long-term succession planning processes, including programs to develop our future leaders, which are intended to address future talent needs and minimize the impact of losing key talent. However, in order to retain or replace our key personnel, we may be required to increase compensation, which would decrease net income. The loss of key personnel could damage our reputation and make it more difficult to retain and attract new employees and investors. Losses of assets from our client investors would decrease our revenues and net income, possibly materially.

Our operations are complex and a failure to perform operational processes could have an adverse effect on our reputation and decrease our revenues.

We provide investment management, product administration, product recordkeeping, and tax reporting services to our clients. In certain cases, we rely on third-party vendors in the execution and delivery of these services. There can be no assurance that these vendors will properly perform these processes or that there will not be interruptions in services from these third parties. Failure to properly execute or oversee these services could subject us to regulatory sanctions, fines, penalties, or litigation.

New investment strategies, investment vehicles, distribution channels, or other evolutions of our business may increase the risk that our existing systems may not be adequate to control the risks introduced by such changes. Significant business changes may require us to update our processes or technology and may increase risk to meeting our business objectives. In addition, our information systems and technology platforms might not be able to accommodate our continued growth, and the cost of maintaining such systems might increase from its current level. If any of these factors were to arise it could disrupt our operations, increase our expenses or result in financial exposure, regulatory inquiry or reputational damage.

The quantitative models we use may contain errors, which could result in financial losses or adversely impact product performance and client relationships.

We use various quantitative models to support investment decisions and processes, including those related to risk assessment, portfolio management, and activities. Any errors in the underlying models or model assumptions could have unanticipated and adverse consequences on our business and reputation.

Changes to benchmark indices may impact our business.

The manner in which certain reference rates are calculated could impact the investment portfolios we manage. The withdrawal and replacement of widely used benchmark indices such as the London Interbank Offered Rate ("LIBOR") with alternative benchmark rates may introduce a number of risks for our business. The FCA in the U.K., which regulates LIBOR, has announced that it will no longer compel panel banks to submit rates for LIBOR after 2021. Changes in the method pursuant to which LIBOR is determined or the discontinuance of LIBOR may adversely affect the amount of interest payable or interest receivable on certain portfolio investments. These changes may also impact the market liquidity and market value of these portfolio investments.

Any damage to our reputation could harm our business and lead to a loss of revenues and net income.

We have spent many years developing our reputation for integrity, strong investment performance, and superior client service. Our brand is a valuable intangible asset, but it is vulnerable to a variety of threats that can be difficult or impossible to control, and costly or even impossible to remediate. Regulatory inquiries and rumors can tarnish or substantially damage our reputation, even if those inquiries are satisfactorily addressed. Additionally, we are subject to the risk that our employees or third parties acting on our behalf may circumvent controls or act in a manner inconsistent with our policies and procedures. Real or perceived conflicts between our clients' interests and our own, as well as any fraudulent activity or other exposure of client assets or information, may impair our reputation and subject us to litigation or regulatory action. Any damage to our brand could impede our ability to attract and retain customers and key personnel, and reduce the amount of assets under our management, any of which could have a material adverse effect on our revenues and net income.

Our expenses are subject to significant fluctuations that could materially decrease net income.

Our operating results are dependent on the level of our expenses, which can vary significantly for many reasons, including:

- expenses incurred in connection with our multi-year strategic plan to strengthen our long-term competitive position;
- variations in the level of total compensation expense due to, among other things, changes in bonuses, stock-based awards, changes in employee benefit costs due to regulatory or plan design changes, changes in our employee count and mix, competitive factors, market performance, and inflation;

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- changes in the level of our advertising and promotion expenses, including the costs of expanding investment advisory services to investors outside of the U.S. and further penetrating U.S. distribution channels;
- expenses and capital costs incurred to maintain and enhance our administrative and operating services infrastructure, such as technology assets, depreciation, amortization, and research and development;
- changes in the costs incurred for third-party vendors that perform certain administrative and operating services;
- changes in expenses that are correlated to our assets under management, such as distribution and servicing fees;
- a future impairment of investments that is recognized in our consolidated balance sheet;
- a future impairment of goodwill that is recognized in our consolidated balance sheet;
- unanticipated material fluctuations in foreign currency exchange rates applicable to the costs of our operations abroad;
- unanticipated costs incurred to protect investor accounts and client goodwill; and
- future changes to legal and regulatory requirements and potential litigation;
- disruptions of third-party services such as communications, power, and mutual fund transfer agent, investment management, trading, and accounting systems.

Under our agreements with the U.S. mutual funds, we charge the funds certain administrative fees and related expenses based upon contracted terms. If we fail to accurately estimate our underlying expense levels or are required to incur expenses relating to the mutual funds that are not otherwise paid by the funds, our operating results will be adversely affected. While we are under no obligation to provide financial support to any T. Rowe Price investment products, any financial support provided would reduce capital available for other purposes and may have an adverse effect on revenues and net income.

Amendments to Tax Laws may impact the marketability of the products and services we offer our clients or the financial position of the company.

We are subject to income taxes as well as non-income-based taxes in both the United States and various foreign jurisdictions. We cannot predict future changes in the tax regulations to which we are subject, and these regulations could have a material impact on our liability or result in increased costs of our tax compliance efforts.

Additionally, changes in the status of tax deferred investment options, including retirement plans, tax-free municipal bonds, the capital gains and corporate dividend tax rates, and other individual and corporate tax rates could cause investors to view certain investment products less favorably and reduce investor demand for products and services we offer, which could have an adverse effect on our assets under management and revenues.

Examinations and audits by tax authorities could result in additional tax payments for prior periods.

Based on the global nature of our business, from time to time, we are subject to tax audits in various jurisdictions. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. Tax authorities may disagree with certain positions we have taken and assess additional taxes (and, in certain cases, interest, fines, or penalties). We have a process to evaluate whether to record tax liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional income taxes will be due. We adjust these liabilities in light of changing facts and circumstances. Due to the complexity of some of these uncertainties, however, the ultimate resolution may result in a payment that is materially different from our estimates.

We have contracted with third-party financial intermediaries that distribute our investment products and such relationships may not be available or profitable to us in the future.

These contracted third-party intermediaries generally offer their clients various investment products in addition to, and in competition with, our investment products, and have no contractual obligation to encourage investment in our products. It would be difficult for us to acquire or retain the management of those assets without the assistance of the intermediaries, and we cannot assure that we will be able to maintain an adequate number of investment product offerings and successful distribution relationships. In addition, some investors rely on third-party financial

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planners, registered investment advisers, and other consultants or financial professionals to advise them on the choice of investment adviser and investment product. These professionals and consultants can favor a competing investment product as better meeting their particular clients' needs. We cannot assure that our investment products will be among their recommended choices in the future. Further, their recommendations can change over time and we could lose their recommendation and their clients' assets under our management. Mergers, acquisitions, and other ownership or management changes could also adversely impact our relationships with these third-party intermediaries. The presence of any of the adverse conditions discussed above would reduce revenues and net income, possibly by material amounts.

Natural disasters and other unpredictable events could adversely affect our operations.

Armed conflicts, trade wars, tariffs or sanctions, terrorist attacks, cyber-attacks, power failures, climate change, and natural disasters could adversely affect our revenues, expenses, and net income by:

- decreasing investment valuations in, and returns on, the investment portfolios that we manage,
- causing disruptions in national or global economies that decrease investor confidence and make investment products generally less attractive,
- incapacitating or inflicting losses of lives among our employees,
- interrupting our business operations or those of critical service providers,
- triggering technology delays or failures, and
- requiring substantial capital expenditures and operating expenses to remediate damage, replace our facilities, and restore our operations.

A significant portion of our business operations are concentrated in the Baltimore, Maryland region and in London, England. In addition, we maintain offices with associates in many other global locations such as Sydney, Australia; Hong Kong; Singapore; Tokyo, Japan; and Luxembourg. We have developed various backup systems and contingency plans, but we cannot be assured that those preparations will be adequate in all circumstances that could arise, or that material interruptions and disruptions will not occur. We also rely to varying degrees on outside vendors for service delivery in addition to technology and disaster contingency support, and we cannot be assured that these vendors will be able to perform in an adequate and timely manner. If we lose the availability of any associates, or if we are unable to respond adequately to such an event in a timely manner, we may be unable to timely resume our business operations, which could lead to a tarnished reputation and loss of customers that results in a decrease in assets under management, lower revenues, and materially reduced net income.

Our investment income and asset levels may be negatively impacted by fluctuations in our investment portfolio.

We currently have a substantial investment portfolio. All of these investments are subject to investment market risk, and our non-operating investment income could be adversely affected by the realization of losses upon the disposition of our investments or the recognition of significant impairments and the recognition of unrealized losses related to T. Rowe Price products that are consolidated or accounted for under the equity method. In addition, related investment income has fluctuated significantly over the years depending upon the performance of our corporate investments, including the impact of market conditions and interest rates, and the size of our corporate money market and longer-term mutual fund holdings. Fluctuations in other investment income are expected to occur in the future.

We may review and pursue strategic transactions in order to maintain or enhance our competitive position and these could pose risks.

From time to time, we consider strategic opportunities, including potential acquisitions, dispositions, consolidations, organizational restructurings, joint ventures or similar transactions, any of which may impact our business. We cannot be certain that we will be able to identify, consummate and successfully complete such transactions, and no assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. These initiatives typically involve a number of risks and present financial, managerial and operational challenges to our ongoing business operations. In addition, acquisitions and related transactions involve risks, including unanticipated problems regarding integration of investor account and investment security recordkeeping, additional or new

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regulatory requirements, operating facilities and technologies, and new employees; adverse effects on our earnings in the event acquired intangible assets or goodwill become impaired; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction.

We own a 26% investment in UTI Asset Management Company Ltd ("UTI"), an Indian asset management company, and we may consider non-controlling minority investments in other entities in the future. We may not realize future returns from such investments or any collaborative activities that may develop in the future.

We are exposed to risks arising from our international operations.

We operate in a number of jurisdictions outside of the U.S. and have an equity investment in UTI. Our international operations require us to comply with the legal and regulatory requirements of various foreign jurisdictions and expose us to the political consequences of operating in foreign jurisdictions. Our foreign business operations are also subject to the following risks:

- difficulty in managing, operating, and marketing our international operations;
- fluctuations in currency exchange rates which may result in substantial negative effects on assets under our management, revenues, expenses, and assets in our U.S. dollar based financial statements; and
- significant adverse changes in international legal and regulatory environments.

LEGAL AND REGULATORY RISKS.

Compliance within a complex regulatory environment imposes significant financial and strategic costs on our business, and non-compliance could result in fines and penalties.

If we are unable to maintain compliance with applicable laws and regulations, we could be subject to criminal and civil liability, the suspension of our employees, fines, penalties, sanctions, injunctive relief, exclusion from certain markets, or temporary or permanent loss of licenses or registrations necessary to conduct our business. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanctions, could consume substantial expenditures of time and capital. Any regulatory investigation and any failure to maintain compliance with applicable laws and regulations could severely damage our reputation, adversely affect our ability to conduct business, and decrease revenue and net income.

Legal and regulatory developments in the mutual fund and investment advisory industry could increase our regulatory burden, impose significant financial and strategic costs on our business, and cause a loss of, or impact the servicing of, our clients and fund shareholders.

Our regulatory environment is frequently altered by new regulations and by revisions to, and evolving interpretations of, existing regulations. New regulations present areas of uncertainty susceptible to alternative interpretations; regulators and prospective litigants may not agree with reasoned interpretations we adopt. Future changes could require us to modify or curtail our investment offerings and business operations or impact our expenses and profitability. Additionally, some regulations may not directly apply to our business but may impact the capital markets, service providers or have other indirect effects on our ability to provide services to our clients.

Potential impacts of current or proposed legal or regulatory requirements include, without limitation, the following:

- As part of the debate in Washington, D.C. and in state legislatures, there has been increasing focus on the framework of the U.S. retirement system. We could experience adverse business impacts if legislative and regulatory changes limit retirement plans to certain products and services, or favor certain investment vehicles, that we do not offer or are not core to our business.
- There has been substantial regulatory and legislative activity at federal and state levels regarding standards of care for financial services firms, related to both retirement and taxable accounts. Actions taken by applicable regulatory or legislative bodies may impact our business activities and increase our costs.
- The Federal Reserve Board has adopted final regulations related to non-bank Systemically Important Financial Institutions ("SIFIs"), and other jurisdictions are contemplating similar regulation. At this time, US

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regulators have not designated mutual funds or traditional asset managers as non-bank SIFIs. However, if any T. Rowe Price fund or T. Rowe Price affiliate was deemed a SIFI, increased regulatory oversight would apply to our business, which may include enhanced capital, liquidity, leverage, stress testing, resolution planning, and risk management requirements.

- The Commodity Futures Trading Commission ("CFTC") has adopted certain amendments to its rules that would limit the ability of T. Rowe Price investment products to use futures, swaps, and other derivatives without additional registration. As such, we intend to register certain subsidiaries with the CFTC which would subject us to additional regulatory requirements and costs associated with registrations.
- There has been increased global regulatory focus on the manner in which intermediaries are paid for distribution of mutual funds. Changes to long-standing market practices related to fees or enhanced disclosure requirements may negatively impact sales of mutual funds by intermediaries, especially if such requirements are not applied to other investment products.
- We remain subject to various state, federal and international laws and regulations related to data privacy and protection of data we maintain concerning our customers and employees. These requirements continue to evolve. For example, California has adopted regulations, effective in January 1, 2020, which, among other things, significantly increased the potential penalties for non-compliance.
- After the 2008 financial crisis, global regulations on over-the-counter derivatives spearheaded by The Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States and European Market Infrastructure Regulation in the European Union ("EU") have imposed clearing, margin, trade reporting, electronic trading and recordkeeping requirements on market participants. Alongside their general stabilizing and risk-reducing effect on the markets, these requirements have introduced operational complexity and additional costs to derivatives portfolios.
- The revised Markets in Financial Instruments Directive ("MiFID II Directive") and Regulation ("MiFIR") (together "MiFID II") applied across the EU and member states of the European Economic Area beginning on January 3, 2018. Implementation of MiFID II has significantly impacted both the structure and operation of EU financial markets. Some of the main changes introduced under MiFID II include applying enhanced disclosure requirements, enhancing conduct of business and governance requirements, broadening the scope of pre and post trade transparency, increasing transaction reporting requirements, transforming the relationship between client commissions and research, and further regulation of trading venues. Compliance with MiFID II has increased operational complexity and increased our costs. For example, we began to pay for third-party investment research used by our UK-based investment manager, T. Rowe Price International Ltd, in 2018, and we now pay for all the research needs of our investment professionals globally.

We cannot predict the nature of future changes to the legal and regulatory requirements applicable to our business, nor the extent of the impacts that will result from current or future proposals. However, any such changes are likely to increase the costs of compliance and the complexity of our operations. They may also result in changes to our product or service offerings. The changing regulatory landscape may also impact a number of our service providers and, to the extent such providers alter their services or increase their fees, it may impact our expenses or those of the products we offer.

We may become involved in legal and regulatory proceedings that may not be covered by insurance.

We are subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. There also has been an increase in litigation and in regulatory investigations in the financial services industry in recent years, including customer claims, class action suits, and government actions alleging substantial monetary damages and penalties.

We carry insurance in amounts and under terms that we believe are appropriate. We cannot be assured that our insurance will cover every liability and loss to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which would increase our expenses and reduce our net income.

Net capital requirements may impede the business operations of our subsidiaries.

Certain of our subsidiaries are subject to net capital requirements imposed by various federal, state, and foreign authorities. Each of our subsidiaries' net capital meets or exceeds all current minimum requirements; however, a significant change in the required net capital, an operating loss, or an extraordinary charge against net capital could adversely affect the ability of our subsidiaries to expand or maintain their operations if we were unable to make additional investments in them.

United Kingdom exit from European Union.

We have a significant locally authorized and regulated presence in the United Kingdom ("UK") to support our global investment management business. The ultimate impact of the UK exit ("Brexit") from the European Union ("EU"), on our business operations in the UK and Europe could vary depending on the details of the separation agreement or any subsequent trade relationship between the UK and EU. While we cannot predict the outcome at this time, we have realigned our EU and UK operations so that we are as prepared if the EU and UK are unable to reach a separation agreement or future trade agreement. We remain committed to our clients, associates and business expansion across the region.

TECHNOLOGY RISKS.

We require specialized technology to operate our business and would be adversely affected if we fail to maintain adequate infrastructure to conduct or expand our operations or if our technology became inoperative or obsolete.

We depend on highly specialized and, in many cases, proprietary or third-party licensed technology to support our business functions, including among others:

- securities analysis,
- securities trading,
- portfolio management,
- customer service,
- accounting and internal financial reporting processes and controls, and
- regulatory compliance and reporting.

All of our technology systems, including those provided by vendors, are vulnerable to disability or failures due to cyber-attacks, natural disasters, power failures, acts of war or terrorism, sabotage, and other causes. A suspension or termination of vendor-provided software licenses or related support, upgrades, and maintenance could cause system delays or interruption. Although we have robust business and disaster recovery plans, if our technology systems were to fail and we were unable to recover in a timely way, we would be unable to fulfill critical business functions, which could lead to a loss of customers and could harm our reputation. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to disciplinary action and liability to our customers.

In addition, our continued success depends on our ability to effectively integrate operations across many countries, and to adopt new or adapt existing technologies to meet client, industry, and regulatory demands. We might be required to make significant capital expenditures to maintain competitive infrastructure. If we are unable to upgrade our infrastructure in a timely fashion, we might lose customers and fail to maintain regulatory compliance, which could affect our results of operations and severely damage our reputation.

A cyberattack or a failure to implement effective information and cybersecurity policies, procedures and capabilities could disrupt operations and cause financial losses.

We are dependent on the effectiveness of the information and cybersecurity policies, procedures and capabilities we maintain to protect our systems and data. An externally caused information security incident, such as a

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cyberattack, a phishing scam, virus, ransomware attack or denial-of-service attack, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information. In addition, our third-party vendors and other intermediaries with which we conduct business and transmit data could be subject to a successful cyberattack or other information security event, and we cannot ensure that such third parties have all appropriate controls in place to protect the confidentiality of information in the custody of those third parties.

There have been increasing numbers of publicized cybersecurity incidents in recent years impacting other financial services firms as well as firms in other industries. Our use of third-party vendors and cloud technologies could heighten this risk. Should our technology operations be compromised, we may have to make significant investments to upgrade, repair or replace our technology infrastructure and may not be able to make such investments on a timely basis. Although we maintain insurance coverage that we believe is reasonable, prudent and adequate for the purpose of our business, it may be insufficient to protect us against all losses and costs stemming from breaches of security, cyberattacks and other types of unlawful activity, or any resulting disruptions from such events.

We could be subject to losses if we fail to properly safeguard and maintain sensitive and confidential information.

As part of our normal operations, we maintain and transmit confidential information about our clients, associates and other parties, as well as, proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data, is either prevented or detected in a timely manner. We also leverage cloud-based solutions for the transmission and storage of this information. Our systems, or those of third-party service providers we may use to maintain and transmit such information, could be victimized by unauthorized users or corrupted by computer viruses or other malicious software code. Additionally, authorized persons could inadvertently or intentionally release confidential or proprietary information. Such disclosure could, among other things:

- seriously damage our reputation,
- allow competitors access to our proprietary business information,
- subject us to liability for a failure to safeguard personal or confidential data,
- result in the termination of contracts by our existing customers,
- subject us to regulatory action, and
- require significant capital and operating expenditures to investigate and remediate the breach.

Furthermore, if any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to personal or confidential data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions.

We are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws and foreign regulations governing the protection of personal or confidential data. In addition to the EU's General Data Protection Regulation, other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. For example, the California Consumer Privacy Act of 2018 (the "CCPA"), came into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of any sales of their data to third parties and provides a new cause of action for data breaches. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the collection, use, dissemination and security of data. Each of these privacy, security, and data protection laws and regulations could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters occupies 472,000 square feet of space under lease until 2027 at 100 East Pratt Street in Baltimore, Maryland. We have offices in 16 countries around the world, including the U.S.

Our operating and servicing activities are largely conducted at owned facilities in campus settings comprising 1.2 million square feet on three parcels of land in close proximity to Baltimore in Owings Mills, Maryland, and about 290,000 square feet in Colorado Springs, Colorado. We also maintain a nearly 60,000 square foot technology support facility in Hagerstown, Maryland, and own a 72-acre parcel of land in Pasco County, Florida.

We lease all our offices outside the U.S. with London and Hong Kong being our largest, as well as our business operations recovery site and innovation center in Maryland, our technology development center in New York City, and offices in San Francisco and Philadelphia.

Information concerning our anticipated capital expenditures in 2020 and our future minimum rental payments under noncancelable operating leases at December 31, 2019, is set forth in the capital resources and liquidity and contractual obligations discussions in Item 7 of this Form 10-K.

Item 3. Legal Proceedings.

On February 14, 2017, T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., T. Rowe Price Trust Company, current and former members of the management committee, and trustees of the T. Rowe Price U.S. Retirement Program were named as defendants in a lawsuit filed in the United States District Court for the District of Maryland. The lawsuit alleges breaches of ERISA's fiduciary duty and prohibited transaction provisions on behalf of a class of all participants and beneficiaries of the T. Rowe Price 401(k) Plan from February 14, 2011, to the time of judgment. The matter has been certified as a class action. T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the discovery phase of litigation and we cannot predict the eventual outcome, or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

On April 27, 2016, certain shareholders in the T. Rowe Price Blue Chip Growth Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price Equity Income Fund, T. Rowe Price Growth Stock Fund, T. Rowe Price International Stock Fund, T. Rowe Price High Yield Fund, T. Rowe Price New Income Fund and T. Rowe Price Small Cap Stock Fund (the "Funds") filed a Section 36(b) complaint under the caption Zoidis v. T. Rowe Price Assoc., Inc., against T. Rowe Price Associates, Inc. ("T. Rowe Price") in the United States District Court for the Northern District of California. The complaint alleges that the management fees for the identified funds are excessive because

T. Rowe Price charges lower advisory fees to subadvised clients with funds in the same strategy. The complaint seeks to recover the allegedly excessive advisory fees received by T. Rowe Price in the year preceding the start of the lawsuit, along with investments' returns and profits. In the alternative, the complaint seeks the rescission of each fund's investment management agreement and restitution of any allegedly excessive management fees.

T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the discovery phase of litigation and we cannot predict the eventual outcome, or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

In addition to the matters discussed above, various claims against us arise in the ordinary course of business, including employment-related claims. In the opinion of management, after consultation with counsel, the likelihood of an adverse determination in one or more of these pending ordinary course of business claims that would have a material adverse effect on our financial position or results of operations is remote.

Item 4. Mine Safety Disclosures.

Not applicable.

Item. Executive Officers of the Registrant.

The following information includes the names, ages, and positions of our executive officers as of February 13, 2020. There are no arrangements or understandings pursuant to which any person serves as an officer. The first nine individuals are members of our management committee.

William J. Stromberg (59), President and Chief Executive Officer since 2016 and Chairman of the Board of Directors since 2019. Mr. Stromberg was previously the Head of Equity from 2010 to 2015 and a Vice President from 1990 to 2015.

Céline S. Dufétel (39), Chief Financial Officer and Treasurer since 2018 and a Vice President since 2017. Prior to joining the firm in 2017, Ms. Dufétel was managing director and global head of marketing, product management, and client service at Neuberger Berman, and prior to that, she was a partner and head of the North American Asset Management practice with McKinsey & Company.

Christopher D. Alderson (57), Co-Head of Global Equity since 2017, Head of International Equity from 2009 to 2017, and a Vice President since 2002.

Robert C.T. Higginbotham (52), Head of Global Distribution since 2019, Head of Global Investment Management Services from 2018 to 2019, Head of Global Investment Services from 2012 to 2018, and a Vice President since 2012.

Andrew McCormick (59), Head of Fixed Income from 2019, Head of U.S. Taxable Bond from 2013 to 2018, and a Vice President since 2008.

David Oestreicher (52), Chief Legal Counsel since 2008, Corporate Secretary since 2012, and a Vice President since 2001.

Sebastien Page (43), Head of Global Multi-Asset and a Vice President since 2015. From 2010 through 2015, Mr. Page was an executive vice president at PIMCO, where he led a team focused on research and development of multi-asset solutions.

Robert W. Sharps (48), Head of Investments since 2018, Group Chief Investment Officer since 2017, Co-Head of Global Equity from 2017 to 2018, Lead Portfolio Manager, Institutional U.S. Large-Cap Equity Growth Strategy from 2001 to 2016, and a Vice President since 2001.

Eric Veiel (48), Co-Head of Global Equity since 2018, Head of U.S. Equity from 2016 to 2018, Director of Equity Research North America from 2014 to 2015, and a Vice President since 2006.

Jessica M. Hiebler (44), Principal Accounting Officer since 2010 and a Vice President since 2009.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock (\$.20 par value per share) trades on the NASDAQ Global Select Market under the symbol TROW. Dividends per share during the past two years were:

	1st quarter	2nd quarter	3rd quarter	4th quarter
2019	\$.76	\$.76	\$.76	\$.76
2018	\$.70	\$.70	\$.70	\$.70

Our common stockholders have approved all of our equity-based compensation plans. These plans provide for the following issuances of shares of our common stock at December 31, 2019:

	Employee and non-employee director plans	Employee stock purchase plan	Total
Exercise of outstanding options	7,388,068	—	7,388,068
Settlement of outstanding restricted stock units	6,775,504	—	6,775,504
Future issuances	22,213,930	1,964,676	24,178,606
Total	36,377,502	1,964,676	38,342,178

The outstanding options included in the table above have a weighted-average exercise price of \$71.06. Under the terms of the 2012 Long-Term Incentive Plan, approved by stockholders in April 2012, the number of shares provided and available for future issuance will increase as we repurchase common stock in the future with the proceeds from stock option exercises. No shares have been issued under our Employee Stock Purchase Plan since its inception; all shares have been purchased in the open market.

The following table presents repurchase activity during the fourth quarter of 2019.

Month	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum number of shares that may yet be purchased under the program
October	1,156,989	\$ 109.69	1,155,593	17,500,047
November	108,595	\$ 120.84	—	17,500,047
December	285,389	\$ 122.63	125,000	17,375,047
Total	1,550,973	\$ 112.85	1,280,593	

Shares repurchased by us in a quarter may include repurchases conducted pursuant to publicly announced Board authorizations, outstanding shares surrendered to the company to pay the exercise price in connection with swap exercises of employee stock options and shares withheld to cover the minimum tax withholding obligation associated with the vesting of restricted stock awards. Of the total number of shares purchased during the fourth quarter of 2019, 222,824 were related to shares surrendered in connection with employee stock option exercises and 47,556 were related to shares withheld to cover tax withholdings associated with the vesting of restricted stock awards.

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The following table details the changes in and status of the Board of Directors' outstanding publicly announced board authorizations.

Authorization dates	12/31/2018	Total Number of Shares Purchased	Maximum Number of Shares that May Yet Be Purchased at 12/31/2019
April 2018	8,655,640	(1,280,593)	7,375,047
February 2019	10,000,000	—	10,000,000
	18,655,640	(1,280,593)	17,375,047

We have 7,441 stockholders of record and approximately 290,000 beneficial stockholder accounts held by brokers, banks, and other intermediaries holding our common stock. Common stock owned outright by our associates and directors, combined with outstanding vested stock options and unvested restricted stock awards, total approximately 8% of our outstanding stock and outstanding vested stock options at December 31, 2019.

Item 6. Selected Financial Data.

	2019	2018	2017	2016	2015
(in millions, except per-share data)					
Net revenues ⁽¹⁾	\$ 5,618	\$ 5,373	\$ 4,855	\$ 4,285	\$ 4,201
Net operating income	\$ 2,387	\$ 2,361	\$ 2,109	\$ 1,733	\$ 1,899
Net income	\$ 2,249	\$ 1,769	\$ 1,581	\$ 1,254	\$ 1,223
Net income (loss) attributable to redeemable non-controlling interests	\$ 118	\$ (69)	\$ 83	\$ 39	\$ —
Net income attributable to T. Rowe Price Group	\$ 2,131	\$ 1,838	\$ 1,498	\$ 1,215	\$ 1,223
Adjusted net income attributable to T. Rowe Price Group ⁽²⁾	\$ 1,976	\$ 1,807	\$ 1,361	\$ 1,149	\$ 1,160
Per common share information					
Basic earnings	\$ 8.82	\$ 7.41	\$ 6.07	\$ 4.85	\$ 4.74
Diluted earnings	\$ 8.70	\$ 7.27	\$ 5.97	\$ 4.75	\$ 4.63
Adjusted diluted earnings ⁽²⁾	\$ 8.07	\$ 7.15	\$ 5.43	\$ 4.49	\$ 4.39
Cash dividends declared ⁽³⁾	\$ 3.04	\$ 2.80	\$ 2.28	\$ 2.16	\$ 4.08
Weighted-average common shares outstanding	235.4	242.2	241.2	245.5	254.6
Weighted-average common shares outstanding assuming dilution	238.6	246.9	245.1	250.3	260.9

	December 31,				
	2019	2018	2017	2016	2015
Balance sheet data (in millions)					
Total assets	\$ 9,330	\$ 7,689	\$ 7,535	\$ 6,226	\$ 5,107
Redeemable non-controlling interests	\$ 1,121	\$ 740	\$ 993	\$ 687	\$ —
Stockholders' equity	\$ 7,102	\$ 6,124	\$ 5,824	\$ 5,009	\$ 4,762
Assets under management (in billions)	\$ 1,206.8	\$ 962.3	\$ 991.1	\$ 810.8	\$ 763.1

⁽¹⁾ Net revenues for 2018 and 2017 have been adjusted to reflect the adoption of new revenue accounting guidance on January 1, 2018. We adopted the guidance using the retrospective method, which required adjustments to be reflected as of January 1, 2016. Accordingly, net revenues for 2016 and 2015 have not been adjusted.

⁽²⁾ These items represent non-GAAP financial measures that have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for the definitions of these measures and the related reconciliation from U.S. GAAP.

⁽³⁾ Cash dividends declared in 2015 includes a special dividend of \$2.00 per share that we paid during that year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW.

Our revenues and net income are derived primarily from investment advisory services provided to individual and institutional investors in U.S. mutual funds, subadvised funds, separately managed accounts, and other T. Rowe Price products. The other T. Rowe Price products include: collective investment trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S.

We manage a broad range of U.S., international and global stock, bond, and money market mutual funds and other investment products, which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management affect our revenues and results of operations. Additionally, approximately one-third of our operating expenses are impacted by financial markets. We incur significant expenditures to develop new products and services and improve and expand our capabilities and distribution channels in order to attract new investment advisory clients and additional investments from our existing clients. These efforts often involve costs that precede any future revenues that we may recognize from an increase to our assets under management.

The general trend to passive investing has been persistent and accelerated in recent years, which has negatively impacted our new client inflows. However, over the long term we expect well-executed active management to play an important role for investors. In this regard, we remain debt-free with ample liquidity and resources that allow us to take advantage of attractive growth opportunities. We are investing in key capabilities, including investment professionals, technologies, and new product offerings; and, most importantly, we provide our clients with strong investment management expertise and service both now and in the future.

MARKET TRENDS.

U.S. stocks surged in 2019, as equities bounced back strongly from deep losses in the fourth quarter of 2018. A major driver of market performance was the Federal Reserve's decision to keep short-term interest rates steady in the first half of the year, then reduce rates three times starting in late July as a "midcycle adjustment" of its monetary policy. Many other central banks around the world also reduced rates in response to slowing economic growth. The trade conflict between the U.S. and China was another major driver of market sentiment. Markets wavered at times through much of the year as both sides announced new tariffs on the other's goods. Speculation then arose in the fall that the U.S. and China were close to reaching an agreement, but a preliminary "phase one" trade deal was not reached until December.

Stocks in developed non-U.S. equity markets rose strongly but underperformed U.S. shares. European stocks were widely positive. UK shares advanced more than 21% but lagged the region as Brexit-related uncertainty persisted for most of the year. Boris Johnson succeeded Theresa May as Prime Minister during the summer, but the House of Commons did not vote in favor of the United Kingdom's Withdrawal Agreement with the European Union until December, shortly after the Conservative Party decisively won a general election. Returns in developed Asian markets were broadly positive in U.S. dollar terms. Hong Kong underperformed the region with a 10% gain. Hong Kong's economy and stock market have been hurt by ongoing protests that were triggered by a controversial extradition bill.

Emerging markets stocks underperformed shares in developed markets. Asian equities were mostly positive in U.S. dollar terms, but most markets significantly lagged strong returns in China and Taiwan. In emerging Europe, Russian stocks surged about 53%; Turkish stocks lagged with a 12% gain. In Latin America, stocks in Colombia and Brazil posted very strong returns, but shares in Argentina and Chile fell sharply.

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Results of several major equity market indexes for 2019 are as follows:

S&P 500 Index	31.5%
NASDAQ Composite Index ⁽¹⁾	35.2%
Russell 2000 Index	25.5%
MSCI EAFE (Europe, Australasia, and Far East) Index	22.7%
MSCI Emerging Markets Index	18.9%

⁽¹⁾ Returns exclude dividends

Global bond returns were broadly positive, as longer-term government bond yields in developed markets declined and various central banks enacted new stimulus measures. In the U.S., the Federal Reserve reduced the federal funds target rate to a range of 1.50%-1.75% by the end of the year. The 10-year Treasury note yield decreased from 2.69% to 1.92% at year-end, though above its late-summer lows, which were around 1.50%.

In the U.S., the investment-grade bond market, long-term Treasuries and corporate bonds fared best. Mortgage-backed securities advanced to a lesser extent, hindered by an increase in mortgage prepayments and refinancing activity. Municipal bonds did well amid solid demand but slightly underperformed taxable securities. High yield bonds advanced strongly for the year as investors embraced riskier assets and searched for higher yields because of falling interest rates.

Bonds in developed non-U.S. markets produced positive returns in U.S. dollar terms, as the dollar weakened against most major currencies and government bond yields generally declined. In the eurozone, the European Central Bank decided to cut its short-term benchmark rate deeper into negative territory in September. On November 1, the European Central Bank resumed its quantitative easing program and began purchasing €20 billion of securities every month. Emerging markets debt appreciated strongly in dollar terms. Bonds denominated in U.S. dollars outperformed local currency debt, as a few key emerging markets currencies declined against the dollar.

Results of several major bond market indexes for 2019 are as follows:

Bloomberg Barclays U.S. Aggregate Bond Index	8.7%
JPMorgan Global High Yield Index	14.6%
Bloomberg Barclays Municipal Bond Index	7.5%
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	5.1%
JPMorgan Emerging Markets Bond Index Plus	12.6%

ASSETS UNDER MANAGEMENT.

Assets under management ended 2019 at \$1,206.8 billion, an increase of \$244.5 billion from the end of 2018. Net cash inflows of \$13.2 billion for 2019, combined with market appreciation and income, net of distributions not reinvested, increased our assets under management by \$231.3 billion. The following table details changes in our assets under management by vehicle during the last three years:

(in billions)	U.S. mutual funds	Subadvised and separate accounts	Other investment products	Total
Assets under management at December 31, 2016	\$ 514.2	\$ 206.9	\$ 89.7	\$ 810.8
Net cash flows before client transfers	9.4	1.4	3.2	14.0
Client transfers ⁽¹⁾	(20.2)	1.7	18.5	—
Net cash flows after client transfers	(10.8)	3.1	21.7	14.0
Net market appreciation and income	104.6	45.2	18.2	168.0
Distributions not reinvested	(1.7)	—	—	(1.7)
Change during the period	92.1	48.3	39.9	180.3
Assets under management at December 31, 2017	606.3	255.2	129.6	991.1
Net cash flows before client transfers	4.4	(.2)	9.0	13.2
Client transfers ⁽¹⁾	(20.5)	2.8	17.7	—
Net cash flows after client transfers	(16.1)	2.6	26.7	13.2
Net market depreciation, net of income	(22.7)	(7.8)	(8.4)	(38.9)
Distributions not reinvested	(3.0)	—	(.1)	(3.1)
Change during the period	(41.8)	(5.2)	18.2	(28.8)
Assets under management at December 31, 2018	564.5	250.0	147.8	962.3
Net cash flows before client transfers	7.6	(.3)	5.9	13.2
Client transfers ⁽¹⁾	(23.2)	1.1	22.1	—
Net cash flows after client transfers	(15.6)	.8	28.0	13.2
Net market appreciation and income	135.6	63.0	34.5	233.1
Distributions not reinvested	(1.8)	—	—	(1.8)
Change during the period	118.2	63.8	62.5	244.5
Assets under management at December 31, 2019	\$ 682.7	\$ 313.8	\$ 210.3	\$ 1,206.8

⁽¹⁾In all three years, the majority of the client transfers were from the T. Rowe Price U.S. mutual funds to the T. Rowe Price collective investment trusts, which are included in other investment products.

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The following table details changes in our assets under management by asset class during the last three years:

(in billions)	Equity	Fixed income, including money market	Multi-asset ⁽¹⁾	Total
Assets under management at December 31, 2016	\$ 450.6	\$ 121.2	\$ 239.0	\$ 810.8
Net cash flows	(1.6)	8.6	7.0	14.0
Net market appreciation and income ⁽²⁾	115.1	4.6	46.6	166.3
Change during the period	113.5	13.2	53.6	180.3
Assets under management at December 31, 2017	564.1	134.4	292.6	991.1
Net cash flows	(1.4)	2.9	11.7	13.2
Net market depreciation, net of income ⁽²⁾	(22.8)	(1.2)	(18.0)	(42.0)
Change during the period	(24.2)	1.7	(6.3)	(28.8)
Assets under management at December 31, 2018	539.9	136.1	286.3	962.3
Net cash flows	(.2)	3.5	9.9	13.2
Net market appreciation and income ⁽²⁾	159.2	8.3	63.8	231.3
Change during the period	159.0	11.8	73.7	244.5
Assets under management at December 31, 2019	\$ 698.9	\$ 147.9	\$ 360.0	\$ 1,206.8

⁽¹⁾ The underlying assets under management of the multi-asset portfolios have been aggregated and presented in this category and not reported in the equity and fixed income columns.

⁽²⁾ Reported net of distributions not reinvested.

Investment advisory clients outside the U.S. account for 6.9% of our assets under management at December 31, 2019, and 6.2% at December 31, 2018.

Our net cash flows in 2019, 2018, and 2017 were driven by diversified inflows across distribution channels and geographies, the strength of our multi-asset franchise, and positive flows into fixed income and international equity.

Our target date retirement products, which are included in the multi-asset totals shown above, continue to be a significant part of our assets under management. Net cash flows after client transfers shown above include \$9.8 billion in 2019, \$12.0 billion in 2018, and \$7.1 billion in 2017 from the target date retirement products. Assets under management in our target date retirement products, by vehicle, are as follows:

(in billions)	12/31/19	12/31/18	12/31/17
U.S. mutual funds	\$ 164.8	\$ 144.8	\$ 168.4
Separately managed accounts	8.4	5.9	1.7
Collective investment trusts	119.2	79.7	63.7
	\$ 292.4	\$ 230.4	\$ 233.8

INVESTMENT PERFORMANCE.

Strong investment performance and brand awareness is a key driver to attracting and retaining assets—and to our long-term success. The percentage of our U.S. mutual funds¹ (across primary share classes) that outperformed their comparable Morningstar median on a total return basis and that are in the top Morningstar quartile for the one-, three-, five-, and 10-years ended December 31, 2019, were:

	1 year	3 years	5 years	10 years
Outperformed Morningstar median ⁽²⁾				
All funds	64%	75%	80%	82%
Multi-asset funds	69%	85%	94%	95%
Top Morningstar quartile ⁽²⁾				
All funds	32%	45%	50%	55%
Multi-asset funds	36%	59%	65%	74%

(1) Excludes passive and fund categories not ranked by Morningstar.

(2) Source: © 2019 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Historically, the firm has disclosed the percentage of U.S. mutual funds (across all share classes) that outperformed their comparable Lipper averages on a total return basis and that are in the top Lipper quartile for the same periods. Investment performance results using the new measures are similar to the Lipper results.

In addition, 84% of our rated U.S. mutual funds' assets under management ended the quarter with an overall rating of four or five stars from Morningstar. The performance of our institutional strategies against their benchmarks remains competitive, especially over longer time periods.

RESULTS OF OPERATIONS.

The following table and discussion set forth information regarding our consolidated financial results for 2019, 2018 and 2017 on a U.S. GAAP basis as well as a non-GAAP basis. The non-GAAP basis adjusts for the impact of our consolidated T. Rowe Price investment products, the impact of market movements on the supplemental savings plan liability and related economic hedges, investment income related to certain other investments, and certain nonrecurring charges and gains.

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(in millions, except per-share data)				2019 compared with 2018		2018 compared with 2017	
	2019	2018	2017	\$ Change	% Change	\$ Change	% Change
U.S. GAAP basis							
Investment advisory fees	\$ 5,112.5	\$ 4,850.6	\$ 4,295.8	\$ 261.9	5.4 %	\$ 554.8	12.9 %
Net revenues	\$ 5,617.9	\$ 5,372.6	\$ 4,854.9	\$ 245.3	4.6 %	\$ 517.7	10.7 %
Operating expenses	\$ 3,230.9	\$ 3,011.2	\$ 2,746.1	\$ 219.7	7.3 %	\$ 265.1	9.7 %
Net operating income	\$ 2,387.0	\$ 2,361.4	\$ 2,108.8	\$ 25.6	1.1 %	\$ 252.6	12.0 %
Non-operating income ⁽¹⁾	\$ 540.3	\$ 23.2	\$ 396.3	\$ 517.1	n/m	\$ (373.1)	n/m
Net income attributable to T. Rowe Price Group	\$ 2,131.3	\$ 1,837.5	\$ 1,497.8	\$ 293.8	16.0 %	\$ 339.7	22.7 %
Diluted earnings per share on common share	\$ 8.70	\$ 7.27	\$ 5.97	\$ 1.43	19.7 %	\$ 1.30	21.8 %
Weighted average common shares outstanding assuming dilution	238.6	246.9	245.1	(8.3)	(3.4)%	1.8	.7 %
Adjusted non-GAAP basis⁽²⁾							
Operating expenses	\$ 3,149.8	\$ 3,025.5	\$ 2,777.7	\$ 124.3	4.1 %	\$ 247.8	8.9 %
Net income attributable to T. Rowe Price Group	\$ 1,975.6	\$ 1,807.4	\$ 1,361.1	\$ 168.2	9.3 %	\$ 446.3	32.8 %
Diluted earnings per share on common share	\$ 8.07	\$ 7.15	\$ 5.43	\$.92	12.9 %	\$ 1.72	31.7 %
Assets under management (in billions)							
Average assets under management	\$ 1,109.3	\$ 1,036.5	\$ 909.0	\$ 72.8	7.0 %	\$ 127.5	14.0 %
Ending assets under management	\$ 1,206.8	\$ 962.3	\$ 991.1	\$ 244.5	25.4 %	\$ (28.8)	(2.9)%

⁽¹⁾ The percentage change in non-operating income is not meaningful (n/m).

⁽²⁾ See the reconciliation to the comparable U.S. GAAP measures at the end of the Results of Operations section of this Management's Discussion and Analysis.

Results Overview

Investment advisory revenues. Investment advisory fees are earned based on the value and composition of our assets under management, which change based on fluctuations in financial markets and net cash flows. As our average assets under management increase or decrease in a given period, the level of our investment advisory fee revenue for that same period generally fluctuates in a similar manner. Our annualized effective fee rates can be impacted by market or cash flow related shifts among asset and share classes, price changes in existing products, and asset level changes in products with tiered-fee structures.

Investment advisory revenues earned in 2019 increased 5.4% over the comparable 2018 period as average assets under our management increased \$72.8 billion, or 7.0%, to \$1,109.3 billion. The average annualized fee rate earned on our assets under management was 46.1 basis points in 2019, compared with 46.8 basis points earned in 2018. Our effective fee rate has declined largely due to client transfers within the complex to lower fee vehicles or share classes over the last year and, to a lesser extent, fee reductions we made to certain mutual funds and other products since 2018. We regularly assess the competitiveness of our investment advisory fees and will continue to make adjustments as deemed appropriate.

In 2018, investment advisory revenues increased 12.9% over the comparable 2017 period as average assets under our management increased \$127.5 billion, or 14.0%, to \$1,036.5 billion. The average annualized fee rate earned on our assets under management was 46.8 basis points in 2018, compared with 47.3 basis points earned in 2017. Our effective fee rate declined in part due to client transfers within the complex to lower fee vehicles or share classes and, to a lesser extent, fee reductions we made to certain mutual funds and other products since 2017. Further

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contributing to our lower effective fee rate in 2018 was a greater percentage of our assets under management in lower fee products due to lower equity valuations in the fourth quarter of 2018.

Operating expenses. Operating expenses were \$3,230.9 million in 2019, an increase of 7.3% over the comparable 2018 period. The increase in operating expenses was primarily due to greater market-related compensation expense related to the supplemental savings plan liability, higher salaries and benefits, higher bonus and stock-based compensation expense and the cost of our continued strategic investments. The 2018 period also includes the non-recurring \$15.2 million reduction in operating expenses related to the conclusion of the Dell appraisal rights matter. The higher expense related to the supplemental savings plan in 2019 is partially offset by non-operating gains earned on the investments used to hedge the related liability.

For 2018, operating expenses were \$3,011.2 million as compared with \$2,746.1 million in the 2017 period. The increase in operating expenses was primarily due to our continued strategic investments and higher bonus and stock-based compensation, which were driven by our 2018 operating results.

On a non-GAAP basis, our operating expenses in 2019 increased 4.1% to \$3,149.8 million compared with 2018. In 2018, our non-GAAP operating expenses increased 8.9% to \$3,025.5 million compared with 2017. Our non-GAAP operating expenses exclude the impacts of our supplemental savings plan, investment income related to certain other investments, our consolidated T. Rowe Price investment products, and certain non-recurring items. See our non-GAAP reconciliations later in this Management's Discussion and Analysis section.

Our 2017 and 2018 operating expenses include certain financial impacts related to the Dell appraisal rights matter as further discussed in Note 14 to our consolidated financial statements. A summary of the financial impact of the Dell appraisal rights matter on our annual pre-tax operating expenses and pre-tax operating cash flows since the matter arose in 2016 is as follows:

(in millions)	Pre-tax operating expense (income)	Pre-tax operating cash inflows (outflows)
2016	\$ 66.2	\$ (166.2)
2017	(50.0)	150.0
2018	(15.2)	15.2
Total impact from Dell appraisal rights matter	\$ 1.0	\$ (1.0)

There was no operating expense or cash flows impact related to the Dell appraisal rights matter in 2019.

In 2020, we expect to advance our strategic priorities to sustain and deepen our investment talent, add investment capabilities both in terms of new strategies and new investment vehicles, expand capabilities through enhanced technology, and broaden our distribution reach globally. We currently expect our 2020 non-GAAP operating expenses to grow in the range of 6% to 9%. This expense growth guidance includes continued investments in the business and technology capabilities, our cost optimization efforts, and the final part of the phased implementation of paying for all third-party investment research. As such, 2020 operating expenses will reflect a full year of all third-party investment research costs globally. We could elect to adjust our expense growth should unforeseen circumstances arise, including significant market movements.

Operating margin. Our operating margin in 2019 was 42.5%, compared with 44.0% in 2018 and 43.4% in 2017. The decrease in our operating margin in 2019 compared with 2018 is primarily driven by the higher compensation expense growth related to our supplemental savings plan as compared with the percentage growth in net revenues during 2019. The increase in our operating margin in 2018 compared to 2017 was driven by the higher percentage growth in net revenue attributable primarily to increases in our average assets under management compared with the percentage growth in operating expenses.

Diluted earnings per share was \$8.70 in 2019, \$7.27 in 2018, and \$5.97 in 2017. The 19.7% increase in diluted earnings per share in 2019 compared to 2018 was primarily driven by higher non-operating income, the benefit realized from increased share buybacks, which lowered the weighted-average shares outstanding, and a lower effective tax rate. The 21.8% increase in diluted earnings per share in 2018 compared with 2017 was driven by higher operating income and the benefit realized from a lower corporate tax rate under U.S. Tax Reform.

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On a non-GAAP basis, diluted earnings per share were \$8.07 in 2019, \$7.15 in 2018, and \$5.43 in 2017. The 12.9% increase in non-GAAP diluted earnings per share in 2019 compared to 2018 was primarily driven by higher operating income, higher investment income earned on our cash and discretionary investment portfolio, and lower weighted-average shares outstanding. See our non-GAAP reconciliations later in this Management's Discussion and Analysis section.

Net revenues

(in millions)	2019	2018	2017	2019 compared with 2018		2018 compared with 2017	
				\$ Change	% Change	\$ Change	% Change
Investment advisory fees							
U.S. mutual funds	\$ 3,452.5	\$ 3,375.0	\$ 3,080.0	\$ 77.5	2.3 %	\$ 295.0	9.6 %
Subadvised and separate accounts and other investment products	1,660.0	1,475.6	1,215.8	184.4	12.5 %	259.8	21.4 %
	5,112.5	4,850.6	4,295.8	261.9	5.4 %	554.8	12.9 %
Administrative, distribution, and servicing fees							
Administrative fees	385.4	384.0	412.1	1.4	.4 %	(28.1)	(6.8)%
Distribution and servicing fees	120.0	138.0	147.0	(18.0)	(13.0)%	(9.0)	(6.1)%
	505.4	522.0	559.1	(16.6)	(3.2)%	(37.1)	(6.6)%
Net revenues	\$ 5,617.9	\$ 5,372.6	\$ 4,854.9	\$ 245.3	4.6 %	\$ 517.7	10.7 %

Investment advisory fees. Investment advisory fees are earned based on the value and composition of our assets under management, which change based on fluctuations in financial markets and net cash flows. As our average assets under management increase or decrease in a given period, the level of our investment advisory fee revenue for that same period generally fluctuates in a similar manner. The relationship between the change in average assets under management and the change in investment advisory fee revenue for 2019, 2018 and 2017 are presented below.

	2019 compared with 2018		2018 compared with 2017	
	Increase in average assets under management	Increase in investment advisory fees	Increase in average assets under management	Increase in investment advisory fees
U.S. mutual funds	3.0%	2.3%	9.4%	9.6%
Subadvised and separate accounts and other investment products	13.1%	12.5%	21.8%	21.4%
Total investment advisory fees	7.0%	5.4%	14.0%	12.9%

Market fluctuations and net cash flows can shift the asset and share class mix among different fee rates and products including those with tiered-fee structures. Over the last few years, we have also reduced the management fees of certain products.

While equity markets outperformed fixed income markets in 2019 and resulted in a shift of the U.S. mutual fund average asset mix to higher fee equity products over 2018, lower incremental fee tiered rates and certain fund price reductions created lower incremental revenues. Strong market returns in 2019 and U.S. mutual fund to trust transfers have primarily increased average assets under management for our subadvised and separate accounts and other products. However, lower incremental fee rates on higher average assets and growth in lower fee share classes resulted in slower revenue growth in 2019 over 2018.

In 2018, investment advisory fees earned on our subadvised and separate accounts and other investment products grew slower relative to average assets under management as a result of the significant client transfers from mutual funds to lower fee vehicles.

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Administrative, distribution, and servicing fees. Administrative, distribution, and servicing fees represent fees earned from providing administrative and distribution services to our investment advisory clients, primarily U.S. mutual funds and their investors. For 2019, these fees were \$505.4 million, a decrease of \$16.6 million from the comparable 2018 period. The decrease was primarily attributable to lower 12b-1 revenue earned on certain share classes, including the Advisor and R classes, of the U.S. mutual funds as client transfers to lower fee vehicles and share classes has reduced assets under management in these share classes. The decrease in 12b-1 revenue is offset entirely by a reduction in the costs paid to third-party intermediaries that source these assets and is reported in distribution and servicing expense. In addition, higher recordkeeping fees and transaction fees were partially offset by lower mutual fund service revenues.

For 2018, administrative, distribution, and servicing fees were \$522.0 million, a decrease of \$37.1 million from the comparable 2017 period. The decrease was primarily attributable to lower assets under management in the U.S. mutual funds resulting from client transfers among vehicles and share classes and the sharp market decline at the end of 2018.

Net revenues include the elimination of \$6.8 million for 2019, \$6.2 million for 2018, and \$5.6 million for 2017, earned from our consolidated T. Rowe Price investment products. The corresponding expenses recognized by these consolidated products were also eliminated from operating expenses.

Operating expenses

(in millions)				2019 compared with 2018		2018 compared with 2017	
	2019	2018	2017	\$ Change	% Change	\$ Change	% Change
Compensation and related costs	\$ 1,969.2	\$ 1,808.6	\$ 1,664.9	\$ 160.6	8.9 %	\$ 143.7	8.6%
Distribution and servicing costs	262.5	281.2	262.6	(18.7)	(6.7)%	18.6	7.1%
Advertising and promotion	96.8	99.6	92.4	(2.8)	(2.8)%	7.2	7.8%
Product-related costs	153.2	157.1	146.0	(3.9)	(2.5)%	11.1	7.6%
Technology, occupancy, and facility costs	427.3	383.9	350.5	43.4	11.3 %	33.4	9.5%
General, administrative, and other	321.9	296.0	279.7	25.9	8.8 %	16.3	5.8%
Nonrecurring net recoveries related to Dell appraisal rights matter ⁽¹⁾	—	(15.2)	(50.0)	15.2	n/m	34.8	n/m
Total operating expenses	\$ 3,230.9	\$ 3,011.2	\$ 2,746.1	\$ 219.7	7.3 %	\$ 265.1	9.7%

⁽¹⁾ The percentage change in nonrecurring net recoveries related to Dell appraisal rights matter is not meaningful (n/m).

Compensation and related costs. Compensation and related costs increased \$160.6 million, or 8.9%, for 2019 as compared with 2018. Nearly half of the increase in compensation and related costs is attributable to \$78.8 million in higher expense related to our supplemental savings plan given the strong equity market returns experienced in 2019 compared with the sharp equity market declines in late 2018. The higher expense related to the supplemental savings plan is partially offset by the non-operating gains earned on the investments used to economically hedge the related liability. We also experienced increases in base salaries, benefits, and related employee costs, of \$66.0 million as our average staff size grew 3.1% in 2019 and we modestly increased base salaries at the beginning of 2019. Our 2019 operating results led to a \$28.8 million increase in annual variable compensation, primarily bonus compensation, as well as a \$9.5 million increase in non-cash stock-based compensation expense. These increases in compensation and related costs were offset in part by the absence of the one-time \$9.0 million bonus paid to certain associates in the second quarter of 2018 and \$10.0 million in higher labor capitalization related to internally developed software in 2019.

For 2018, compensation and related costs increased \$143.7 million, or 8.6%, as compared with 2017. The largest part of the increase was an increase base salaries, benefits and related employee costs of \$77.1 million, resulting from an increase of 6.2% in average headcount, combined with a modest increase in salaries at the beginning of 2018. Our operating results led to a \$68.0 million increase in variable compensation and contributed to the \$45.0 million increase in non-cash stock-based compensation expense as the annual grant value was higher in 2018. Additionally, our 2018 equity grant reflected the adoption of more favorable post-retirement vesting provisions, which shifted a greater percentage of the expense related to the annual grant to be recognized for 2018. The 2018

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period also included \$9.0 million in one-time bonuses paid to certain associates from U.S. tax reform benefits. These increases were partially offset by lower market-related expense of \$30.3 million from our supplemental savings plan and higher labor capitalization related to internally developed software.

Distribution and servicing costs. Distribution and servicing costs includes those costs incurred to distribute the T. Rowe Price products as well as client and shareholder servicing, recordkeeping, and administrative services. Distribution and servicing costs were \$262.5 million for 2019, a decrease of \$18.7 million, or 6.7%, compared to 2018. The decrease for 2019 from 2018 was primarily driven by client transfers, largely from Advisor and R classes, to lower fee vehicles or share classes during 2019, which resulted in lower assets under management in those mutual funds on which we pay distribution and servicing costs. These costs include those distribution and servicing costs paid to third-party intermediaries that source the assets of certain share classes of our U.S. mutual funds and is offset entirely by the 12b-1 revenue we earn and report in administrative, distribution, and servicing fees.

Distribution and servicing costs were \$281.2 million for 2018, an increase of \$18.6 million, or 7.1%, compared with 2017. The increase was primarily driven by overall strong markets and net cash flows from the end of 2017 through the third quarter of 2018, which grew the assets in those share classes and products for which we pay a related distribution and servicing fee.

Advertising and promotion. Advertising and promotion costs were \$96.8 million for 2019, a decrease of \$2.8 million, or 2.8%, compared with 2018. The decrease for 2019 from 2018 was primarily driven by the absence in 2019 of the creation and launch of a media advertising campaign in 2018.

Advertising and promotion costs were \$99.6 million for 2018, an increase of \$7.2 million, or 7.8%, compared with 2017. The increase in advertising and promotion costs for 2018 from 2017 is primarily driven by the creation and launch of a media advertising campaign in 2018.

Product-related costs. Product-related costs consists of non-advisory related costs that we incur to service certain T. Rowe Price products. Product-related costs were \$153.2 million for 2019, a decrease of \$3.9 million, or 2.5%, compared with 2018. The decrease is primarily due to lower costs incurred to provide administrative services to the U.S. mutual funds, partially offset by higher operating costs of our collective investment trusts as client transfers have increased the number of trusts and their average net assets over the last year.

Product-related costs were \$157.1 million for 2018, an increase of \$11.1 million, or 7.6%, compared with 2017. The increase is primarily due to higher operating costs of our collective investment trusts as client transfers have increased the number of trusts and their average net assets over the last year. Also contributing to the increase were higher costs incurred to provide administrative services to the U.S. mutual funds.

Technology, occupancy, and facility costs. Technology, occupancy, and facility costs consists of depreciation expense, technology equipment and maintenance, software, and costs related to our facilities. These costs were \$427.3 million for 2019, \$383.9 million for 2018, and \$350.5 million for 2017. The increases over the last two years were due primarily to additional incremental investment in our technology capabilities, including related depreciation and hosted solution licenses, as well as office expansion costs. The 2019 year also included certain non-recurring office facility costs that were recognized in the fourth quarter.

General, administrative, and other costs. General, administrative, and other costs consist of costs associated with the overall management of the firm, including information services, professional services, travel and entertainment, research costs, and other general operating expenses. These costs were \$321.9 million for 2019, \$296.0 million for 2018, and \$279.7 million for 2017. The increases for 2019 from 2018 and for 2018 from 2017 were a result of our continued investment in our strategic initiatives, higher third-party investment research costs, and other growing operational and regulatory demands on the business.

Non-operating income

Net non-operating investment income increased \$517.1 million for the year ended December 31, 2019 compared with 2018 and decreased \$373.1 million for the year ended December 31, 2018 compared with 2017. Net non-operating investment activity for the years ended December 31, 2019, 2018 and 2017 comprised the following:

(in millions)				2019 compared with	2018 compared with
	2019	2018	2017	2018	2017
				\$ Change	\$ Change
Net gains (losses) from non-consolidated T. Rowe Price investment products					
Cash and discretionary investments					
Dividend income	\$ 67.6	\$ 48.8	\$ 15.2	\$ 18.8	\$ 33.6
Market related gains (losses) and equity in earnings	58.4	(16.0)	1.3	74.4	(17.3)
Seed capital investments					
Dividend income	2.3	3.9	7.0	(1.6)	(3.1)
Market related gains (losses) and equity in earnings	42.7	(22.5)	54.8	65.2	(77.3)
Net realized gains on dispositions of available-for-sale investments	—	—	83.1	—	(83.1)
Net gain (loss) recognized upon deconsolidation	.1	3.6	.1	(3.5)	3.5
Investments used to hedge the supplemental savings plan liability	67.9	(6.1)	12.3	74.0	(18.4)
Total net gains from non-consolidated T. Rowe Price investment products	239.0	11.7	173.8	227.3	(162.1)
Other investment income	21.4	107.5	24.5	(86.1)	83.0
Net gains on investments	260.4	119.2	198.3	141.2	(79.1)
Net gains on consolidated sponsored investment portfolios	272.9	(92.9)	193.9	365.8	(286.8)
Other income (loss), including foreign currency gains and losses	7.0	(3.1)	4.1	10.1	(7.2)
Non-operating income	\$ 540.3	\$ 23.2	\$ 396.3	\$ 517.1	\$ (373.1)

During 2019, non-operating income reflected the sharp market returns which resulted in significant unrealized gains on our investment portfolio, including our consolidated investment portfolios, compared with losses in 2018. Partially offsetting the market increases was the absence in 2019 of the realized gain from the sale of our 10% holding in Daiwa SB Investments Ltd. that was recognized in 2018. Our cash and discretionary investments generated income of \$126.0 million in 2019 as compared to \$32.8 million in 2018.

During 2018, non-operating income included the impact of sharp market declines in the later part of 2018, which resulted in unrealized losses on our investment portfolio, including our consolidated products, compared with unrealized gains recognized during 2017. Partially offsetting these losses was the recognition during 2018 of a realized gain in other investment income associated with the sale of our 10% holding in Daiwa SB Investments Ltd. Additionally, on January 1, 2018, we implemented new accounting guidance that eliminated the available-for-sale investment category for equity securities. As a result of this change, realized gains of \$83.1 million from the sale of certain available-for-sale investments recognized in 2017 did not reoccur in 2018.

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The impact of consolidating certain T. Rowe Price investment products on the individual lines of our consolidated statements of income for 2019, 2018, and 2017 is as follows:

(in millions)				2019 compared with	2018 compared with
	2019	2018	2017	2018	2017
				\$ Change	\$ Change
Operating expenses reflected in net operating income	\$ (14.7)	\$ (12.7)	\$ (12.3)	\$ (2.0)	\$ (.4)
Net investment income (loss) reflected in non-operating income	272.9	(92.9)	193.9	365.8	(286.8)
Impact on income before taxes	<u>\$ 258.2</u>	<u>\$ (105.6)</u>	<u>\$ 181.6</u>	<u>\$ 363.8</u>	<u>\$ (287.2)</u>
Net income (loss) attributable to our interest in the consolidated T. Rowe Price investment products	\$ 140.6	\$ (36.8)	\$ 98.2	\$ 177.4	\$ (135.0)
Net income (loss) attributable to redeemable non-controlling interests (unrelated third-party investors)	117.6	(68.8)	83.4	186.4	(152.2)
Impact on income before taxes	<u>\$ 258.2</u>	<u>\$ (105.6)</u>	<u>\$ 181.6</u>	<u>\$ 363.8</u>	<u>\$ (287.2)</u>

Provision for income taxes

Our effective tax rate for 2019 was 23.2%, compared with 25.8% for 2018 and 36.9% for 2017. The decrease in our effective tax rate in 2019 from 2018 was primarily due to higher net income attributable to redeemable non-controlling interests related to our consolidated T. Rowe Price investment products, as these earnings are not taxable to us, as well as a lower state tax rate from the Maryland state legislation in 2018, and the absence in 2019 of the 2018 nonrecurring charges related to the enactment of U.S. tax reform. The decrease in our effective tax rate in 2018 from 2017 was primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% on January 1, 2018 following the enactment on December 22, 2017, of a comprehensive U.S. tax reform bill known as the Tax Cuts and Jobs Act ("Tax Reform"). For 2018 and 2017, the income tax provision includes nonrecurring charges of \$20.8 million and \$71.1 million, respectively, related to the enactment of U.S. tax reform as we adjusted our deferred tax asset and liability estimates.

On April 24, 2018, the state of Maryland enacted new state tax legislation. This new state tax legislation, effective in 2018, adopted a five-year phase-in of the single sales factor method of apportionment for calculating income tax for multi-state companies doing business in Maryland and is expected to result in a net benefit over time. Accordingly, we recognized a nonrecurring charge of \$7.9 million during 2018 for the re-measurement of our deferred tax assets and liabilities to reflect the effect of this Maryland state tax legislation. Based on information currently available, we expect that the Maryland state tax legislation will reduce our effective state tax rate over the five-year phase-in period to less than 3%.

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The following table reconciles the statutory federal income tax rate to our effective tax rate for the years ended December 31, 2019, 2018, and 2017:

	2019	2018	2017
Statutory U.S. federal income tax rate	21.0 %	21.0 %	35.0 %
Impact of nonrecurring charge relating to U.S. tax reform	—	.8	2.9
Impact of nonrecurring charge related to Maryland state tax legislation	—	.3	—
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	4.3	4.6	3.9
Net income attributable to redeemable non-controlling interests	(1.0)	.7	(1.3)
Net excess tax benefits from stock-based compensation plans activity	(1.5)	(1.7)	(3.0)
Other items	.4	.1	(.6)
Effective income tax rate	23.2 %	25.8 %	36.9 %

⁽¹⁾ State income tax benefits are reflected in the total benefits for net income attributable to redeemable non-controlling interests and stock-based compensation plans activity.

Our effective tax rate will continue to experience volatility in future periods as the tax benefits recognized from stock-based compensation are impacted by market fluctuations in our stock price and timing of option exercises. The rate will also be impacted by changes in our consolidated investment products that are driven by market fluctuations and changes in the proportion of their net income that is attributable to non-controlling interests. We currently estimate our effective tax rate for the full-year 2020 will be in the range of 23% to 26%.

NON-GAAP INFORMATION AND RECONCILIATION.

We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results. These measures have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. However, non-GAAP financial measures should not be considered a substitute for financial measures calculated in accordance with U.S. GAAP and may be calculated differently by other companies.

The following schedules reconcile certain U.S. GAAP financial measures for each of the last five years.

(in millions)	2019					
	Operating expenses	Net operating income	Non-operating income	Provision (benefit) for income taxes ⁽⁷⁾	Net income attributable to T. Rowe Price Group	Diluted earnings per share ⁽⁸⁾
U.S. GAAP Basis	\$ 3,230.9	\$ 2,387.0	\$ 540.3	\$ 678.4	\$ 2,131.3	\$ 8.70
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(7.9)	14.7	(272.9)	(35.7)	(104.9)	(.42)
Supplemental savings plan liability ⁽²⁾	(73.2)	73.2	(67.9)	1.3	4.0	.02
Other non-operating income ⁽³⁾	—	—	(73.5)	(18.7)	(54.8)	(.23)
Adjusted Non-GAAP Basis	<u>\$ 3,149.8</u>	<u>\$ 2,474.9</u>	<u>\$ 126.0</u>	<u>\$ 625.3</u>	<u>\$ 1,975.6</u>	<u>\$ 8.07</u>

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2018						
(in millions)	Operating expenses	Net operating income	Non-operating income	Provision (benefit) for income taxes ⁽⁷⁾	Net income attributable to T. Rowe Price Group	Diluted earnings per share ⁽⁸⁾
U.S. GAAP Basis	\$ 3,011.2	\$ 2,361.4	\$ 23.2	\$ 615.9	\$ 1,837.5	\$ 7.27
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(6.5)	12.7	92.9	6.5	30.3	.12
Supplemental savings plan liability ⁽²⁾	5.6	(5.6)	6.1	.1	.4	—
Other non-operating income ⁽³⁾	—	—	(93.7)	(16.7)	(77.0)	(.30)
Nonrecurring charge related to enactment of U.S. tax reform ⁽⁴⁾	—	—	—	(20.8)	20.8	.08
Nonrecurring charge related to enactment of Maryland state tax legislation ⁽⁵⁾	—	—	—	(7.9)	7.9	.03
Nonrecurring net charge (recoveries) related to Dell appraisal rights matter ⁽⁶⁾	15.2	(15.2)	—	(2.7)	(12.5)	(.05)
Adjusted Non-GAAP Basis	\$ 3,025.5	\$ 2,353.3	\$ 28.5	\$ 574.4	\$ 1,807.4	\$ 7.15
2017						
(in millions)	Operating expenses	Net operating income	Non-operating income	Provision (benefit) for income taxes ⁽⁷⁾	Net income attributable to T. Rowe Price Group	Diluted earnings per share ⁽⁸⁾
U.S. GAAP Basis	\$ 2,746.1	\$ 2,108.8	\$ 396.3	\$ 923.9	\$ 1,497.8	\$ 5.97
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(6.7)	12.3	(193.9)	(37.8)	(60.3)	(.24)
Supplemental savings plan liability ⁽²⁾	(11.7)	11.7	(12.3)	(.3)	(.4)	—
Other non-operating income ⁽³⁾	—	—	(190.1)	(73.4)	(116.7)	(.46)
Nonrecurring charge related to enactment of U.S. tax reform ⁽⁴⁾	—	—	—	(71.1)	71.1	.28
Nonrecurring net charge (recoveries) related to Dell appraisal rights matter ⁽⁶⁾	50.0	(50.0)	—	(19.6)	(30.4)	(.12)
Adjusted Non-GAAP Basis	\$ 2,777.7	\$ 2,082.8	\$ —	\$ 721.7	\$ 1,361.1	\$ 5.43
2016						
(in millions)	Operating expenses	Net operating income	Non-operating income	Provision (benefit) for income taxes ⁽⁷⁾	Net income attributable to T. Rowe Price Group	Diluted earnings per share ⁽⁸⁾
U.S. GAAP Basis	\$ 2,551.4	\$ 1,733.4	\$ 227.1	\$ 706.5	\$ 1,215.0	\$ 4.75
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(6.5)	13.0	(121.1)	(27.1)	(42.0)	(.16)
Other non-operating income ⁽³⁾	—	—	(106.0)	(41.7)	(64.3)	(.25)
Nonrecurring net charge (recoveries) related to Dell appraisal rights matter ⁽⁶⁾	(66.2)	66.2	—	26.0	40.2	.15
Adjusted Non-GAAP Basis	\$ 2,478.7	\$ 1,812.6	\$ —	\$ 663.7	\$ 1,148.9	\$ 4.49

(in millions)	2015					
	Operating expenses	Net operating income	Non-operating income	Provision (benefit) for income taxes ⁽⁷⁾	Net income attributable to T. Rowe Price Group	Diluted earnings per share ⁽⁸⁾
U.S. GAAP Basis	\$ 2,301.7	\$ 1,898.9	\$ 103.5	\$ 779.4	\$ 1,223.0	\$ 4.63
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	—	—	(1.5)	(.6)	(.9)	(.01)
Other non-operating income ⁽³⁾	—	—	(102.0)	(40.2)	(61.8)	(.23)
Adjusted Non-GAAP Basis	<u>\$ 2,301.7</u>	<u>\$ 1,898.9</u>	<u>\$ —</u>	<u>\$ 738.6</u>	<u>\$ 1,160.3</u>	<u>\$ 4.39</u>

- (1) These non-GAAP adjustments remove the impact the consolidated T. Rowe Price investment products have on our U.S. GAAP consolidated statements of income. Specifically, we add back the operating expenses and subtract the investment income of the consolidated T. Rowe Price investment products. The adjustment to our operating expenses represents the operating expenses of the consolidated products, net of the elimination of related management and administrative fees. The adjustment to net income attributable to T. Rowe Price Group represents the net income of the consolidated products, net of redeemable non-controlling interest. We remove the impact of the consolidated T. Rowe Price investment products as we believe they impact the reader's ability to understand our core operating results.
- (2) These non-GAAP adjustments remove the compensation expense from market valuation changes in the supplemental savings plan liability and the related net gains (losses) on investments designated as an economic hedge against the related liability. Amounts deferred under the supplemental savings plan are adjusted for appreciation (depreciation) of hypothetical investments chosen by participants. We use T. Rowe Price investment products to economically hedge the exposure to these market movements. We believe it is useful to offset the non-operating investment income (loss) realized on the hedges against the related compensation expense and remove the net impact to help the reader's ability to understand our core operating results and to increase comparability period to period.
- (3) This non-GAAP adjustment represents the other non-operating income (loss) and the net gains (losses) earned on our non-consolidated investment portfolio that are not designated as economic hedges of the supplemental savings plan liability, and, beginning in the second quarter of 2018, non-consolidated seed investments and other investments that are not part of the cash and discretionary investment portfolio. In the second quarter of 2018, we decided to retain the investment gains recognized on our non-consolidated cash and discretionary investments as these assets and related income (loss) are considered part of our core operations. The impact on previously reported non-GAAP measures is immaterial. We believe adjusting for these non-operating income (loss) items helps the reader's ability to understand our core operating results and increases comparability to prior years. Additionally, we do not emphasize the impact of the portion of non-operating income (loss) removed when managing and evaluating our core performance.
- (4) During the second quarter of 2018, we recognized a nonrecurring charge of \$20.8 million for an adjustment made to the charge taken in 2017 related to the enactment of U.S. tax reform. We believe it is useful to readers of our consolidated statements of income to adjust for this nonrecurring charge in arriving at net income attributable to T. Rowe Price Group and diluted earnings per share.
- (5) During the second quarter of 2018, we recognized a nonrecurring charge of \$7.9 million for the remeasurement of our deferred tax assets and liabilities to reflect the effect of Maryland state tax legislation enacted on April 24, 2018. We believe it is useful to readers of our consolidated statements of income to adjust for this nonrecurring charge in arriving at net income attributable to T. Rowe Price Group and diluted earnings per share.
- (6) In 2016, we recognized a nonrecurring charge, net of insurance recoveries, of \$66.2 million related to our decision to compensate certain clients in regard to the Dell appraisal rights matter. In 2017, we recognized additional insurance recoveries of \$50 million as a reduction in operating expenses. During 2018, we recognized an additional reduction in operating expenses of \$15.2 million upon recovering a portion of the payments we made to our clients in 2016. We believe it is useful to our readers of our consolidated statements of income to adjust for these charges and nonrecurring recoveries in arriving at adjusted operating expenses, net operating income, provision for income taxes, net income attributable to T. Rowe Price Group and diluted earnings per share.

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- (7) The income tax impacts were calculated in order to achieve an overall non-GAAP effective tax rate of 24.0% for 2019, 24.1% for 2018, 34.7% for 2017, 36.6% for 2016, and 38.9% for 2015. We estimate that our effective tax rate for the full-year 2020 on a non-GAAP basis will be in the range of 23.5% to 25.5%.
- (8) This non-GAAP measure was calculated by applying the two-class method to adjusted net income attributable to T. Rowe Price Group divided by the weighted-average common shares outstanding assuming dilution. The calculation of net income allocated to common stockholders is as follows:

(in millions)	Year ended				
	2019	2018	2017	2016	2015
Adjusted net income attributable to T. Rowe Price Group	\$ 1,975.6	\$ 1,807.4	\$ 1,361.1	\$ 1,148.9	\$ 1,160.3
Less: net income allocated to outstanding restricted stock and stock unit holders	50.9	42.5	30.5	24.2	15.2
Adjusted net income allocated to common stockholders	<u>\$ 1,924.7</u>	<u>\$ 1,764.9</u>	<u>\$ 1,330.6</u>	<u>\$ 1,124.7</u>	<u>\$ 1,145.1</u>

CAPITAL RESOURCES AND LIQUIDITY.

During 2019, stockholders' equity increased from \$6.1 billion to \$7.1 billion. Tangible book value increased to \$6.4 billion at December 31, 2019.

Sources of Liquidity

We remain debt-free with ample liquidity, including cash and investments in T. Rowe Price products as follows:

(in millions)	12/31/2019	12/31/2018
Cash and cash equivalents	\$ 1,781.8	\$ 1,425.2
Discretionary investments	1,899.6	1,597.1
Total cash and discretionary investments	3,681.4	3,022.3
Redeemable seed capital investments	1,325.6	1,118.9
Investments used to hedge the supplemental savings plan liability	561.1	381.3
Total cash and investments in T. Rowe Price products	<u>\$ 5,568.1</u>	<u>\$ 4,522.5</u>

Our discretionary investment portfolio is comprised primarily of short duration bond funds, which typically yield higher than money market rates, and asset allocation products. Cash and discretionary investments generated income of \$126.0 million in 2019 as compared to \$32.8 million in 2018. Cash and discretionary investments in T. Rowe Price products held by our subsidiaries outside the U.S. were \$665.8 million at December 31, 2019, and \$634.5 million at December 31, 2018. Given the availability of our financial resources and cash expected to be generated through future operations, we do not maintain an available external source of additional liquidity.

Our seed capital investments are redeemable, although we generally expect to be invested for several years for the products to build an investment performance history and until unrelated third-party investors substantially reduce our relative ownership percentage.

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The cash and investment presentation on the consolidated balance sheet is based on how we account for the cash or investment. The following table details how T. Rowe Price Group's interests in cash and T. Rowe Price investment products relate to where they are presented in the consolidated balance sheet as of December 31, 2019.

(in millions)	Cash and cash equivalents	Investments	Net assets of consolidated T. Rowe Price investment products *	12/31/2019
Cash and discretionary investments	\$ 1,781.8	\$ 1,831.8	\$ 67.8	\$ 3,681.4
Seed capital investments	—	276.7	1,048.9	1,325.6
Investments used to hedge the supplemental savings plan liability	—	561.1	—	561.1
Total cash and investments in T. Rowe Price products attributable to T. Rowe Price Group	1,781.8	2,669.6	1,116.7	5,568.1
Investment in UTI and other investments	—	270.2	—	270.2
Total cash and investments attributable to T. Rowe Price Group	1,781.8	2,939.8	1,116.7	5,838.3
Redeemable non-controlling interests	—	—	1,121.0	1,121.0
As reported on unaudited condensed consolidated balance sheet at December 31, 2019	\$ 1,781.8	\$ 2,939.8	\$ 2,237.7	\$ 6,959.3

* Net assets of consolidated T. Rowe Price investment products of \$2,237.7 million at December 31, 2019, include assets of \$2,276.9 million less liabilities of \$39.2 million as reflected in the consolidated balance sheet in Item 8. Financial Statements and Supplementary Data of this Form 10-K.

Our consolidated balance sheet reflects the cash and cash equivalents, investments, other assets and liabilities of those T. Rowe Price investment products we consolidate, as well as redeemable non-controlling interests for the portion of these T. Rowe Price investment products that are held by unrelated third-party investors. Although we can redeem our net interest in these T. Rowe Price investment products at any time, we cannot directly access or sell the assets held by the products to obtain cash for general operations. Additionally, the assets of these T. Rowe Price investment products are not available to our general creditors. Our interest in these T. Rowe Price investment products was used as initial seed capital and is recategorized as discretionary when it is determined by management that the seed capital is no longer needed. We assess the discretionary products and, when we decide to liquidate our interest, we seek to do so in a way as to not impact the product and, ultimately, the unrelated third-party investors.

Uses of Liquidity

We paid \$3.04 per share in regular dividends in 2019, an increase of 8.6% over the \$2.80 per share paid in 2018. Additionally, we expended \$708.8 million in 2019 to repurchase 7.0 million shares, or 2.9%, of our outstanding common stock at an average price of \$101.65 per share. These dividends and repurchases were expended using existing cash balances and cash generated from operations. We will generally repurchase our common stock over time to offset the dilution created by our equity-based compensation plans.

Since the end of 2016, we have returned \$4.3 billion to stockholders through stock repurchases and our regular quarterly dividends, as follows:

(in millions)	Recurring dividend	Stock repurchases	Total cash returned to stockholders
2017	\$ 562.6	\$ 458.1	\$ 1,020.7
2018	694.7	1,099.6	1,794.3
2019	733.6	708.8	1,442.4
Total	\$ 1,990.9	\$ 2,266.5	\$ 4,257.4

We anticipate property and equipment expenditures for the full-year 2020 to be up to \$210 million, of which about three-quarters is planned for technology initiatives. We expect to fund our anticipated capital expenditures with operating cash flows and other available resources.

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The following tables summarize the cash flows for 2019, 2018 and 2017, that are attributable to T. Rowe Price Group, our consolidated T. Rowe Price investment products, and the related eliminations required in preparing the statement.

(in millions)	2019			
	Cash flow attributable to:			
	T. Rowe Price Group	Consolidated T. Rowe Price investment products	Elims	As reported
Cash flows from operating activities				
Net income	\$ 2,131.3	\$ 258.2	\$ (140.6)	\$ 2,248.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation, amortization and impairments of property and equipment	190.8	—	—	190.8
Stock-based compensation expense	206.6	—	—	206.6
Net gains recognized on investments	(316.9)	—	140.6	(176.3)
Net investments in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	(126.0)	—	—	(126.0)
Net change in trading securities held by consolidated T. Rowe Price investment products		(930.9)	—	(930.9)
Other changes in assets and liabilities	116.5	1.9	(8.8)	109.6
Net cash provided by (used in) operating activities	2,202.3	(670.8)	(8.8)	1,522.7
Net cash provided by (used in) investing activities	(489.3)	(18.4)	183.2	(324.5)
Net cash provided by (used in) financing activities	(1,356.4)	698.1	(174.4)	(832.7)
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(2.5)	—	(2.5)
Net change in cash and cash equivalents during period	356.6	6.4	—	363.0
Cash and cash equivalents at beginning of year	1,425.2	70.1	—	1,495.3
Cash and cash equivalents at end of period	\$ 1,781.8	\$ 76.5	\$ —	\$ 1,858.3

(in millions)	2018			
	Cash flow attributable to:			
	T. Rowe Price Group	Consolidated T. Rowe Price investment products	Elims	As reported
Cash flows from operating activities				
Net income	\$ 1,837.5	\$ (105.6)	\$ 36.8	\$ 1,768.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation, amortization and impairments of property and equipment	159.5	—	—	159.5
Stock-based compensation expense	197.1	—	—	197.1
Net gains recognized on investments	(13.7)	—	(36.8)	(50.5)
Net investments in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	(129.5)	—	—	(129.5)
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(437.0)	—	(437.0)
Other changes in assets and liabilities	127.2	(6.5)	(9.1)	111.6
Net cash provided by (used in) operating activities	2,178.1	(549.1)	(9.1)	1,619.9
Net cash provided by (used in) investing activities	(945.7)	(23.8)	94.0	(875.5)
Net cash provided by (used in) financing activities	(1,709.9)	555.3	(84.9)	(1,239.5)
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(15.4)	—	(15.4)
Net change in cash and cash equivalents during period	(477.5)	(33.0)	—	(510.5)
Cash and cash equivalents at beginning of year	1,902.7	103.1	—	2,005.8
Cash and cash equivalents at end of period	\$ 1,425.2	\$ 70.1	\$ —	\$ 1,495.3

	2017			
	Cash flow attributable to:			
(in millions)	T. Rowe Price Group	Consolidated T. Rowe Price investment products	Elims	As reported
Cash flows from operating activities				
Net income	\$ 1,497.8	\$ 181.6	\$ (98.2)	\$ 1,581.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation, amortization and impairments of property and equipment	143.6	—	—	143.6
Stock-based compensation expense	152.0	—	—	152.0
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(83.1)	—	—	(83.1)
Gains recognized upon transfer of an investment in a T. Rowe Price mutual fund from available-for-sale to held as trading	(23.6)	—	—	(23.6)
Net gains recognized on investments	(147.9)	—	98.2	(49.7)
Net investments in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	(218.6)	—	—	(218.6)
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(1,492.9)	—	(1,492.9)
Other changes in assets and liabilities	231.6	(4.0)	(7.0)	220.6
Net cash provided by (used in) operating activities	1,551.8	(1,315.3)	(7.0)	229.5
Net cash provided by (used in) investing activities	(33.9)	(64.2)	137.1	39.0
Net cash Provided by (used in) financing activities	(820.1)	1,411.7	(130.1)	461.5
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	5.3	—	5.3
Net change in cash and cash equivalents during period	697.8	37.5	—	735.3
Cash and cash equivalents at beginning of year	1,204.9	65.6	—	1,270.5
Cash and cash equivalents at end of period	\$ 1,902.7	\$ 103.1	\$ —	\$ 2,005.8

Operating activities

Operating activities attributable to T. Rowe Price Group during 2019 provided cash flows of \$2,202.3 million, an increase of \$24.2 million from the 2018 period. Operating cash flows increased by \$334.6 million on higher net income after adjusting for significant non-cash activity including depreciation expense and stock-based compensation expense. This increase was offset in part by higher market gains on investments of \$303.2 million due to stronger equity market returns compared to 2018. During 2019, we invested an additional \$126.0 million in certain investment products that act as an economic hedge of our supplemental savings plan liability. This level of investment is comparable to the amount invested in 2018. Timing differences on the cash settlement of our assets and liabilities also increased operating cash flows by \$10.7 million. The remaining change in reported cash flows from operating activities was attributable to the net change in trading securities held in our consolidated investment products' underlying portfolios.

Operating activities attributable to T. Rowe Price Group during 2018 provided cash flows of \$2,178.1 million, an increase of \$626.3 million from the 2017 period. The increase in these operating cash flows was driven by \$641.6 million of higher net income after adjusting for significant non-cash activity including depreciation expense, stock-based compensation expense and market gains on investments. Adjustments for market gains on investments decreased during 2018 in part due to a change in accounting guidance that we adopted on January 1, 2018. The remaining decrease in investment gain activity is due to lower gains as a result of weaker equity markets in 2018 compared with 2017. Additionally, during 2017, we invested \$218.6 million into certain investment products to establish an economic hedge of our supplemental savings plan liability and invested an additional \$129.5 million in 2018 in order to maintain it. The remaining \$104.4 million decrease in operating cash flows attributable to T. Rowe Price Group relates to timing differences on the cash settlement of our assets and liabilities, including the settlement of insurance receivables during 2017 related to the Dell appraisal rights matter. The remaining change in reported cash flows from operating activities was attributable to the net change in trading securities held in our consolidated investment products' underlying portfolios.

Investing activities

Net cash used in investing activities that are attributable to T. Rowe Price Group totaled \$489.3 million in 2019, a decrease of \$456.4 million compared with 2018. During 2018, we rebalanced our cash and discretionary investments portfolio resulting in the reallocation of cash and cash equivalents of \$1.0 billion to certain T. Rowe Price fixed income funds. Such rebalancing did not recur in 2019. Excluding the impact of the reallocation in 2018, there were net purchases of discretionary investment products of \$108.3 million during 2019, compared to net proceeds of \$228.4 million. Also contributing to the decrease in 2019 reported cash flows used in investing activities were higher property and equipment expenditures of \$36.1 million, an \$89.2 million increase in the level of seed capital provided, and the absence of the proceeds from the sale of our 10% interest in Daiwa SB Investments Ltd. received in 2018 and included in other investing activity. Since we consolidate the seed capital in T. Rowe Price investment products, our seed capital was eliminated in preparing our consolidated statement of cash flows.

Net cash used in investing activities that are attributable to T. Rowe Price Group totaled \$945.7 million in 2018, an increase of \$911.8 million from the comparable 2017 period. During 2018, we rebalanced our cash and discretionary investments portfolio resulting in the reallocation of cash and cash equivalents of \$1.0 billion to certain T. Rowe Price funds. Excluding these reallocations, net purchases of other discretionary investment products decreased \$65.3 million during 2018 compared with 2017. These changes in investing cash flows during 2018 compared with 2017 were offset by a \$43.1 million decrease in seed capital provided, a \$17.6 million decrease in property and equipment expenditures, and a \$95.8 million change in other investing activity, primarily relating to the sale of our 10% interest in Daiwa SB Investments Ltd. during the third quarter of 2018. Since we consolidate the seed capital in T. Rowe Price investment products, our seed capital was eliminated in preparing our consolidated statement of cash flows. The remaining change in reported cash flows from investing activities was attributable to a \$40.4 million decrease in net cash removed from our balance sheet from consolidating and deconsolidating investment products during 2018 compared with the 2017 period.

Financing activities

Net cash used in financing activities attributable to T. Rowe Price Group were \$1,356.4 million in 2019, a decrease of \$353.5 million compared with \$1,709.9 million in 2018. The decrease in cash used in financing activities was primarily driven by a \$384.6 million decrease in the number of common stock repurchases we made in 2019 due to the stronger equity markets. This decrease was partially offset by a \$39.6 million increase in dividends paid in 2019 as a result of an 8.6% increase in our quarterly dividend per share from 2018. The remaining change in reported cash flows from financing activities is primarily attributable to a \$53.3 million increase in net subscriptions received from redeemable noncontrolling interest holders of our consolidated investment products during 2019 compared to 2018.

Net cash used in financing activities attributable to T. Rowe Price Group totaled \$1,709.9 million in 2018 compared with \$820.1 million in 2017. The increase was primarily driven by spending \$632.2 million more in common stock repurchases in 2018 as market volatility provided an opportunity to buy back more shares. Additionally, a nearly 23% increase in our quarterly dividend per share resulted in paying \$131.2 million more in dividends in 2018. The decline in our stock price in 2018 led to fewer stock options being exercised and a \$126.3 million decrease in related cash proceeds compared with the 2017. The remaining change in reported cash flows from financing activities was primarily attributable to a \$811.2 million decrease in net subscriptions received from redeemable non-controlling interest holders of our consolidated investment products during 2018 compared with the 2017 period.

CONTRACTUAL OBLIGATIONS.

The following table presents a summary of our future obligations under the terms of our supplemental savings plan, existing operating leases, and other contractual cash purchase commitments at December 31, 2019. The information presented does not include operating expenses or capital expenditures that will be committed in the normal course of operations in 2020 and future years. The information also excludes the \$23.9 million of unrecognized tax benefits discussed in Note 9 to our consolidated financial statements because it is not possible to estimate the time period in which a payment might be made to the tax authorities.

	Total	2020	2021-2022	2023-2024	Thereafter
(in millions)					
Supplemental savings plan liability ⁽¹⁾	\$ 563	\$ 7	\$ 88	\$ 103	\$ 365
Noncancelable operating leases	164	27	50	41	46
Other purchase commitments ⁽²⁾	320	206	69	24	21
Total	<u>\$ 1,047</u>	<u>\$ 240</u>	<u>\$ 207</u>	<u>\$ 168</u>	<u>\$ 432</u>

⁽¹⁾ These obligations represent the amount of future expected funding requirements related to our supplemental savings plan. Payment periods are based on deferral elections made by participants. If no deferral election has been made, the obligation has been included in the "Thereafter" column as the timing of distributions will be determined upon termination of employment. We economically hedge this liability and the related market exposure with investments in certain T. Rowe Price products. The carrying value of these investments at December 31, 2019 was \$561.1 million and was reported within the Investments line on our consolidated balance sheet. Either these investments or future cash flows from operations are expected to be used to fund the future liability payments.

⁽²⁾ Other purchase commitments include contractual amounts that will be due for the purchase of goods or services to be used in our operations and may be cancelable at earlier times than those indicated, under certain conditions that may involve termination fees. Because these obligations are generally of a normal recurring nature, we expect that we will fund them from future cash flows from operations.

We also have outstanding commitments to fund additional contributions to investment partnerships totaling \$18.1 million at December 31, 2019. The vast majority of these additional contributions will be made to investment partnerships in which we have an existing investment. In addition to such amounts, a percentage of prior distributions may be called under certain circumstances.

CRITICAL ACCOUNTING POLICIES.

The preparation of financial statements often requires the selection of specific accounting methods and policies from among several acceptable alternatives. Further, significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in our consolidated balance sheets, the revenues and expenses in our consolidated statements of income, and the information that is contained in our significant accounting policies and notes to the consolidated financial statements. Making these estimates and judgments requires the analysis of information concerning events that may not yet be complete and of facts and circumstances that may change over time. Accordingly, actual amounts or future results can differ materially from those estimates that we include currently in our consolidated financial statements, significant accounting policies, and notes.

We present those significant accounting policies used in the preparation of our consolidated financial statements as an integral part of those statements within this 2019 Annual Report. In the following discussion, we highlight and explain further certain of those policies that are most critical to the preparation and understanding of our financial statements.

Consolidation

We consolidate all subsidiaries and T. Rowe Price investment products in which we have a controlling interest. We are generally deemed to have a controlling interest when we own the majority of the voting interest of an entity or are deemed to be the primary beneficiary of a variable interest entity ("VIE"). VIEs are entities that lack sufficient equity to finance its activities or the equity holders do not have defined power to direct the activities of the entity normally associated with an equity investment. Our analysis to determine whether an entity is a VIE or a voting interest entity ("VOE") involves judgment and considers several factors, including an entity's legal organization, capital structure, the rights of the equity investment holders, our ownership interest in the entity, and our contractual involvement with the entity. We continually review and reconsider our VIE or VOE conclusions upon the occurrence of certain events, such as changes to our ownership interest, changes to an entity's legal structure, or amendments to governing documents. Our VIEs are primarily T. Rowe Price investment products and our variable interest consists of our equity ownership in and investment management fees earned from these entities.

We are the primary beneficiary if we have the power to direct the activities of the VIE that most significantly impact its economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the VIE that could potentially be significant. Our SICAV funds and other T. Rowe Price investment products regulated outside the U.S. are determined to be VIEs. At December 31, 2019, we consolidated VIEs with net assets of \$1.9 billion.

Other-than-temporary impairments of equity method investments

We evaluate our equity method investments, including our investment in UTI and certain investments in T. Rowe Price investment products, for impairment when events or changes in circumstances indicate that the carrying value of the investment exceeds its fair value, and the decline in fair value is other than temporary.

Goodwill

We internally conduct, manage, and report our operations as one investment advisory business. We do not have distinct operating segments or components that separately constitute a business. Accordingly, we attribute goodwill to a single reportable business segment and reporting unit—our investment advisory business.

We evaluate the carrying amount of goodwill in our consolidated balance sheets for possible impairment on an annual basis in the third quarter of each year using a fair value approach. Goodwill would be considered impaired whenever our historical carrying amount exceeds the fair value of our investment advisory business. Our annual testing has demonstrated that the fair value of our investment advisory business (our market capitalization) exceeds our carrying amount (our stockholders' equity) and, therefore, no impairment exists. Should we reach a different conclusion in the future, additional work would be performed to ascertain the amount of the noncash impairment charge to be recognized. We must also perform impairment testing at other times if an event or circumstance occurs indicating that it is more likely than not that an impairment has been incurred. The maximum future impairment of goodwill that we could incur is the amount recognized in our consolidated balance sheets, \$665.7 million as of December 31, 2019.

Provision for income taxes

After compensation and related costs, our provision for income taxes on our earnings is our largest annual expense. We operate in numerous states and countries through our various subsidiaries and must allocate our income, expenses, and earnings under the various laws and regulations of each of these taxing jurisdictions. Accordingly, our provision for income taxes represents our total estimate of the liability that we have incurred in doing business each year in all of our locations. Annually, we file tax returns that represent our filing positions with each jurisdiction and settle our return liabilities. Each jurisdiction has the right to audit those returns and may take different positions with respect to income and expense allocations and taxable earnings determinations. From time to time, we may also provide for estimated liabilities associated with uncertain tax return filing positions that are subject to, or in the process of, being audited by various tax authorities. Because the determination of our annual provision is subject to judgments and estimates, it is likely that actual results will vary from those recognized in our financial statements. As a result, we recognize additions to, or reductions of, income tax expense during a reporting period that pertain to prior period provisions as our estimated liabilities are revised and actual tax returns and tax audits are settled. We recognize any such prior period adjustment in the discrete quarterly period in which it is determined.

NEWLY ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE.

See *Note 1 - Basis of Preparation and Summary of Significant Accounting Policies* within Item 8, Financial Statements and Supplementary Data for a discussion of newly issued but not yet adopted accounting guidance.

FORWARD-LOOKING INFORMATION.

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this report, may contain certain forward-looking information, including information or anticipated information relating to: our revenues, net income, and earnings per share on common stock; changes in the amount and composition of our assets under management; our expense levels; our tax rate; and our expectations regarding financial markets, future transactions, dividends, stock repurchases, investments, capital expenditures, and other conditions. Readers are cautioned that any forward-looking information provided by or on behalf of T. Rowe Price is not a guarantee of future performance. Actual results may differ materially from those in forward-looking information because of various factors including, but not limited to, those discussed below and in Item 1A, Risk Factors, of this Form 10-K Annual Report. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

Our future revenues and results of operations will fluctuate primarily due to changes in the total value and composition of assets under our management. Such changes result from many factors, including, among other things: cash inflows and outflows in the U.S. mutual funds and subadvised and separately managed accounts and other investment products, fluctuations in global financial markets that result in appreciation or depreciation of the assets under our management, our introduction of new mutual funds and investment products, and changes in retirement savings trends relative to participant-directed investments and defined contribution plans. The ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the T. Rowe Price funds and other managed investment products as compared with competing offerings and market indexes; the ability to maintain our investment management and administrative fees at appropriate levels; competitive conditions in the mutual fund, asset management, and broader financial services sectors; and our level of success in implementing our strategy to expand our business. Our revenues are substantially dependent on fees earned under contracts with the T. Rowe Price funds and could be adversely affected if the independent directors of one or more of the T. Rowe Price funds terminated or significantly altered the terms of the investment management or related administrative services agreements. Non-operating investment income will also fluctuate primarily due to the size of our investments, changes in their market valuations, and any other-than-temporary impairments that may arise or, in the case of our equity method investments, our proportionate share of the investees' net income.

Our future results are also dependent upon the level of our expenses, which are subject to fluctuation for the following or other reasons: changes in the level of our advertising and promotion expenses in response to market conditions, including our efforts to expand our investment advisory business to investors outside the U.S. and to further penetrate our distribution channels within the U.S.; the pace and level of spending to support key strategic priorities; variations in the level of total compensation expense due to, among other things, bonuses, restricted stock units and other equity grants, other incentive awards, our supplemental savings plan, changes in our employee count and mix, and competitive factors; any goodwill or other asset impairment that may arise; fluctuation in foreign currency exchange rates applicable to the costs of our international operations; expenses and capital costs, such as technology assets, depreciation, amortization, and research and development, incurred to maintain and enhance our administrative and operating services infrastructure; the timing of the assumption of all third party research payments, unanticipated costs that may be incurred to protect investor accounts and the goodwill of our clients; and disruptions of services, including those provided by third parties, such as fund and product recordkeeping, facilities, communications, power, and the mutual fund transfer agent and accounting systems.

Our business is also subject to substantial governmental regulation, and changes in legal, regulatory, accounting, tax, and compliance requirements may have a substantial effect on our operations and results, including, but not limited to, effects on costs that we incur and effects on investor interest in T. Rowe Price investment products and investing in general or in particular classes of mutual funds or other investments.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

EQUITY PRICE RISK.

The following table presents the equity price risk from our investments in T. Rowe Price investment products as they are carried at fair value. Investments in these products generally moderate market risk as they are diversified and invest in a number of different financial instruments. T. Rowe Price manages its cash and discretionary investments exposure to market risk by diversifying its investments among equity and fixed income portfolios. In addition, investment holdings may be altered from time to time in response to changes in market risks and other factors, as management deems appropriate. Seed capital investments, which are used for new product offerings, experience market volatility as we do not actively manage the market risk for these investments.

In order to quantify the sensitivity of our investments to changes in market valuations, we have chosen to use a variant of each product's net asset value to quantify the equity price risk, as we believe the volatility in each product's net asset value best reflects the underlying risk potential as well as the market trends surrounding each of its investment objectives. The potential future loss of value, before any income tax benefits, of these investments at December 31, 2019 was determined by using the lower of each product's lowest net asset value per share during 2019 or its net asset value per share at December 31, 2019, reduced by 10%. In considering this presentation, it is important to note that: Not all products experienced their lowest net asset value per share on the same day; it is likely that the composition of the investment portfolio would be changed if adverse market conditions persisted; and we could experience future losses in excess of those presented below.

(in millions)	Fair value 12/31/2019	Potential lower value	Potential loss	
Investments in T. Rowe Price products				
Discretionary investments	\$ 1,221.8	\$ 1,099.6	\$ 122.2	10%
Seed capital not consolidated	181.1	157.5	23.6	13%
Investments designated as an economic hedge of supplemental savings plan liability	561.1	474.4	86.7	15%
Total	\$ 1,964.0	\$ 1,731.5	\$ 232.5	12%
Direct investment in consolidated T. Rowe Price investment products				
Discretionary investments	\$ 67.8	\$ 58.3	\$ 9.5	14%
Seed capital	1,048.9	905.3	143.6	14%
Total	\$ 1,116.7	\$ 963.6	\$ 153.1	14%
Investment partnerships and other investments held at fair value	\$ 99.7	\$ 82.6	\$ 17.1	17%

Any losses arising from the change in fair value of investments in T. Rowe Price products would result in a corresponding decrease, net of tax, in our net income attributable to T. Rowe Price Group. The direct investment in consolidated T. Rowe Price investment products represents our portion of the net assets of the product. Upon consolidation of these products, our direct investment is eliminated, and the net assets of the products are combined in our consolidated balance sheet, together with redeemable non-controlling interests, which represents the portion of the products that is owned by unrelated third-party investors. Any losses arising from the change in fair value of our direct investments in consolidated T. Rowe Price investment products would also result in a corresponding decrease, net of tax, in our net income attributable to T. Rowe Price Group.

CURRENCY TRANSLATION RISK.

Certain of our investments, including a few consolidated T. Rowe Price investment products, expose us to currency translation risk when the financial statements are translated into U.S. dollars ("USD"). Our most significant exposure relates to the translation of the financial statements of our equity method investment in UTI (\$164.5 million at December 31, 2019). UTI's financial statements are denominated in Indian rupees ("INR") and are translated to USD each reporting period. We do not use derivative financial instruments to manage this currency risk, so both positive and negative fluctuations in the INR against the USD will affect accumulated other comprehensive income and the carrying amount of our investment. We had a cumulative translation loss, net of tax, of \$46.9 million at December 31, 2019, related to our investment in UTI. Given the nature of UTI's business, should conditions deteriorate in markets in which they operate, we are at risk for loss up to our carrying amount.

We operate in several countries outside the U.S. of which the United Kingdom is the most prominent. We incur operating expenses and have assets and liabilities denominated in currencies other than USD associated with these operations, although our revenues are predominately realized in USD. The majority of our currency translation risk on our consolidated balance sheet at December 31, 2019, related to cash and non-consolidated investments of \$284.6 million that are denominated in foreign currencies. We do not believe that foreign currency fluctuations materially affect our results of operations.

Item 8. Financial Statements and Supplementary Data.

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CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	12/31/2019	12/31/2018
ASSETS		
Cash and cash equivalents	\$ 1,781.8	\$ 1,425.2
Accounts receivable and accrued revenue	646.6	549.6
Investments	2,939.8	2,453.4
Assets of consolidated T. Rowe Price investment products (\$1,975.3 million at December 31, 2019 and \$1,392.6 million at December 31, 2018, related to variable interest entities)	2,276.9	1,680.4
Operating lease assets	110.8	—
Property and equipment, net	674.4	661.3
Goodwill	665.7	665.7
Other assets	234.4	253.7
Total assets	<u>\$ 9,330.4</u>	<u>\$ 7,689.3</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 214.5	\$ 228.5
Liabilities of consolidated T. Rowe Price investment products (\$27.0 million at December 31, 2019 and \$22.7 million at December 31, 2018, related to variable interest entities)	39.2	38.7
Operating lease liabilities	146.3	—
Accrued compensation and related costs	112.1	123.3
Supplemental savings plan liability	563.4	380.0
Income taxes payable	31.8	54.2
Total liabilities	<u>1,107.3</u>	<u>824.7</u>
Commitments and contingent liabilities		
Redeemable non-controlling interests		
	1,121.0	740.3
STOCKHOLDERS' EQUITY		
Preferred stock, undesignated, \$.20 par value—authorized and unissued 20,000,000 shares	—	—
Common stock, \$.20 par value—authorized 750,000,000; issued 235,214,000 shares at December 31, 2019 and 238,069,000 at December 31, 2018	47.0	47.6
Additional capital in excess of par value	654.6	654.6
Retained earnings	6,443.5	5,464.1
Accumulated other comprehensive loss	(43.0)	(42.0)
Total permanent stockholders' equity	<u>7,102.1</u>	<u>6,124.3</u>
Total liabilities, redeemable non-controlling interests and permanent stockholders' equity	<u>\$ 9,330.4</u>	<u>\$ 7,689.3</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per-share amounts)

	2019	2018	2017
Revenues			
Investment advisory fees	\$ 5,112.5	\$ 4,850.6	\$ 4,295.8
Administrative, distribution, and servicing fees	505.4	522.0	559.1
Net revenues	<u>5,617.9</u>	<u>5,372.6</u>	<u>4,854.9</u>
Operating expenses			
Compensation and related costs	1,969.2	1,808.6	1,664.9
Distribution and servicing costs	262.5	281.2	262.6
Advertising and promotion	96.8	99.6	92.4
Product-related costs	153.2	157.1	146.0
Technology, occupancy, and facility costs	427.3	383.9	350.5
General, administrative, and other	321.9	296.0	279.7
Nonrecurring recoveries related to Dell appraisal rights matter	—	(15.2)	(50.0)
Total operating expenses	<u>3,230.9</u>	<u>3,011.2</u>	<u>2,746.1</u>
Net operating income	2,387.0	2,361.4	2,108.8
Non-operating income			
Net gains on investments	260.4	119.2	198.3
Net gains (losses) on consolidated investment products	272.9	(92.9)	193.9
Other income (loss)	7.0	(3.1)	4.1
Total non-operating income	<u>540.3</u>	<u>23.2</u>	<u>396.3</u>
Income before income taxes	2,927.3	2,384.6	2,505.1
Provision for income taxes	678.4	615.9	923.9
Net income	<u>2,248.9</u>	<u>1,768.7</u>	<u>1,581.2</u>
Less: net income (loss) attributable to redeemable non-controlling interests	117.6	(68.8)	83.4
Net income attributable to T. Rowe Price Group	<u>\$ 2,131.3</u>	<u>\$ 1,837.5</u>	<u>\$ 1,497.8</u>
Earnings per share on common stock of T. Rowe Price Group			
Basic	<u>\$ 8.82</u>	<u>\$ 7.41</u>	<u>\$ 6.07</u>
Diluted	<u>\$ 8.70</u>	<u>\$ 7.27</u>	<u>\$ 5.97</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	2019	2018	2017
Net income	\$ 2,248.9	\$ 1,768.7	\$ 1,581.2
Other comprehensive income (loss)			
Currency translation adjustments:			
Consolidated T. Rowe Price investment products—variable interest entities	(3.4)	(44.7)	66.4
Reclassification gains recognized in non-operating investment income upon deconsolidation of certain T. Rowe Price investment products	(.1)	(3.6)	(.1)
Total currency translation adjustments of consolidated T. Rowe Price investment products—variable interest entities	(3.5)	(48.3)	66.3
Equity method investments	2.4	(15.2)	2.6
Total currency translation adjustments	(1.1)	(63.5)	68.9
Net unrealized holding gains (losses) on available-for-sale investments	—	—	37.4
Reclassification of (gains) losses in accumulated other comprehensive income to non-operating investment income:			
Capital gain distributions	—	—	(3.5)
Net gains realized on dispositions determined using average cost	—	—	(83.1)
Net unrealized gains recognized upon the transfer to trading investments	—	—	(23.6)
Total reclassification adjustments	—	—	(110.2)
Total net unrealized holding losses recognized in other comprehensive income	—	—	(72.8)
Other comprehensive loss before income taxes	(1.1)	(63.5)	(3.9)
Net deferred tax benefits	.5	9.2	10.0
Total other comprehensive income (loss)	(.6)	(54.3)	6.1
Total comprehensive income	2,248.3	1,714.4	1,587.3
Less: comprehensive income (loss) attributable to redeemable non-controlling interests	118.0	(94.9)	104.6
Comprehensive income attributable to T. Rowe Price Group	\$ 2,130.3	\$ 1,809.3	\$ 1,482.7

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	2019	2018	2017
Cash flows from operating activities			
Net income	\$ 2,248.9	\$ 1,768.7	\$ 1,581.2
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, amortization and impairment of property and equipment	190.8	159.5	143.6
Stock-based compensation expense	206.6	197.1	152.0
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	—	—	(83.1)
Gains recognized upon transfer of an investment in a T. Rowe Price mutual fund from available-for-sale to held as trading	—	—	(23.6)
Net gains recognized on other investments	(176.3)	(50.5)	(49.7)
Net investments in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	(126.0)	(129.5)	(218.6)
Net change in securities held by consolidated T. Rowe Price investment products	(930.9)	(437.0)	(1,492.9)
Other changes in assets and liabilities	109.6	111.6	220.6
Net cash provided by operating activities	1,522.7	1,619.9	229.5
Cash flows from investing activities			
Purchases of T. Rowe Price investment products	(239.7)	(1,124.0)	(39.9)
Dispositions of T. Rowe Price investment products	131.4	352.4	336.6
Net cash of T. Rowe Price investment products on consolidation (deconsolidation)	(18.4)	(23.8)	(64.2)
Additions to property and equipment	(204.6)	(168.5)	(186.1)
Other investing activity	6.8	88.4	(7.4)
Net cash provided by (used in) investing activities	(324.5)	(875.5)	39.0
Cash flows from financing activities			
Repurchases of common stock	(705.8)	(1,090.4)	(458.1)
Common share issuances under stock-based compensation plans	83.3	74.8	201.1
Dividends paid to common stock and equity-award holders	(733.9)	(694.3)	(563.1)
Net subscriptions received from redeemable non-controlling interest holders	523.7	470.4	1,281.6
Net cash provided by (used in) financing activities	(832.7)	(1,239.5)	461.5
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	(2.5)	(15.4)	5.3
Net change in cash and cash equivalents during period	363.0	(510.5)	735.3
Cash and cash equivalents at beginning of period, including \$70.1 million at December 31, 2018 and \$103.1 million at December 31, 2017 held by consolidated T. Rowe Price investment products	1,495.3	2,005.8	1,270.5
Cash and cash equivalents at end of period, including \$76.5 million at December 31, 2019, \$70.1 million at December 31, 2018, and \$103.1 million at December 31, 2017, held by consolidated T. Rowe Price investment products	\$ 1,858.3	\$ 1,495.3	\$ 2,005.8

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (shares in thousands; dollars in millions)

	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non- controlling interests
Balances at December 31, 2016	244,784	\$ 49.0	\$ 654.5	\$ 4,293.6	\$ 11.5	\$ 5,008.6	\$ 687.2
Net income	—	—	—	1,497.8	—	1,497.8	83.4
Other comprehensive income (loss), net of tax	—	—	—	—	(15.1)	(15.1)	21.2
Dividends declared (\$2.28 per share)	—	—	—	(562.6)	—	(562.6)	—
Common stock-based compensation plans activity:							
Shares issued upon option exercises	6,339	1.2	251.0	—	—	252.2	—
Restricted shares issued, net of shares withheld for taxes	(170)	—	(19.2)	—	—	(19.2)	—
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	789	.1	(31.3)	—	—	(31.2)	—
Forfeiture of restricted awards	(19)	—	—	—	—	—	—
Stock-based compensation expense	—	—	152.0	—	—	152.0	—
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—	—
Common shares repurchased	(6,612)	(1.3)	(161.1)	(295.7)	—	(458.1)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	1,243.7
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(1,042.7)
Balances at December 31, 2017	245,111	49.0	846.1	4,932.9	(3.6)	5,824.4	992.8
Cumulative effect adjustment upon adoption of new financial instruments and accumulated other comprehensive income guidance on January 1, 2018 ⁽²⁾	—	—	—	22.4	(7.9)	14.5	—
Reclassification adjustment of stranded tax benefits on currency translation adjustments upon adoption of new AOCI ⁽¹⁾ guidance on January 1, 2018	—	—	—	2.3	(2.3)	—	—
Balances at January 1, 2018	245,111	49.0	846.1	4,957.6	(13.8)	5,838.9	992.8
Net income	—	—	—	1,837.5	—	1,837.5	(68.8)
Other comprehensive income (loss), net of tax	—	—	—	—	(28.2)	(28.2)	(26.1)
Dividends declared (\$2.80 per share)	—	—	—	(694.7)	—	(694.7)	—
Common stock-based compensation plans activity:							
Shares issued upon option exercises	2,870	.5	120.8	—	—	121.3	—
Restricted shares issued, net of shares withheld for taxes	(115)	—	(11.4)	—	—	(11.4)	—
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	1,053	.2	(36.8)	—	—	(36.6)	—
Forfeiture of restricted awards	(14)	—	—	—	—	—	—
Stock-based compensation expense	—	—	197.1	—	—	197.1	—
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—	—
Common shares repurchased	(10,836)	(2.1)	(461.4)	(636.1)	—	(1,099.6)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	468.8
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(626.4)
Balances at December 31, 2018	238,069	\$ 47.6	\$ 654.6	\$ 5,464.1	\$ (42.0)	\$ 6,124.3	\$ 740.3

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (shares in thousands; dollars in millions)

	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non- controlling interests
Balances at December 31, 2018	238,069	\$ 47.6	\$ 654.6	\$ 5,464.1	\$ (42.0)	\$ 6,124.3	\$ 740.3
Net income	—	—	—	2,131.3	—	2,131.3	117.6
Other comprehensive income (loss), net of tax	—	—	—	—	(1.0)	(1.0)	.4
Dividends declared (\$3.04 per share)	—	—	—	(733.6)	—	(733.6)	—
Common stock-based compensation plans activity:							
Shares issued upon option exercises	2,924	.6	147.9	—	—	148.5	—
Restricted shares withheld for taxes, net of shares issued	(41)	—	(5.9)	—	—	(5.9)	—
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	1,245	.2	(59.5)	—	—	(59.3)	—
Forfeiture of restricted awards	(10)	—	—	—	—	—	—
Stock-based compensation expense	—	—	206.6	—	—	206.6	—
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—	—
Common shares repurchased	(6,973)	(1.4)	(289.3)	(418.1)	—	(708.8)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	530.3
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(267.6)
Balances at December 31, 2019	<u>235,214</u>	<u>\$ 47.0</u>	<u>\$ 654.6</u>	<u>\$ 6,443.5</u>	<u>\$ (43.0)</u>	<u>\$ 7,102.1</u>	<u>\$ 1,121.0</u>

⁽¹⁾ Accumulated other comprehensive income

⁽²⁾ Includes the reclassification of \$1.7 million of stranded income taxes on available-for-sale investments resulting from U.S. tax law changes enacted on December 22, 2017, from accumulated other comprehensive income to retained earnings.

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

T. Rowe Price Group, Inc. derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the T. Rowe Price U.S. mutual funds ("U.S. mutual funds"), subadvised funds, separately managed accounts, and other T. Rowe Price products. We also provide certain investment advisory clients with related administrative services, including distribution, mutual fund transfer agent, accounting and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage, and trust services.

Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

BASIS OF PREPARATION.

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States. These principles require that we make certain estimates and assumptions. Actual results may vary from our estimates.

NEW ACCOUNTING GUIDANCE.

We adopted Accounting Standards Update No. 2016-02 — Leases (Topic 842) on January 1, 2019. The update required the recognition of right-of-use lease assets and liabilities on the balance sheet and the disclosure of qualitative and quantitative information about leasing arrangements. We adopted this standard using a modified retrospective approach without restating prior comparative periods. We also elected to use certain practical expedients that allowed us to not perform the following: (1) reassess whether expired or existing non-lease contracts that commenced before January 1, 2019 contained an embedded lease, (2) reevaluate the accounting classification of our existing operating leases, and (3) determine whether initial direct costs related to existing leases should be capitalized under this guidance. On January 1, 2019, we recognized operating lease assets totaling \$168.7 million and corresponding operating lease liabilities of \$168.7 million related primarily to our real estate leases. At implementation, we also reclassified \$27.7 million in deferred rent liabilities related to these leases, reducing the recognized operating lease assets to \$141.0 million. The adoption did not have a material impact on our results of operations; however, the initial recognition of our operating lease assets and operating lease liabilities on January 1, 2019, represented a non-cash investing activity that affected the amount reported in other changes in assets and liabilities in our unaudited condensed consolidated statements of cash flows. Our leases accounting policy is included in the *Summary of Significant Accounting Policies* section below. Additional information on our operating leases is included in Note 7 - Leases.

NEWLY ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15 — Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This update provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We will adopt this guidance on January 1, 2020, using the prospective method of adoption. We do not expect any material impact on our financial position and results of operations in future periods.

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our consolidated statements, including those we have not yet adopted. We do not believe that any such guidance has or will have a material effect on our financial position or results of operations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Consolidation

Our consolidated financial statements include the accounts of all subsidiaries and T. Rowe Price investment products in which we have a controlling interest. We are deemed to have a controlling interest when we own the majority of a voting interest entity ("VOE") or are deemed to be the primary beneficiary of a variable interest entity ("VIE"). We perform an analysis of our investments to determine if the investment entity is a VOE or a VIE. Our analysis involves judgment and considers several factors, including an entity's legal organization, capital structure, the rights of the equity investment holders, our ownership interest in the entity, and our contractual involvement with the entity. We continually review and reconsider our VOE or VIE conclusions upon the occurrence of certain events, such as changes to our ownership interest, changes to an entity's legal structure, or amendments to governing documents. All material accounts and transactions between consolidated entities are eliminated in consolidation.

Variable interest entities

VIEs are entities that, by design: (i) lack sufficient equity to permit the entity to finance its activities independently or (ii) have equity holders that do not have the power to direct the activities of the entity that most significantly impact the entity's economic performance, the obligation to absorb the entity's losses, or the rights to receive the entity's residual returns. We consolidate a VIE when we are the primary beneficiary, which is the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the VIE that could potentially be significant. Our Luxembourg-based SICAV funds and other T. Rowe Price investment products regulated outside the U.S. were determined to be VIEs.

Along with VIEs that we consolidate, we also hold variable interests in other VIEs, including several investment partnerships that are not consolidated because we are not the primary beneficiary.

Redeemable non-controlling interests

We recognize redeemable non-controlling interests for the portion of the net assets of our consolidated T. Rowe Price investment products held by unrelated third-party investors as their interests are convertible to cash and other assets at their option. As such, we reflect redeemable non-controlling interests as temporary equity in our consolidated balance sheets.

Investments in T. Rowe Price money market mutual funds

We do not consider our investments in T. Rowe Price money market mutual funds when performing our consolidation analysis as the guidance provides a scope exception for interests in entities that are required to comply with, or operate in accordance with, requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

Cash equivalents

Cash equivalents consist primarily of short-term, highly liquid investments in T. Rowe Price money market mutual funds. The cost of these funds is equivalent to fair value.

Investments

Investments held at fair value

Investments in T. Rowe Price investment products have been made for both general corporate investment purposes and to provide seed capital for newly formed products. Those investments that we do not consolidate are carried at fair value using the quoted closing NAV per share of each fund as of the balance sheet date. The underlying investments held by our consolidated T. Rowe Price investment products retain investment company specialized accounting in consolidation, are considered securities held in a trading account for cash flow reporting purposes and are valued in accordance with the valuation and pricing policy used to value our assets under management which is further described in the Revenue Recognition policy below.

We elected to value our interest in investment partnerships, for which market prices or quotations are not readily available, at fair value using the NAV per share as a practical expedient.

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Changes in the fair values of all these investments are reflected in non-operating income in our consolidated statements of income.

Equity method investments

Equity method investments consist of investments in entities, including T. Rowe Price investment products, for which we have the ability to exercise significant influence over the operating and financial policies of the investee. The carrying values of these investments are adjusted to reflect our proportionate share of the investee's net income or loss, any unrealized gain or loss resulting from the translation of foreign-denominated financial statements into U.S. dollars, and dividends received. Our proportionate share of income or loss is included in non-operating income in our consolidated statements of income. As permitted under existing accounting guidance, we adopted a policy by which we recognize our share of UTI Asset Management Company Limited's ("UTI") earnings on a quarter lag as current financial information is not available in a timely manner. The basis difference between our carrying value and our proportionate share of UTI's book value is primarily related to consideration paid in excess of the stepped-up basis of assets and liabilities on the date of purchase.

Concentration of risk

Concentration of credit risk in accounts receivable is believed to be minimal in that our clients generally have substantial assets, including those in the investment portfolios we manage for them.

Our investments held at fair value expose us to market risk, that is, the potential future loss of value that would result from a decline in the fair value of each investment or its underlying net assets. The underlying holdings of our assets under management are also subject to market risk, which may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates.

Leases

We review new arrangements at inception to evaluate whether we substantially obtain all the economic benefits of and have the right to control the use of an asset. If we determine that an arrangement qualifies as a lease, we recognize a lease liability and a corresponding asset on the lease's commencement date. The lease liability is initially measured at the present value of the future minimum lease payments over the lease term using the rate implicit in the arrangement or, if not available, our incremental borrowing rate. An operating lease asset is measured initially at the value of the lease liability less any lease incentives and initial direct costs incurred.

Our leases qualify as operating leases and consist primarily of real estate leases for corporate offices, data centers, and other facilities. We measure our operating lease liabilities using an estimated incremental borrowing rate as there is no rate implicit in any of our operating lease arrangements. Since we do not have any outstanding borrowings, we estimate our incremental borrowing rate using an estimated credit rating and available market information. Additionally, certain of our leases contain options to extend or terminate the lease term that, if exercised, would result in the remeasurement of the operating lease liability.

Our operating leases contain both lease and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the lease assets, such as common area maintenance and other management costs. We elected to measure the lease liability of our real estate operating leases by combining the lease and non-lease components into one single lease component. As such, we included the fixed payments and any payments that depend on a rate or index related to our lease and non-lease components in measuring the operating lease liability.

We recognize operating lease expense on a straight-line basis over the lease term as part of technology, occupancy, and facility costs in our consolidated statements of income.

Property and equipment

Property and equipment is stated at cost net of accumulated depreciation and amortization computed using the straight-line method. Provisions for depreciation and amortization are based on the following weighted-average estimated useful lives: computer and communications software and equipment, 3 years; buildings and improvements, 32 years; leasehold improvements, 8 years; furniture and other equipment, 6 years; and leased land, 99 years.

Goodwill

We evaluate the carrying amount of goodwill in our consolidated balance sheets for possible impairment on an annual basis in the third quarter of each year using a fair value approach. Our evaluations have indicated that no impairment exists.

We internally conduct, manage, and report our operations as one investment advisory business. We do not have distinct operating segments or components that separately constitute a business. Accordingly, we attribute goodwill to a single reportable business segment and reporting unit—our investment advisory business.

Revenue recognition

Our revenue is earned from investment advisory, administrative, and distribution services we provide to our clients. Each distinct service we promise in our agreements is considered a performance obligation and is the basis for determining when we recognize revenue. The fees are allocated to each distinct performance obligation and we recognize revenue when, or as, we satisfy our promises. The consideration for our services is generally variable and included in net revenues, when it is improbable that a significant reversal could occur in the future. For certain client agreements, we have the discretion to hire a third party to provide services to our clients. In these circumstances, we are generally deemed to control the services before transferring them to our clients, and accordingly present the revenues gross of the related third-party costs. The timing of when we bill our clients and related payment terms vary in accordance with agreed-upon contractual terms. For the majority of our agreements, billing occurs after we have recognized revenue, which results in accounts receivable and accrued revenue. For an insignificant portion of our contracts, billing occurs in advance of providing services, which results in deferred revenue within the accounts payable and accrued expenses line of our consolidated balance sheets.

Taxes billed to our clients based on our fees for services rendered are not included in revenues.

Investment advisory fees

The majority of our investment advisory agreements, including those with the U.S. mutual funds, have a single performance obligation as the promised services are not separately identifiable from other promises in the agreements and, therefore, are not distinct. Substantially all performance obligations for providing advisory services are satisfied over time and revenue is recognized as time passes.

Investment advisory agreements with T. Rowe Price investment products regulated outside the U.S. generally have two performance obligations; one for investment management and one for distribution. For these agreements, we allocate the management fee to each performance obligation using our best estimate of the standalone fee of each of these services. The performance obligation for providing investment management services, like our other advisory contracts, is satisfied over time and revenue is recognized as time passes. The performance obligation for distribution is satisfied at the point in time when an investor makes an investment into the product. Accordingly, a portion of the investment advisory fees earned from these products relate to distribution performance obligations that were satisfied during prior periods. These distribution fees are reported within the investment advisory fees line of our consolidated statements of income.

The management fee for our investment advisory agreements are based on our assets under management, which change based on fluctuations in financial markets and net cash flows from investors, and represents variable consideration. Therefore, investment advisory fees are generally constrained, and excluded from revenue, until the asset values on which our client is billed are no longer subject to financial market volatility. Investment advisory fees for investment products are presented net of fees waived pursuant to the contractual expense limitations of the product. Our assets under management are valued in accordance with valuation and pricing processes for each major type of investment. Fair values used in our processes are primarily determined from quoted market prices; prices furnished by dealers who make markets in such securities; or from data provided by an independent pricing service that considers yield or price of investments of comparable quality, coupon, maturity, and type. Investments for which market prices are not readily available are not a material portion of our total assets under management.

We provide all services to the U.S. mutual funds under contracts that are subject to periodic review and approval by the funds' Boards. Regulations require that the funds' shareholders also approve material changes to investment advisory contracts.

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Administrative, distribution, and servicing fees

Administrative fees

The administrative services we provide include distribution, mutual fund transfer agent, accounting and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage, and trust services.

The administrative service agreements with the U.S. mutual funds for accounting oversight, transfer agency, and recordkeeping services generally have one performance obligation as the promised services in each agreement are not separately identifiable from other promises in the agreement and, therefore, are not distinct. The fees for performing these services are generally equal to the costs incurred and represent variable consideration. The fees are generally constrained and are recognized as revenue when costs are incurred to perform the services. These fees are generally offset by the costs incurred to provide such services.

Other administrative service agreements for participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage services, and trust services generally have one performance obligation as the promised services in each agreement are not separately identifiable from other performance obligations in the contract and, therefore, are not distinct. Our performance obligation in each agreement is satisfied over time and revenue is recognized as time passes. The fees for these services vary by contract and are both fixed and variable.

Distribution and servicing fees

The agreements for distribution and servicing fees earned from 12b-1 plans of the Advisor Class, R Class, and Variable Annuity II Class shares of the U.S. mutual funds have one performance obligation, as distribution services are not separately identifiable from shareholder servicing promises in the agreements and, therefore, are not distinct. Our performance obligation is satisfied at the point in time when an investor makes an investment into these share classes of the U.S. mutual funds. The fees for these distribution and servicing agreements are based on the assets under management in these share classes, which change based on fluctuations in financial markets, and represent variable consideration. These fees are generally constrained, and excluded from revenue, until the asset values on which our client is billed are not subject to financial market volatility. Accordingly, the majority of the distribution and servicing revenue disclosed in Note 3 - Information about Receivables, Revenues and Services relates to distribution and servicing obligations that were satisfied during prior periods. These fees are offset entirely by the distribution and servicing costs paid to third-party financial intermediaries that source the assets of these share classes.

Advertising

Costs of advertising are expensed the first time that the advertising takes place.

Stock-based compensation

We maintain three stockholder-approved employee long-term incentive plans (2012 Long-Term Incentive Plan, 2004 Stock Incentive Plan, and 2001 Stock Incentive Plan, collectively the LTI Plans) and two stockholder-approved non-employee director plans (2017 Non-Employee Director Equity Plan and 2007 Non-Employee Director Equity Plan, collectively the Director Plans). We believe that our stock-based compensation programs align the interests of our employees and directors with those of our common stockholders. As of December 31, 2019, a total of 22,213,930 shares were available for future grant under the 2012 Long-Term Incentive Plan and the 2017 Non-Employee Director Equity Plan (2017 Plan).

Under our LTI Plans, we have issued restricted shares and restricted stock units to employees that settle in shares of our common stock after vesting. Vesting of these awards is based on the individual continuing to render service over an average 5.0 year graded schedule. All restricted stockholders and restricted stock unit holders receive non-forfeitable cash dividends and cash dividend equivalents, respectively, on our dividend payable date. We are also authorized to grant qualified incentive and nonqualified fixed stock options with a maximum term of 10 years. We have not granted options to employees since 2015.

We grant performance-based restricted stock units to certain executive officers in which the number of restricted stock units ultimately retained is determined based on achievement of certain performance thresholds. The number of restricted stock units retained is also subject to similar time-based vesting requirements as the other restricted

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stock units described above. Cash dividend equivalents are accrued and paid to the holders of performance-based restricted stock units only after the performance period has lapsed and the performance thresholds have been met.

Under the Director Plans, we may grant options with a maximum term of 10 years, restricted shares, and restricted stock units to non-employee directors. Under the 2017 Plan, awards generally vest over one year and, in the case of restricted stock units, are settled upon the non-employee directors' departure from the Board. For restricted shares, cash dividends are accrued and paid only after the award vests. Restricted stock unit holders receive dividend equivalents in the form of unvested stock units that vest over the same period as the underlying award. We have not granted options to non-employee directors since 2016.

We recognize the grant-date fair value of these awards as compensation expense ratably over the awards' requisite service period. Compensation expense recognized for performance-based restricted units includes an estimate regarding the probability of the performance thresholds being met. We account for forfeitures as they occur. Both time-based and performance-based restricted stock units are valued on the grant-date using the closing market price of our common stock.

Earnings per share

We compute our basic and diluted earnings per share under the two-class method, which considers our outstanding restricted shares and stock units, on which we pay non-forfeitable dividends as if they were a separate class of stock.

Comprehensive income

The components of comprehensive income are presented in a separate statement following our consolidated statements of income and include net income and the change in our currency translation adjustments. The currency translation adjustments result from translating our proportionate share of the financial statements of our equity method investment in UTI, and certain consolidated T. Rowe Price investment products into U.S. dollars. Assets and liabilities are translated into U.S. dollars using year-end exchange rates, and revenues and expenses are translated using weighted-average exchange rates for the period. Prior to 2018, comprehensive income also included the change in net unrealized security holding gains (losses) on investments classified as available-for-sale.

The changes in accumulated balances of each component of other comprehensive income, the deferred tax impacts of each component, and information about significant items reclassified out of accumulated other comprehensive income are presented in the notes to the financial statements. The notes also indicate the line item of our consolidated statements of income in which the significant reclassifications were recognized.

We reclassify income tax effects relating to currency translation adjustments to tax expense when there is a reduction in our ownership interest in the related investment. The amount of the reclassification depends on the investment's accounting treatment before and after the change in ownership percentage. Prior to 2018, tax effects relating to each available-for-sale investment's unrealized holding gain or loss were reclassified upon the sale of the investment.

NOTE 2 – CASH EQUIVALENTS.

Cash equivalent investments in the T. Rowe Price money market mutual funds aggregate \$1,355.6 million at December 31, 2019, and \$1,196.0 million at December 31, 2018. Dividends earned on these investments totaled \$33.3 million in 2019, \$27.0 million in 2018, and 9.1 million in 2017.

NOTE 3 – INFORMATION ABOUT RECEIVABLES, REVENUES, AND SERVICES.

Revenues earned during the years ended December 31, 2019, 2018 and 2017 under agreements with clients include:

2019				
Administrative, distribution, and servicing fees				
(in millions)	Investment advisory fees	Administrative fees	Distribution and servicing fees	Net revenues
U.S. mutual funds	\$ 3,452.5	\$ 281.8	\$ 120.0	\$ 3,854.3
Subadvised and separate accounts and other investment products	1,660.0	—	—	1,660.0
Other clients	—	103.6	—	103.6
	<u>\$ 5,112.5</u>	<u>\$ 385.4</u>	<u>\$ 120.0</u>	<u>\$ 5,617.9</u>

2018				
Administrative, distribution, and servicing fees				
(in millions)	Investment advisory fees	Administrative fees	Distribution and servicing fees	Net revenues
U.S. mutual funds	\$ 3,375.0	\$ 302.2	\$ 138.0	\$ 3,815.2
Subadvised and separate accounts and other investment products	1,475.6	—	—	1,475.6
Other clients	—	81.8	—	81.8
	<u>\$ 4,850.6</u>	<u>\$ 384.0</u>	<u>\$ 138.0</u>	<u>\$ 5,372.6</u>

2017				
Administrative, distribution, and servicing fees				
(in millions)	Investment Advisory Fees	Administrative Fees	Distribution and servicing fees	Net Revenues
U.S. mutual funds	\$ 3,080.0	\$ 333.6	\$ 147.0	\$ 3,560.6
Subadvised and separate accounts and other investment products	1,215.8	—	—	1,215.8
Other clients	—	78.5	—	78.5
	<u>\$ 4,295.8</u>	<u>\$ 412.1</u>	<u>\$ 147.0</u>	<u>\$ 4,854.9</u>

The following table details the investment advisory fees earned from clients by their underlying asset class.

(in millions)	2019	2018	2017
U.S. mutual funds			
Equity and blended assets	\$ 2,952.2	\$ 2,858.1	\$ 2,571.7
Fixed income, including money market	500.3	516.9	508.3
	<u>3,452.5</u>	<u>3,375.0</u>	<u>3,080.0</u>
Subadvised and separate accounts and other investment products			
Equity and blended assets	1,405.0	1,236.8	1,009.4
Fixed income, including money market	255.0	238.8	206.4
	<u>1,660.0</u>	<u>1,475.6</u>	<u>1,215.8</u>
Total	<u>\$ 5,112.5</u>	<u>\$ 4,850.6</u>	<u>\$ 4,295.8</u>

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The following table summarizes the investment portfolios and assets under management on which we earn investment advisory fees.

(in billions)	Average during			As of December 31,	
	2019	2018	2017	2019	2018
U.S. mutual funds					
Equity and blended assets	\$ 513.6	\$ 493.6	\$ 447.5	\$ 552.4	\$ 441.1
Fixed income, including money market	126.8	128.2	121.0	130.3	123.4
	640.4	621.8	568.5	682.7	564.5
Subadvised and separate accounts and other investment products					
Equity and blended assets	362.5	317.3	256.4	412.1	299.2
Fixed income, including money market	106.4	97.4	84.1	112.0	98.6
	468.9	414.7	340.5	524.1	397.8
Total	\$ 1,109.3	\$ 1,036.5	\$ 909.0	\$ 1,206.8	\$ 962.3

Investors that we serve are primarily domiciled in the U.S.; investment advisory clients outside the U.S. account for about 6.9% and 6.2% of our assets under management at December 31, 2019 and 2018, respectively.

Total net revenues earned from T. Rowe Price investment products totaled \$4,626.3 million in 2019, \$4,453.6 million in 2018, and \$4,038.8 million in 2017. Accounts receivable from these products aggregate to \$424.8 million at December 31, 2019 and \$354.8 million at December 31, 2018.

NOTE 4 – INVESTMENTS.

The carrying values of investments that are not part of the consolidated T. Rowe Price investment products are as follows:

(in millions)	12/31/2019	12/31/2018
Investments held at fair value		
T. Rowe Price investment products	\$ 1,402.9	\$ 1,538.4
T. Rowe Price investment products designated as an economic hedge of supplemental savings plan liability	561.1	381.3
Investment partnerships and other investments	99.7	99.6
Equity method investments		
T. Rowe Price investment products	705.6	276.2
26% interest in UTI Asset Management Company Limited (India)	164.5	152.4
Investment partnerships and other investments	5.0	4.5
U.S. Treasury note	1.0	1.0
Total	\$ 2,939.8	\$ 2,453.4

The investment partnerships are carried at fair value using NAV per share as a practical expedient. Our interests in these partnerships are generally not redeemable and are subject to significant restrictions on transferability. The underlying investments of these partnerships have contractual terms through 2029, though we may receive distributions of liquidating assets over a longer term. The investment strategies of these partnerships include growth equity, buyout, venture capital, and real estate.

During 2019, we recognized \$105.4 million of net unrealized gains on investments held at fair value that were still held at December 31, 2019. For 2018, we recognized \$18.5 million of net unrealized losses on investments held at fair value that were still held at December 31, 2018. For 2017, the majority of unrealized gains or losses on investments held at fair value are included and presented with other comprehensive income.

Dividends, including capital gain distributions, earned on the T. Rowe Price investment products held at fair value, totaled \$50.6 million in 2019, \$36.0 million in 2018, and \$19.2 million in 2017.

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During the years ended December 31, 2019, 2018 and 2017, certain T. Rowe Price investment products in which we provided initial seed capital at the time of formation were deconsolidated, as we no longer had a controlling interest. Depending on our ownership interest, we are now reporting our residual interests in these T. Rowe Price investment products as either an equity method investment or an investment held at fair value. Additionally, during the years ended December 31, 2019, 2018 and 2017, certain T. Rowe Price investment products that were being accounted for as equity method investments were consolidated, as we regained a controlling interest. The net impact of these changes on our consolidated balance sheets and statements of income as of the dates the portfolios were deconsolidated or reconsolidated is detailed below.

(in millions)	2019	2018	2017
Net increase (decrease) in assets of consolidated T. Rowe Price investment products	\$ (380.5)	\$ (736.6)	\$ (1,397.2)
Net increase (decrease) in liabilities of consolidated T. Rowe Price investment products	\$ (15.0)	\$ 17.6	\$ (153.1)
Net decrease in redeemable non-controlling interests	\$ (267.6)	\$ (626.4)	\$ (1,042.6)
Gains recognized upon deconsolidation	\$.1	\$ 3.6	\$.1

The gains recognized upon deconsolidation were the result of reclassifying currency translation adjustments accumulated on certain T. Rowe Price investment products with non-USD functional currencies from accumulated other comprehensive income to non-operating income.

In 2018, we sold our 10% holding in Daiwa SB Investments Ltd. The realized gain is recognized in net gains on investments on our consolidated statement of income and represents the majority of the increase over the prior year periods.

VARIABLE INTEREST ENTITIES.

Our investments at December 31, 2019 and 2018, include interests in variable interest entities that we do not consolidate as we are not deemed the primary beneficiary. Our maximum risk of loss related to our involvement with these entities is as follows:

(in millions)	2019	2018
Investment carrying values	\$ 156.0	\$ 143.3
Unfunded capital commitments	18.1	27.3
Uncollected investment advisory and administrative fees	10.5	5.2
	<u>\$ 184.6</u>	<u>\$ 175.8</u>

The unfunded capital commitments, totaling \$18.1 million at December 31, 2019, and \$27.3 million at December 31, 2018, relate primarily to investment partnerships in which we have an existing investment. In addition to such amounts, a percentage of prior distributions may be called under certain circumstances.

NOTE 5 – FAIR VALUE MEASUREMENTS.

We determine the fair value of our cash equivalents and certain investments using the following broad levels of inputs as defined by related accounting standards:

Level 1 – quoted prices in active markets for identical securities.

Level 2 – observable inputs other than Level 1 quoted prices including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk. These inputs are based on market data obtained from independent sources.

Level 3 – unobservable inputs reflecting our own assumptions based on the best information available. We do not value any investments using Level 3 inputs.

These levels are not necessarily an indication of the risk or liquidity associated with our investments. The following table summarizes our investments that are recognized in our consolidated balance sheets using fair value measurements determined based on the differing levels of inputs. This table excludes investments held by

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consolidated T. Rowe Price investment products which are presented separately on our consolidated balance sheets and are detailed in Note 6.

(in millions)	12/31/2019		12/31/2018	
	Level 1	Level 2	Level 1	Level 2
Cash equivalents held in T. Rowe Price money market funds	\$ 1,355.6	\$ —	\$ 1,196.0	\$ —
T. Rowe Price investment products	1,954.1	9.9	1,900.5	19.2
Total	\$ 3,309.7	\$ 9.9	\$ 3,096.5	\$ 19.2

At December 31, 2019, the reported investments held at fair value in Note 4 include \$99.7 million of investments that are carried at fair value using the NAV per share as a practical expedient. These investments are not required to be included in the fair value hierarchy levels above.

NOTE 6 – CONSOLIDATED T. ROWE PRICE INVESTMENT PRODUCTS.

The T. Rowe Price investment products that we consolidate in our consolidated financial statements are generally those products we provided initial seed capital at the time of their formation and have a controlling interest. Our U.S. mutual funds are considered voting interest entities, while those regulated outside the U.S. are considered variable interest entities.

The following table details the net assets of the consolidated T. Rowe Price investment products :

(in millions)	12/31/2019			12/31/2018		
	VOE	VIE	Total	VOE	VIE	Total
Cash and cash equivalents ⁽¹⁾	\$ 9.9	\$ 66.6	\$ 76.5	\$ 18.5	\$ 51.6	\$ 70.1
Investments ⁽²⁾	281.1	1,891.3	2,172.4	261.3	1,322.7	1,584.0
Other assets	10.6	17.4	28.0	8.0	18.3	26.3
Total assets	301.6	1,975.3	2,276.9	287.8	1,392.6	1,680.4
Liabilities	12.2	27.0	39.2	16.0	22.7	38.7
Net assets	\$ 289.4	\$ 1,948.3	\$ 2,237.7	\$ 271.8	\$ 1,369.9	\$ 1,641.7
Attributable to T. Rowe Price Group	\$ 199.6	\$ 917.1	\$ 1,116.7	\$ 175.3	\$ 726.1	\$ 901.4
Attributable to redeemable non-controlling interests	89.8	1,031.2	1,121.0	96.5	643.8	740.3
	\$ 289.4	\$ 1,948.3	\$ 2,237.7	\$ 271.8	\$ 1,369.9	\$ 1,641.7

⁽¹⁾ Cash and cash equivalents includes \$9.1 million and \$18.5 million at December 31, 2019 and 2018, respectively, of investments in T. Rowe Price money market mutual funds.

⁽²⁾ Investments include \$40.2 million and \$43.8 million at December 31, 2019 and 2018, respectively, of T. Rowe Price investment products.

Although we can redeem our net interest in the T. Rowe Price investment products at any time, we cannot directly access or sell the assets held by these products to obtain cash for general operations. Additionally, the assets of these investment products are not available to our general creditors.

Since third-party investors in these investment products have no recourse to our credit, our overall risk related to the net assets of consolidated T. Rowe Price investment products is limited to valuation changes associated with our net interest. We, however, are required to recognize the valuation changes associated with all underlying investments held by these products in our consolidated statements of income and disclose the portion attributable to third-party investors as net income attributable to redeemable non-controlling interests.

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The operating results of the consolidated T. Rowe Price investment products, are reflected in our consolidated statements of income as follows:

(in millions)	2019			2018			2017		
	VOE	VIE	Total	VOE	VIE	Total	VOE	VIE	Total
Operating expenses reflected in net operating income	\$ (2.2)	\$ (12.5)	\$ (14.7)	\$ (1.9)	\$ (10.8)	\$ (12.7)	\$ (1.1)	\$ (11.2)	\$ (12.3)
Net gains (losses) reflected in non-operating income	31.0	241.9	272.9	(16.7)	(76.2)	(92.9)	18.8	175.1	193.9
Impact on income before taxes	\$ 28.8	\$ 229.4	\$ 258.2	\$ (18.6)	\$ (87.0)	\$ (105.6)	\$ 17.7	\$ 163.9	\$ 181.6
Net income (loss) attributable to T. Rowe Price Group	\$ 21.3	\$ 119.3	\$ 140.6	\$ (6.3)	\$ (30.5)	\$ (36.8)	\$ 13.3	\$ 84.9	\$ 98.2
Net income (loss) attributable to redeemable non-controlling interests	7.5	110.1	117.6	(12.3)	(56.5)	(68.8)	4.4	79.0	83.4
	\$ 28.8	\$ 229.4	\$ 258.2	\$ (18.6)	\$ (87.0)	\$ (105.6)	\$ 17.7	\$ 163.9	\$ 181.6

The operating expenses of these consolidated products are reflected in other operating expenses. In preparing our consolidated financial statements, we eliminated operating expenses of \$6.8 million in 2019, \$6.2 million in 2018, and \$5.6 million in 2017, against the investment advisory and administrative fees earned from these products. The net gains (losses) reflected in non-operating income includes dividend and interest income and realized and unrealized gains and losses on the underlying securities held by the consolidated T. Rowe Price investment products.

The following table details the impact of these consolidated investment products on the individual lines of our consolidated statements of cash flows.

(in millions)	2019			2018			2017		
	VOE	VIE	Total	VOE	VIE	Total	VOE	VIE	Total
Net cash provided by operating activities	\$ (7.2)	\$ (663.6)	\$ (670.8)	\$ (43.9)	\$ (505.2)	\$ (549.1)	\$ (33.0)	\$ (1,282.3)	\$ (1,315.3)
Net cash used in investing activities	(7.1)	(11.3)	(18.4)	(.8)	(23.0)	(23.8)	(9.0)	(55.2)	(64.2)
Net cash used in financing activities	5.7	692.4	698.1	56.1	499.2	555.3	38.8	1,372.9	1,411.7
FX impact on cash	—	(2.5)	(2.5)	—	(15.4)	(15.4)	—	5.3	5.3
Net change in cash and cash equivalents during period	(8.6)	15.0	6.4	11.4	(44.4)	(33.0)	(3.2)	40.7	37.5
Cash and cash equivalents at beginning of year	18.5	51.6	70.1	7.1	96.0	103.1	10.3	55.3	65.6
Cash and cash equivalents at end of year	\$ 9.9	\$ 66.6	\$ 76.5	\$ 18.5	\$ 51.6	\$ 70.1	\$ 7.1	\$ 96.0	\$ 103.1

The net cash provided by financing activities includes \$174.4 million in 2019, \$84.9 million in 2018 and \$130.1 million in 2017, of net subscriptions we made into the consolidated T. Rowe Price investment products, net of dividends received. These cash flows were eliminated in consolidation.

FAIR VALUE MEASUREMENTS.

We determine the fair value of investments held by consolidated T. Rowe Price investment products using the following broad levels of inputs as defined by related accounting standards:

Level 1 – quoted prices in active markets for identical securities.

Level 2 – observable inputs other than Level 1 quoted prices including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk. These inputs are based on market data obtained from independent sources.

Level 3 – unobservable inputs reflecting our own assumptions based on the best information available. The value of investments using Level 3 inputs is insignificant.

These levels are not necessarily an indication of the risk or liquidity associated with these investment holdings. The following table summarizes the investment holdings held by our consolidated T. Rowe Price investment products using fair value measurements determined based on the differing levels of inputs.

(in millions)	12/31/2019		12/31/2018	
	Level 1	Level 2	Level 1	Level 2
Assets				
Cash equivalents	\$ 9.1	\$ 1.1	\$ 19.3	\$ —
Equity securities	162.8	724.5	189.6	483.5
Fixed income securities	—	1,248.6	—	890.2
Other investments	2.7	33.8	1.7	19.0
	<u>\$ 174.6</u>	<u>\$ 2,008.0</u>	<u>\$ 210.6</u>	<u>\$ 1,392.7</u>
Liabilities				
	<u>\$ (.4)</u>	<u>\$ (11.2)</u>	<u>\$ (.8)</u>	<u>\$ (12.8)</u>

NOTE 7 – LEASES.

All of our leases are operating leases and primarily consist of real estate leases for corporate offices, data centers, and other facilities. As of December 31, 2019, the weighted-average remaining lease term on our leases is approximately 6.8 and the weighted-average discount rate used to measure the lease liabilities is 3.5%.

Operating lease expense for the year ended December 31, 2019, 2018, and 2017 was \$29.0 million, \$40.1 million, and \$36.0 million, respectively. Charges related to our operating leases that are variable, including variable common area maintenance charges and other management-related costs, and not included in the measurement of the lease liabilities, were \$10.0 million for the year ended December 31, 2019.

We made lease payments of \$29.5 million during the year ended December 31, 2019. Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of December 31, 2019, are as follows:

(in millions)	12/31/2019
2020	\$ 26.6
2021	26.7
2022	23.8
2023	21.1
2024	19.6
Thereafter	46.6
Total future undiscounted cash flows	164.4
Less: imputed interest to be recognized in lease expense	(18.1)
Operating lease liabilities, as reported	<u>\$ 146.3</u>

NOTE 8 – PROPERTY AND EQUIPMENT.

Property and equipment at December 31 consists of:

(in millions)	2019	2018
Computer and communications software and equipment	\$ 963.8	\$ 864.7
Buildings and improvements	466.1	454.5
Leasehold improvements	157.3	137.0
Furniture and other equipment	193.5	178.9
Land	33.4	37.4
Leased land	2.7	2.7
	1,816.8	1,675.2
Less accumulated depreciation and amortization	1,142.4	1,013.9
Total	\$ 674.4	\$ 661.3

Compensation and related costs attributable to the development of computer software for internal use, totaling \$95.5 million in 2019, \$85.5 million in 2018, and \$62.3 million in 2017, have been capitalized.

NOTE 9 – INCOME TAXES.

The provision for income taxes consists of:

(in millions)	2019	2018	2017
Current income taxes			
U.S. federal	\$ 490.9	\$ 484.2	\$ 708.1
State and local	135.9	138.7	131.0
Foreign	18.3	28.5	13.1
Deferred income taxes (benefits)	33.3	(35.5)	71.7
Total	\$ 678.4	\$ 615.9	\$ 923.9

On December 22, 2017, the U.S. enacted a comprehensive tax reform bill. The Tax Reform included numerous changes to existing tax laws, including a permanent reduction in the federal corporate income tax rate. For the years ended December 31, 2018 and 2017, the income tax provision includes nonrecurring charges of \$20.8 million and \$71.1 million, respectively, related to the enactment of Tax Reform. As of December 31, 2018, we have completed our accounting for the income tax effects of Tax Reform.

On April 24, 2018, the state of Maryland enacted new state tax legislation. This new state tax legislation, effective in 2018, adopted a five-year phase-in of the single sales factor method of apportionment for calculating income tax for multi-state companies doing business in Maryland and is expected to result in a net benefit over time. We recognized a nonrecurring charge of \$7.9 million during 2018 for the re-measurement of our deferred tax assets and liabilities to reflect the effect of this Maryland state tax legislation.

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Deferred income taxes and benefits arise from temporary differences between taxable income for financial statement and income tax return purposes. The deferred income taxes (benefits) recognized as part of our provision for income taxes is related to:

(in millions)	2019	2018	2017
Property and equipment	\$ 3.0	\$ 11.0	\$ (3.9)
Operating lease assets	(33.9)	—	—
Operating lease liabilities	33.9	—	—
Stock-based compensation	4.5	7.1	72.4
Accrued compensation	1.3	(2.2)	1.2
Supplemental savings plan liability	(33.6)	(17.4)	(8.3)
Asset impairments	(2.4)	.9	7.3
Unrealized holding gains recognized in non-operating income	63.0	(32.0)	10.7
Other	(2.5)	(2.9)	(7.7)
Total deferred income taxes (benefits)	\$ 33.3	\$ (35.5)	\$ 71.7

The following table reconciles the statutory federal income tax rate to our effective income tax rate.

	2019	2018	2017
Statutory U.S. federal income tax rate	21.0 %	21.0 %	35.0 %
Impact of nonrecurring charge relating to U.S. tax reform	—	.8	2.9
Impact of nonrecurring charge related to Maryland state tax legislation	—	.3	—
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	4.3	4.6	3.9
Net income attributable to redeemable non-controlling interests	(1.0)	.7	(1.3)
Net excess tax benefits from stock-based compensation plans activity	(1.5)	(1.7)	(3.0)
Other items	.4	.1	(.6)
Effective income tax rate	23.2 %	25.8 %	36.9 %

⁽¹⁾ State income tax benefits are reflected in the total benefits for net income attributable to redeemable non-controlling interests and stock-based compensation plans activity.

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The net deferred tax assets recognized in our consolidated balance sheets in other assets as of December 31 relate to the following:

(in millions)	2019	2018
Deferred tax liabilities		
Property and equipment	\$ (49.3)	\$ (46.3)
Operating lease assets	(33.9)	—
Net unrealized holding gains recognized in income	(93.1)	(30.1)
Other	(22.1)	(20.4)
	<u>(198.4)</u>	<u>(96.8)</u>
Deferred tax assets		
Stock-based compensation	81.1	85.6
Asset impairments	10.3	7.9
Operating lease liabilities	33.9	—
Accrued compensation	5.3	6.6
Supplemental savings plan	117.6	84.0
Currency translation adjustment	11.9	11.4
Other	15.4	11.2
	<u>275.5</u>	<u>206.7</u>
Net deferred tax asset	\$ 77.1	\$ 109.9

We intend to repatriate earnings of T. Rowe Price foreign subsidiaries to the U.S. in an amount not to exceed these subsidiaries' previously taxed earnings and profits ("PTEP"), which are estimated to be approximately \$723 million at December 31, 2019. These earnings as well as our pro rata share of the earnings of foreign corporations in which T. Rowe Price owns 10% or more were subject to the repatriation tax enacted with the U.S. tax reform and are treated as PTEP. As such, we did not record a deferred tax liability with respect to the U.S. federal or foreign withholding taxes as the PTEP should not be taxed in these jurisdictions. We did recognize a state deferred tax liability of \$0.7 million for the intended repatriation as states have varying rules on taxation of these amounts.

Other assets include tax refund receivables of \$31.8 million at December 31, 2019, and \$21.9 million at December 31, 2018.

Cash outflows from operating activities include net income taxes paid of \$677.3 million in 2019, \$644.2 million in 2018, and \$857.7 million in 2017.

Additional income tax benefit arising from stock-based compensation plans activity totaling \$42.7 million in 2019, \$40.6 million in 2018, and \$75.5 million in 2017 reduced the amount of income taxes that would have otherwise been payable. These income tax benefits were recognized in the income tax provision.

The following table summarizes the changes in our unrecognized tax benefits.

(in millions)	2019	2018	2017
Balance at beginning of year	\$ 16.1	\$ 7.6	\$ 6.2
Changes in tax positions related to			
Current year	8.1	5.8	1.5
Prior years	.5	3.8	.1
Expired statute of limitations	(.8)	(1.1)	(.2)
Balance at end of year	\$ 23.9	\$ 16.1	\$ 7.6

If recognized, these tax benefits would affect our effective tax rate; however, we do not expect that unrecognized tax benefits for tax positions taken with respect to 2019 and prior years will significantly change in 2020. The U.S. has concluded examinations related to federal tax obligations through the year 2016. A net interest payable related to our unrecognized tax benefits of \$2.1 million at December 31, 2019, and \$1.2 million at December 31, 2018, are

recognized in our consolidated balance sheets. Our accounting policy with respect to interest and penalties arising from income tax settlements is to recognize them as part of our provision for income taxes. Interest recognized as part of our provision for income taxes was not material.

NOTE 10 – STOCKHOLDERS' EQUITY.

SHARE REPURCHASES.

At December 31, 2019, a liability of \$12.2 million is included in accounts payable and accrued expenses for common stock repurchases that settled during the first week of January 2019.

The Board of Directors has authorized the future repurchase of up to 17,375,047 common shares as of December 31, 2019.

RESTRICTED CAPITAL.

Our consolidated stockholders' equity at December 31, 2019, includes about \$187 million that is restricted as to use by various regulations and agreements arising in the ordinary course of our business.

NOTE 11 – STOCK-BASED COMPENSATION.

SHARES AUTHORIZED FOR STOCK-BASED COMPENSATION PROGRAMS.

At December 31, 2019, a total of 36,377,502 shares of unissued common stock were authorized for issuance under our stock-based compensation plans. Additionally, a total of 1,964,676 shares are authorized for issuance under a plan whereby substantially all employees may acquire common stock through payroll deductions at prevailing market prices.

STOCK OPTIONS.

The following table summarizes the status of, and changes in, our stock options during 2019.

	Options	Weighted- average exercise price	Weighted-average remaining contractual term in years
Outstanding at December 31, 2018	11,300,393	\$ 69.05	
Exercised	(3,787,735)	\$ 64.92	
Forfeited	(116,751)	\$ 76.69	
Expired	(7,839)	\$ 59.03	
Outstanding at December 31, 2019	7,388,068	\$ 71.06	3.8
Exercisable at December 31, 2019	6,716,511	\$ 70.58	3.7

Compensation and related costs includes a charge for stock option-based compensation expense of \$5.1 million in 2019, \$15.3 million in 2018, and \$28.1 million in 2017.

The total intrinsic value of options exercised was \$170.9 million in 2019, \$208.4 million in 2018, and \$293.0 million in 2017. At December 31, 2019, the aggregate intrinsic value of in-the-money options outstanding was \$375.2 million, including \$344.3 million related to options exercisable.

RESTRICTED SHARES AND STOCK UNITS.

The following table summarizes the status of, and changes in, our nonvested restricted shares and restricted stock units during 2019.

	Restricted shares	Restricted stock units	Weighted- average fair value
Nonvested at December 31, 2018	136,964	6,603,920	\$ 87.07
Time-based grants	7,404	2,120,284	\$ 120.22
Performance-based grants	—	84,240	\$ 120.79
Vested (value at vest date was \$227.1 million)	(126,885)	(1,741,795)	\$ 84.18
Nonvested dividend equivalents granted to non-employee directors	—	1,808	\$ 111.26
Forfeited	(10,079)	(350,196)	\$ 87.84
Nonvested at December 31, 2019	<u>7,404</u>	<u>6,718,261</u>	\$ 98.75

Nonvested at December 31, 2019 includes performance-based restricted stock units of 458,061. These nonvested performance-based restricted units include 213,000 units for which the performance period has lapsed, and the performance threshold has been met.

Compensation and related costs includes expenses for restricted shares and restricted stock units of \$201.5 million in 2019, \$181.8 million in 2018, and \$124.0 million in 2017.

At December 31, 2019, non-employee directors held 57,243 vested stock units that will convert to common shares upon their separation from the Board.

FUTURE STOCK-BASED COMPENSATION EXPENSE.

The following table presents the compensation expense to be recognized over the remaining vesting periods of the stock-based awards outstanding at December 31, 2019. Estimated future compensation expense will change to reflect future grants, changes in the probability of performance thresholds being met, and adjustments for actual forfeitures.

(in millions)	
First quarter 2020	\$ 59.6
Second quarter 2020	54.5
Third quarter 2020	53.2
Fourth quarter 2020	46.3
Total 2020	<u>213.6</u>
2021 through 2025	198.0
Total	<u>\$ 411.6</u>

NOTE 12 – EARNINGS PER SHARE CALCULATIONS.

The following table presents the reconciliation of net income attributable to T. Rowe Price Group to net income allocated to our common stockholders and the weighted-average shares that are used in calculating the basic and diluted earnings per share on our common stock. Weighted-average common shares outstanding assuming dilution reflect the potential dilution, determined using the treasury stock method, that could occur if outstanding stock options were exercised and non-participating stock awards vested.

(in millions)	2019	2018	2017
Net income attributable to T. Rowe Price Group	\$ 2,131.3	\$ 1,837.5	\$ 1,497.8
Less: net income allocated to outstanding restricted stock and stock unit holders	55.3	43.6	33.9
Net income allocated to common stockholders	<u>\$ 2,076.0</u>	<u>\$ 1,793.9</u>	<u>\$ 1,463.9</u>
Weighted-average common shares			
Outstanding	<u>235.4</u>	<u>242.2</u>	<u>241.2</u>
Outstanding assuming dilution	<u>238.6</u>	<u>246.9</u>	<u>245.1</u>

The following table shows the weighted-average outstanding stock options that are excluded from the calculation of diluted earnings per common share as the inclusion of such shares would be anti-dilutive.

(in millions)	2019	2018	2017
Weighted-average outstanding stock options excluded	<u>—</u>	<u>—</u>	<u>5.0</u>

NOTE 13 – OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME.

The following table presents the impact of the components of other comprehensive income or loss on deferred tax benefits (income taxes).

(in millions)	2019	2018	2017
Net deferred tax benefits (income taxes) on:			
Currency translation adjustments	\$.5	\$ 8.3	\$ (18.5)
Reclassification adjustment recognized in the provision for income taxes upon deconsolidation of T. Rowe Price investment product	—	.9	—
Total deferred tax benefits (income taxes) on currency translation adjustments	<u>.5</u>	<u>9.2</u>	<u>(18.5)</u>
Net unrealized holding gains or losses ⁽¹⁾	—	—	(14.6)
Reclassification adjustments recognized in the provision for income taxes:			
Capital gain distributions	—	—	1.4
Net gains realized on dispositions	—	—	32.5
Net gains recognized upon transfer to trading investments	—	—	9.2
Net deferred tax benefits (income taxes) on net unrealized holding gains or losses	<u>—</u>	<u>—</u>	<u>28.5</u>
Total net deferred tax benefits	<u>\$.5</u>	<u>\$ 9.2</u>	<u>\$ 10.0</u>

⁽¹⁾ On January 1, 2018, we implemented new accounting guidance that eliminated the available-for-sale investment category for equity securities and required unrealized holding gains on equity securities to be recognized in the consolidated income statement. Prior to this guidance, unrealized holding gains for available-for-sale equity securities were recognized in accumulated other comprehensive income and reclassified to the consolidated income statement upon sale of the investment. As a result of this change, reclassification of unrealized holding gains from accumulated other comprehensive income did not occur in 2019 or 2018.

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The changes in each component of accumulated other comprehensive income (loss), including reclassification are presented below.

(in millions)	Currency translation adjustments					Total
	Equity method investments	Consolidated T. Rowe Price investment products - variable interest entities	Total currency translation adjustments	Net unrealized holding gains		
Balances at December 31, 2016	\$ (32.3)	\$ (8.4)	\$ (40.7)	\$ 52.2	\$ 11.5	
Other comprehensive income (loss) before reclassifications and income taxes	2.6	45.2	47.8	37.4	85.2	
Reclassification adjustments recognized in non-operating income	—	(.1)	(.1)	(110.2)	(110.3)	
	2.6	45.1	47.7	(72.8)	(25.1)	
Net deferred tax benefits (income taxes)	(.9)	(17.6)	(18.5)	28.5	10.0	
Other comprehensive income (loss)	1.7	27.5	29.2	(44.3)	(15.1)	
Balances at December 31, 2017	(30.6)	19.1	(11.5)	7.9	(3.6)	
Reclassification of unrealized holding gains to retained earnings upon adoption of new financial instruments guidance ⁽¹⁾⁽²⁾	—	—	—	(7.9)	(7.9)	
Reclassification adjustment of stranded tax benefits on currency translation adjustments upon adoption of new accumulated other comprehensive income guidance	(6.4)	4.1	(2.3)	—	(2.3)	
Balance at January 1, 2018	(37.0)	23.2	(13.8)	—	(13.8)	
Other comprehensive income (loss) before reclassifications and income taxes	(15.2)	(18.6)	(33.8)	—	(33.8)	
Reclassification adjustments recognized in non-operating income	—	(3.6)	(3.6)	—	(3.6)	
	(15.2)	(22.2)	(37.4)	—	(37.4)	
Net deferred tax benefits (income taxes)	3.4	5.8	9.2	—	9.2	
Other comprehensive income (loss)	(11.8)	(16.4)	(28.2)	—	(28.2)	
Balances at December 31, 2018	(48.8)	6.8	(42.0)	—	(42.0)	
Other comprehensive income (loss) before reclassifications and income taxes	2.4	(3.8)	(1.4)	—	(1.4)	
Reclassification adjustments recognized in non-operating income	—	(.1)	(.1)	—	(.1)	
	2.4	(3.9)	(1.5)	—	(1.5)	
Net deferred tax benefits (income taxes)	(.5)	1.0	.5	—	.5	
Other comprehensive income (loss)	1.9	(2.9)	(1.0)	—	(1.0)	
Balances at December 31, 2019	\$ (46.9)	\$ 3.9	\$ (43.0)	\$ —	\$ (43.0)	

⁽¹⁾ On January 1, 2018, we implemented new accounting guidance that eliminated the available-for-sale investment category for equity securities and required unrealized holding gains on most equity securities to be recognized in the consolidated income statement. Prior to this guidance, unrealized holding gains for available-for-sale equity securities were recognized in accumulated other comprehensive income. Upon adoption, we reclassified the accumulated net of tax unrealized holding gain related to our available-for-sale investment portfolio from accumulated other comprehensive income to retained earnings.

⁽²⁾ Includes the reclassification of \$1.7 million of stranded income taxes on available-for-sale investments resulting from U.S. tax law changes enacted on December 22, 2017, from accumulated other comprehensive income to retained earnings.

NOTE 14 – DELL APPRAISAL RIGHTS MATTER.

In 2016, we paid \$166.2 million to compensate certain U.S. mutual funds, trusts, subadvised clients, and separately managed accounts (collectively, "Clients") for the denial of their appraisal rights by the Delaware Chancery Court ("Court") in connection with the 2013 leveraged buyout of Dell, Inc. ("Dell"). Later in 2016 and 2017, we entered into settlement agreements totaling \$150.0 million with our insurance carrier. These insurance proceeds were recognized in operating expenses as an offset to the charge we recognized for compensation paid to Clients in operating expenses.

In 2018, all parties settled with Dell, and the Court approved final adjustments to the compensation paid to Clients in final non-appealable judgments. As a result, we obtained repayments from Clients, of which we retained the first \$15.2 million and paid the remaining amount received back to our insurers. We recognized \$15.2 million as a reduction in operating expenses in 2018. The net impact of the Dell appraisal matter on our financial statements was \$1.0 million of operating expenses.

NOTE 15 – COMMITMENTS AND CONTINGENCIES.

On February 14, 2017, T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., T. Rowe Price Trust Company, current and former members of the management committee, and trustees of the T. Rowe Price U.S. Retirement Program were named as defendants in a lawsuit filed in the United States District Court for the District of Maryland. The lawsuit alleges breaches of ERISA's fiduciary duty and prohibited transaction provisions on behalf of a class of all participants and beneficiaries of the T. Rowe Price 401(k) Plan from February 14, 2011, to the time of judgment. The matter has been certified as a class action. T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the discovery phase of litigation and we cannot predict the eventual outcome, or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

On April 27, 2016, certain shareholders in the T. Rowe Price Blue Chip Growth Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price Equity Income Fund, T. Rowe Price Growth Stock Fund, T. Rowe Price International Stock Fund, T. Rowe Price High Yield Fund, T. Rowe Price New Income Fund and T. Rowe Price Small Cap Stock Fund (the "Funds") filed a Section 36(b) complaint under the caption Zoidis v. T. Rowe Price Assoc., Inc., against T. Rowe Price Associates, Inc. ("T. Rowe Price") in the United States District Court for the Northern District of California. The complaint alleges that the management fees for the identified funds are excessive because T. Rowe Price charges lower advisory fees to subadvised clients with funds in the same strategy. The complaint seeks to recover the allegedly excessive advisory fees received by T. Rowe Price in the year preceding the start of the lawsuit, along with investments' returns and profits. In the alternative, the complaint seeks the rescission of each fund's investment management agreement and restitution of any allegedly excessive management fees. T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the discovery phase of litigation and we cannot predict the eventual outcome, or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

In addition to the matters discussed above, various claims against us arise in the ordinary course of business, including employment-related claims. In the opinion of management, after consultation with counsel, the likelihood of an adverse determination in one or more of these pending ordinary course of business claims that would have a material adverse effect on our financial position or results of operations is remote.

NOTE 16 – OTHER DISCLOSURES.**RETIREMENT PLANS.**

Compensation and related costs includes expense recognized for our defined contribution retirement plans of \$104.6 million in 2019, \$105.6 million in 2018, and \$89.4 million in 2017.

SUPPLEMENTAL SAVINGS PLAN.

The Supplemental Savings Plan provides certain senior officers the opportunity to defer receipt of up to 100% of their cash incentive compensation earned for a respective calendar year during which services are provided. The amounts deferred are adjusted in accordance with the hypothetical investments chosen by the officer from a list of mutual funds. The officer can initially defer these amounts for a period of two to 15 years. Certain senior officers elected to defer \$107.5 million in 2019, \$118.9 million in 2018, and \$95.5 million in 2017.

NOTE 17 – SUPPLEMENTARY QUARTERLY FINANCIAL DATA (Unaudited).

	Net revenues		Net income ⁽¹⁾⁽²⁾⁽³⁾		Net income attributable to T. Rowe Price Group ⁽¹⁾⁽²⁾⁽³⁾		Basic earnings on common stock ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾		Diluted earnings on common stock ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	
			(in millions)				(per share)			
2019										
1st quarter	\$	1,327.3	\$	554.0	\$	512.6	\$	2.11	\$	2.09
2nd quarter	\$	1,395.2	\$	555.9	\$	527.5	\$	2.18	\$	2.15
3rd quarter	\$	1,426.7	\$	545.1	\$	545.9	\$	2.26	\$	2.23
4th quarter	\$	1,468.7	\$	593.9	\$	545.3	\$	2.27	\$	2.24
2018										
1st quarter	\$	1,328.0	\$	455.5	\$	453.7	\$	1.81	\$	1.77
2nd quarter	\$	1,345.0	\$	459.6	\$	448.9	\$	1.81	\$	1.77
3rd quarter	\$	1,394.6	\$	581.6	\$	583.0	\$	2.34	\$	2.30
4th quarter	\$	1,305.0	\$	272.0	\$	351.9	\$	1.43	\$	1.41

⁽¹⁾During the fourth quarter of 2018, we recognized a \$15.2 million reduction in operating expenses, or \$0.05, in diluted earnings per share, upon recovering a portion of the payments we made to our clients in 2016. For more details related to the Dell appraisal rights matter, see Note 14 to the consolidated financial statements.

⁽²⁾During the second quarter of 2018 we recognized a nonrecurring charge of 20.8 million, or \$0.08 in diluted earnings per share related to the U.S. tax law changes that were enacted on December 22, 2017, and a nonrecurring charge of \$7.9 million, or \$0.03 in diluted earnings per share for the remeasurement of our deferred tax assets and liabilities to reflect the effect of Maryland state tax legislation enacted on April 24, 2018. See Note 9 to the consolidated financial statements for further details.

⁽³⁾During the third quarter of 2018, we recognized a realized gain of \$.27 in diluted earnings per share from the sale of our 10% holding in Daiwa SB Investments Ltd.

⁽⁴⁾The sums of quarterly earnings per share may not equal annual earnings per share because the computations are done independently.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
T. Rowe Price Group, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, "the consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 13, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that:

(1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the assets under management data used in the calculation of investment advisory fees revenue

As discussed in Note 1 to the consolidated financial statements, the Company recognizes fees for its investment advisory agreements based on a percentage of its assets under management (AUM). AUM represents a significant input to the calculation of investment advisory fees. The Company recognized \$3.5 billion in investment advisory fees related to T. Rowe Price U.S. mutual funds (Funds) during the year ended December 31, 2019. Specifically as it pertains to the Funds, AUM is transmitted through multiple information technology (IT) systems used in the calculation of investment advisory fee revenue.

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We identified the evaluation of AUM for the Funds transmitted through multiple IT systems as a critical audit matter given the importance of maintaining the AUM data to be input into the calculation of investment advisory fee revenues. There is a high degree of effort involved in performing procedures to address the Company's use of multiple IT systems to maintain the AUM data. Such procedures require specialized skills to test the AUM data as it is processed through multiple IT systems.

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls over the Company's revenue processes, including manual controls that reconcile AUM between IT systems. We involved IT professionals with specialized skills and knowledge, who assisted in the testing of general IT controls and the interface of data between multiple IT systems used to maintain AUM. To assess the AUM, we compared AUM used in the calculation of investment advisory fees to the source IT systems and to audited financial statements, for a selection of Funds.

/s/ KPMG LLP

We have served as the Company's auditor since 2001.

Baltimore, Maryland
February 13, 2020

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures as of December 31, 2019, are effective at the reasonable assurance level to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, including our Form 10-K annual report, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive and principal financial officers, has evaluated any change in our internal control over financial reporting that occurred during the fourth quarter of 2019, and has concluded that there was no change during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's report on our internal control over financial reporting and the attestation report of KPMG LLP follow after Item 9B.

Item 9B. Other Information.

None.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders of T. Rowe Price Group, Inc.:

We, together with other members of management of T. Rowe Price Group, Inc., (the "Company") are responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is the process designed under our supervision, and effected by the Company's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

Management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2019, in relation to criteria described in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, we believe that the Company's internal control over financial reporting was effective as of December 31, 2019.

KPMG LLP, an independent registered public accounting firm, has audited our financial statements that are included in this annual report and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2019.

February 13, 2020

/s/ William J. Stromberg
President, Chief Executive Officer, and Chairman of the Board of Directors

/s/ Céline S. Dufétel
Vice President, Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
T. Rowe Price Group, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited T. Rowe Price Group, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, "the consolidated financial statements"), and our report dated February 13, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Baltimore, Maryland
February 13, 2020

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this item as to the identification of our executive officers is furnished in a separate item at the end of Part I of this Report. Other information required by this item is incorporated by reference from the definitive proxy statement required to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019 for the 2020 Annual Meeting of our stockholders.

Item 11. Executive Compensation.

Information required by this item is incorporated by reference from the definitive proxy statement required to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019 for the 2020 Annual Meeting of our stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item is incorporated by reference from the definitive proxy statement required to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019 for the 2020 Annual Meeting of our stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item is incorporated by reference from the definitive proxy statement required to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019 for the 2020 Annual Meeting of our stockholders.

Item 14. Principal Accountant Fees and Services.

Information required by this item is incorporated by reference from the definitive proxy statement required to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019 for the 2020 Annual Meeting of our stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this report.

- (1) Financial Statements: See Item 8 of Part II of this report.
- (2) Financial Statement Schedules: None.
- (3) The following exhibits required by Item 601 of Regulation S-K are filed herewith, except for Exhibit 32 that is furnished herewith. Management contracts and compensatory plans and arrangements are identified with an asterisk (*).
 - 3(i) Charter of T. Rowe Price Group, Inc., as reflected by Articles of Restatement dated June 20, 2018. (Incorporated by reference from Form 10-Q Quarterly Report filed on July 25, 2018.)
 - 3(ii) Amended and Restated By-Laws of T. Rowe Price Group, Inc., as of February 12, 2019. (Incorporated by reference from Form 8-K Current Report filed on February 13, 2019.)
 - 4.1 Description of Capital Stock
 - 10.01.1 Representative Investment Management Agreement for the T. Rowe Price mutual funds that pay a management fee consisting of two components - a group management fee and individual management fee. (Incorporated by reference from Form 485BPOS filed on July 27, 2017.)
 - 10.01.2 Representative Investment Management Agreement for the T. Rowe Price mutual funds that pay an individual management fee. (Incorporated by reference from Form 485BPOS filed on August 13, 2015.)

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10.01.3		Representative Investment Management Agreement for the T. Rowe Price mutual funds that pay an all-inclusive fee (i.e., a single fee that covers investment management and ordinary recurring operating expenses). (Incorporated by reference from Form 485BPOS filed on April 23, 2014.)
10.02		Representative Underwriting Agreement between a T. Rowe Price mutual fund and T. Rowe Price Investment Services, Inc. (Incorporated by reference from Form N-1A/A filed on August 30, 2017.)
10.03		Transfer Agency and Service Agreement as of January 1, 2018, between T. Rowe Price Services, Inc. and the T. Rowe Price Funds. (Incorporated by reference from Form 485BPOS filed on April 26, 2018.)
10.04		Agreement as of January 1, 2018, between T. Rowe Price Retirement Plan Services, Inc. and certain of the T. Rowe Price Funds. (Incorporated by reference from Form 485BPOS filed on April 26, 2018.)
10.05		Fund Accounting Services Agreement as of August 1, 2015 between T. Rowe Price Associates, Inc. and the T. Rowe Price Funds. (Incorporated by reference from Form 485BPOS filed on April 26, 2018.)
10.08	*	Statements of additional terms and conditions for awards granted under the Amended and Restated 2007 Non-Employee Director Equity Plans after February 12, 2009. (Incorporated by reference from Form 10-Q for the quarterly period ended March 31, 2009 filed on April 22, 2009.)
10.08.1	*	Amended and Restated 2007 Non-Employee Director Equity Plan. (Incorporated by reference from Form 10-K Annual Report for fiscal year ended December 31, 2015 filed on February 5, 2016.)
10.10	*	T. Rowe Price Group, Inc. Outside Directors Deferred Compensation Plan. (Incorporated by reference from Form 10-K for 2004 filed on March 1, 2005.)
10.13.1	*	2001 Stock Incentive Plan. (Incorporated by reference from Form DEFR14A filed on February 26, 2001.)
10.13.2	*	First Amendment to 2001 Stock Incentive Plan dated April 8, 2004. (Incorporated by reference from Form DEF 14A filed on February 27, 2004.)
10.13.3	*	Second Amendment to 2001 Stock Incentive Plan dated December 12, 2008. (Incorporated by reference from Form 10-Q for the quarterly period ended March 31, 2009 filed on April 22, 2009.)
10.14.1	*	2004 Stock Incentive Plan. (Incorporated by reference from Form DEF 14A filed on February 27, 2004.)
10.14.2	*	HM Revenue and Customs Approved Sub-Plan for UK Employees under the 2004 Stock Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended June 30, 2010 filed on July 23, 2010.)
10.14.3	*	First Amendment to 2004 Stock Incentive Plan dated December 12, 2008. (Incorporated by reference from Form 10-Q for the quarterly period ended March 31, 2009 filed on April 22, 2009.)
10.15	*	Forms of agreements available for stock-based awards issued under the 2001 and 2004 Stock Incentive Plans. (Incorporated by reference from Form 10-Q for the quarterly period ended June 30, 2010 filed on July 23, 2010.)
10.15.1	*	Forms of agreement for stock options issued under the HM Revenue and Customs Approved Sub-Plan for UK Employees under the 2004 Stock Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended June 30, 2010 filed on July 23, 2010.)
10.15.2	*	Forms of agreement for stock options issued after February 2, 2012 under the 2004 Stock Incentive Plan. (Incorporated by reference from Form 10-K for 2011 filed on February 3, 2012.)
10.15.3	*	Forms of agreement for restricted stock units issued after February 2, 2012 under the 2004 Stock Incentive Plan. (Incorporated by reference from Form 10-K for 2011 filed on February 3, 2012.)

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- 10.15.4 * Forms of agreement for restricted stock awards issued after February 2, 2012 under the 2004 Stock Incentive Plan. (Incorporated by reference from Form 10-K for 2011 filed on February 3, 2012.)
- 10.16 * T. Rowe Price Group, Inc. 2018 Annual Incentive Compensation Pool for Executive Officers. (Incorporated by reference from Form 8-K Current Report filed on February 16, 2018).
- 10.17 Policy for Recoupment of Incentive Compensation. (Incorporated by reference from Form 8-K Current Report as of April 14, 2010 filed on April 16, 2010.)
- 10.18.1 * 2012 Long-term Incentive Plan. (Incorporated by reference from Form DEF14A filed on March 17, 2017)
- 10.18.2 * Forms of agreement for restricted stock awards issued under the 2012 Long-term Incentive Plan. (Incorporated by reference from Form 10-Q Report for the quarterly period ended June 30, 2012 filed on July 25, 2012.)
- 10.18.3 * Forms of agreement for restricted stock units issued under the 2012 Long-term Incentive Plan. (Incorporated by reference from Form 10-Q Report for the quarterly period ended June 30, 2012 filed on July 25, 2012.)
- 10.18.4 * Forms of agreement of stock options issued under the 2012 Long-term Incentive Plan. (Incorporated by reference from Form 10-Q Report for the quarterly period ended June 30, 2012 filed on July 25, 2012.)
- 10.18.5 * HM Revenue and Customs Approved Sub-Plan for UK Employees under the 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended March 31, 2013 filed on April 24, 2013.)
- 10.18.6 * Forms of Agreement for Stock Options issued under the HM Revenue and Customs Approved Sub-Plan for UK Employees under the 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended March 31, 2013 filed on April 24, 2013.)
- 10.18.7 * Form of Statement of Additional Terms Regarding Awards of Restricted Stock Units (Version 3A) issued on or after December 6, 2017 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 8-K Current Report filed on December 12, 2017.)
- 10.18.8 * Form of Statement of Additional Terms Regarding Awards of Restricted Stock Units (Version 3B) issued on or after December 6, 2017 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 8-K Current Report filed on December 12, 2017.)
- 10.18.9 * Form of Statement of Additional Terms Regarding Awards of Stock Options (Version 3A) issued on or after December 6, 2017 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 8-K Current Report filed on December 12, 2017.)
- 10.18.10 * Form of Statement of Additional Terms Regarding Awards of Stock Options (Version 3B) issued on or after December 6, 2017 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 8-K Current Report filed on December 12, 2017.)
- 10.18.11 * Form of Notice of Grant of Restricted Stock Units Award issued on or after December 6, 2017 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 8-K Current Report filed on December 12, 2017.)
- 10.18.12 * Form of Statement of Additional Terms Regarding Awards of Restricted Stock Units (Version 4A) issued on or after December 9, 2018 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended September 30, 2018 filed on October 25, 2018.)
- 10.18.13 * Form of Statement of Additional Terms Regarding Awards of Restricted Stock Units (Version 4B) issued on or after December 9, 2018 under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan. (Incorporated by reference from Form 10-Q for the quarterly period ended September 30, 2018 filed on October 25, 2018.)
- 10.18.14 * Form of Notice of Grant of Restricted Stock Units Award issued under the T. Rowe Price Group, Inc. 2012 Long-Term Incentive Plan.

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10.19	*	Supplemental Savings Plan (Incorporated by reference from Form S-8 registration statement filed on October 23, 2014.)
10.19.1	*	Supplemental Savings Plan - Schedule 1 - Sponsoring Employers (Incorporated by reference from Form S-8 registration statement filed on October 23, 2014.)
10.19.2	*	Supplemental Savings Plan - Schedule 2 - UK Addendum (Incorporated by reference from Form S-8 registration statement filed on October 23, 2014.)
10.19.3	*	Supplemental Savings Plan - Schedule 3 - Sweden Addendum (Incorporated by reference from Form S-8 registration statement filed on July 27, 2016.)
10.19.4	*	Supplemental Savings Plan - Schedule 4 - Luxembourg Addendum (Incorporated by reference from Form S-8 registration statement filed on July 27, 2016.)
10.21	*	Employment Agreement as of March 15, 2016, between T. Rowe Price International Limited and Christopher Alderson. (Incorporated by reference from Form 10-Q filed on April 26, 2016.)
10.23	*	2017 Non-Employee Director Equity Plan, as amended
10.23.1	*	Statements of additional terms and conditions for awards granted under the 2017 Non-Employee Director Equity Plan (Incorporated by reference from Form S-8 registration statement filed on April 27, 2017.)
10.24		Consulting Agreement as of December 20, 2018, between T. Rowe Price Group, Inc. and Edward C. Bernard. (Incorporated by reference from Current Report on Form 8-K filed on December 24, 2018.)
10.25		T. Rowe Price Group, Inc. 2019 Annual Incentive Compensation Plan for Executive Officers. (Incorporated by reference from Form 8-K Current Report filed on February 13, 2019).
21		Subsidiaries of T. Rowe Price Group, Inc.
23		Consent of Independent Registered Public Accounting Firm, KPMG LLP.
31(i).1		Rule 13a-14(a) Certification of Principal Executive Officer.
31(i).2		Rule 13a-14(a) Certification of Principal Financial Officer.
32		Section 1350 Certifications.
101		The following series of unaudited XBRL-formatted documents are collectively included herewith as Exhibit 101. The financial information is extracted from T. Rowe Price Group's consolidated financial statements and notes that are included in this Form 10-K Report.
101.INS		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		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Calculation Linkbase Document
101.LAB		XBRL Taxonomy Label Linkbase Document
101.PRE		XBRL Taxonomy Presentation Linkbase Document
101.DEF		XBRL Taxonomy Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 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, on February 13, 2020.

T. Rowe Price Group, Inc.

By: /s/ William J. Stromberg, President, Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 13, 2020.

/s/ William J. Stromberg, President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)

/s/ Mark S. Bartlett, Director

/s/ Mary K. Bush, Director

/s/ Dina Dublon, Director

/s/ Freeman A. Hrabowski III, Director

/s/ Robert F. MacLellan, Director

/s/ Olympia J. Snowe, Director

/s/ Robert J. Stevens, Director

/s/ Richard R. Verma, Director

/s/ Sandra S. Wijnberg, Director

/s/ Alan D. Wilson, Director

/s/ Céline S. Dufétel, Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

/s/ Jessica M. Hiebler, Vice President (Principal Accounting Officer)

T. Rowe Price Group, Inc.
Description of Capital Stock

As of December 31, 2019, T. Rowe Price Group, Inc., a Maryland corporation (hereinafter, the “Company”), had one class of securities registered pursuant to Section 12 of the U.S. Securities Exchange Act of 1934, as amended: Common Stock, par value \$0.20 per share (the “Common Stock”). The following summary includes a brief description of the Common Stock, as well as certain related additional information.

General. The Company has authority to issue 750,000,000 shares of Common Stock, and 20,000,000 shares of preferred stock, par value \$0.20 per share (the “Preferred Stock”). The Preferred Stock is issuable in one or more classes or series from time to time upon authorization by the Company’s Board of Directors (the “Board”). No class or series of Preferred Stock has been authorized by the Board at this time.

Voting Rights. Holders of Common Stock are entitled to one vote for each share held of record and are vested with all of the voting power, except as the Board may provide in the future with respect to any class or series of Preferred Stock that it may authorize. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at a meeting constitutes a quorum, and, other than the election of directors or as otherwise required by law, a majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting. In the case of any uncontested election, each director shall be elected by a majority of the total votes cast for and against such director nominee at a meeting of stockholders duly called and at which a quorum is present. In the event of a contested election, directors shall be elected by a plurality of votes cast at a meeting of stockholders duly called and at which a quorum is present.

Dividend Rights. Holders of Common Stock are entitled to receive dividends when, as, and if declared by the Board out of any funds legally available for dividends, subject to the preferences applicable to any shares of Preferred Stock outstanding at the time.

No Preemption, Conversion or Redemption Rights. Shares of Common Stock are not redeemable and have no subscription, conversion or preemption rights.

Right to Receive Liquidation Distributions. Holders of Common Stock are entitled, upon liquidation, to share ratably in all assets remaining after payment of liabilities and any amount owing in liquidation to any shares of Preferred Stock outstanding at the time.

Anti-Takeover Effects of the Articles of Incorporation and Bylaws. The provisions of the Company’s Articles of Incorporation, as amended (the “Articles”) and Amended and Restated Bylaws (the “Bylaws”) described below may have the effect of delaying, deferring or preventing a change in control of the Company:

- Board may adopt, amend or repeal the Bylaws without stockholder approval;
 - the Bylaws specify advanced notice procedures that stockholders must follow in order to bring business or nominate directors at an annual or special meeting of stockholders and has adopted proxy access procedures for director nominations through the Company’s Proxy Statement;
 - all action by stockholders must be taken at a meeting of stockholders given stockholder action by written consent must be unanimous. The Chairman of the Board or the President of the Company or a majority of the Board or stockholders holding 25% or more of the outstanding Common Stock of the Company may call a special meeting of stockholders;
 - vacancies on the Board can be filled by a majority vote of the remaining members of the Board, even where less than a quorum, or by a vote of the stockholders required for the election of directors generally;
 - the Board is authorized to issue Preferred Stock without stockholder approval;
and
 - the Company is incorporated in Maryland and is thus subject to the provisions of the Maryland General Corporation Law.
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The foregoing summary does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Articles and Bylaws. For additional information we encourage you to read the Articles and Bylaws, including amendments, all of which are exhibits to the Company's Annual Report on Form 10-K, and applicable provisions of the Maryland General Corporation Law.

**T. ROWE PRICE GROUP, INC.
2017 NON-EMPLOYEE DIRECTOR EQUITY PLAN**

1. History; Effective Date.

T. Rowe Price Group, Inc., a Maryland corporation (“*Price Group*”), has established the T. Rowe Price Group, Inc. 2017 Non-Employee Director Equity Plan, as set forth herein, and as the same may be amended from time to time (“*Plan*”). The Plan is intended to benefit Price Group by providing Non-Employee Directors of Price Group with a proprietary stake in Price Group’s future success and, thereby, aligning their interests with those of Price Group’s stockholders. The Plan was adopted by the Board of Directors of Price Group (“*Board*”) on February 16, 2017, and is effective as of the date that it is approved by the stockholders of Price Group (“*Effective Date*”). The Plan will serve as a successor to the T. Rowe Price Group, Inc. Amended and Restated 2007 Non-Employee Director Equity Plan (“*Prior Plan*”) which by its terms expires on April 12, 2017.

Under the Plan, Price Group may grant Non-Employee Directors equity compensation (“*Awards*”) in the form of restricted shares of common stock of Price Group (“*Common Stock*”), stock units for deferred delivery of Common Stock, and options for the purchase of Common Stock.

2. Terminology.

Capitalized words used in the Plan or an Award agreement issued under the Plan shall have the meaning set forth in the glossary at Section 13 of the Plan.

3. Administration.

The Plan Administrator has full authority and discretion to administer the Plan. This authority includes, without limitation, authority to (a) interpret and construe any provision of the Plan and the terms of any Award granted under it; (b) modify in its discretion the Value and/or number, timing, vesting and/or other terms of Awards to be granted pursuant to Section 5 of the Plan without requiring stockholder approval thereof; provided that any such modification of the Value and/or number of Awards does not result in exceeding the maximum annual cap per Non-Employee Director set forth under Section 5(a) of the Plan; and (c) in general, make all other determinations advisable for the administration of the Plan to achieve its stated purpose. This authority also includes the authority, as the Plan Administrator may deem necessary or advisable, to adopt such rules, regulations, agreements, guidelines and instruments for administering the Plan and for conducting the Plan Administrator’s business. A majority of the members of the Plan Administrator shall constitute a quorum for the transaction of business and the vote of a majority of those members present at any meeting at which a quorum is present shall decide any question brought before that meeting. In lieu of a meeting, the Plan Administrator may take action by unanimous written consent. Decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator shall have the power to delegate all or any of its non-discretionary duties to one or more designees. To the maximum extent permitted by law, no member of the Plan Administrator or its designees shall be liable for any action taken or decision made in good faith relating to the Plan or any Award. To the maximum extent permitted by law and by Price Group’s charter and by-laws, the members of the Plan Administrator and its designees shall be indemnified by Price Group in respect of all their activities under the Plan.

4. Stock Reserved for the Plan.

(a) *Initial Share Pool.* Subject to adjustments as provided in Section 8 of the Plan, the aggregate number of shares of Common Stock as of the Effective Date that may be issued pursuant to Awards to be granted under the Plan is 400,000 shares (“*Share Pool*”).

(b) *Share Accounting.* Upon the grant of an Award, the Share Pool set forth in Section 4(a) shall be reduced by one share of Common Stock for every one share made subject to such Award to determine the number of Awards that may be granted thereafter.

(c) *Restoration of Shares.* If any Award, or portion of an Award, expires or terminates unexercised, becomes unexercisable or is forfeited or otherwise terminated or canceled as to any shares, in any such case without the issuance of shares, the shares subject to such Award or portion of such Award, as applicable, shall be restored to the Share Pool and shall thereafter be available for grant of Awards under the Plan.

(d) *Source of Shares.* Price Group shall reserve for issuance pursuant to the Plan such number of shares of Common Stock as may from time to time be granted and/or are subject to outstanding Awards. The source of the shares of Common Stock issued pursuant to the Plan shall be authorized and unissued shares under Price Group’s charter, including such shares purchased on the open market or derived from any other proper source.

5. Grants of Awards.

(a) *Cap on Awards Per Director.* From time to time, the Plan Administrator, in its discretion, shall determine the Value and/or number, timing and terms of Awards to be granted under the Plan; provided, however, that no person shall receive Awards under the Plan in a single calendar year the aggregate Value of which, measured on the respective grant date(s), exceeds USD\$500,000.

(b) *Initial Director Award.* Unless determined otherwise by the Plan Administrator, each person first elected or appointed as a Non-Employee Director on or after the Effective Date, shall be granted, as of the close of business on the date of the first regular meeting of the Board held on or after the date of such Non-Employee Director’s election or appointment, an Initial Director Award having a Value on the date of grant of USD\$300,000, in such form as the Non-Employee Director shall have elected pursuant to Section 7; provided, however, that if the person first becomes a Non-Employee Director by being elected at an Annual Meeting, the Initial Director Award to that person shall be granted on the first Business Day after such Annual Meeting. The number of shares of Common Stock to be made subject to an Award under this Section 5(b) shall be rounded to the nearest whole share (rounding up for 0.5 shares) when calculating the number of shares that equate to the specified Value.

(c) *Former Employees.* Notwithstanding the provisions of Section 5(b) above, a person who was an employee of Price Group or any of its subsidiaries or affiliates at any time within three years before becoming a Non-Employee Director shall not be entitled to receive an Initial Director

Award.

(d) *Equity Compensation Awards.* Unless determined otherwise by the Plan Administrator, each Non-Employee Director shall be granted, on the first Business Day after each Annual Meeting, inclusive of the Annual Meeting that coincides with the Effective Date, an Equity Compensation Award having a Value on the date of grant of USD\$200,000, in such form as the Non-Employee Director shall have elected pursuant to Section 7. The number of shares of Common Stock to be made subject to an Award under this Section 5(d) shall be rounded to the nearest whole share (rounding up for 0.5 shares) when calculating the number of shares that equate to the specified Value.

(e) *Non-duplication of Grants.* Notwithstanding the provisions of Section 5(d) above, an Equity Compensation Award will not be granted to a Non-Employee Director during the calendar year in which the Non-Employee Director receives his or her Initial Director Award under the Plan or the Prior Plan.

(f) *Director Fee Award.* Subject to the single calendar year aggregate Value limit on awards to a Non-Employee Director in Section 5(a), effective for Plan Years beginning on or after January 1, 2020, a Non-Employee Director may, under such terms as may from time to time be established by the Plan Administrator, or its designee, elect, pursuant to Section 7(f), to defer whatever portion of the Non-Employee Director's Director Fees may be deferred under this Section 5(f) in return for a Director Fee Award in the form of Stock Units. The number of shares of Common Stock to be made subject to a Director Fee Award under this Section 5(f) for a Plan Year shall be rounded to the lesser of (i) the nearest whole number of shares of Common Stock (rounding up for 0.5 shares) that represents the total Value on any applicable grant date of all Director Fees for the Plan Year that are subject to an election under Section 7(f), and (ii) that whole number of Common Shares with a Value, measured on the respective grant dates, that when added to the Value of any other award to which the Non-Employee Director is entitled under this Article 5 does not exceed the single calendar year aggregate Value limit on Awards to Non-Employee Director contained in Section 5(a). Unless determined otherwise by the Plan Administrator, each Director Fee Award shall be granted, on the first Business Day after the Director Fees to which such award relates would otherwise have been paid to the Non-Employee Director.

(g) *Grant Eligibility.* No individual shall be granted an Award under the Plan unless such individual is a Non-Employee Director on the applicable grant date.

(h) *Modification of Awards.* The Plan Administrator in its discretion may modify the Value, number and/or timing of the Awards to be granted pursuant to the provisions of Sections 5(b) and 5(d) above without stockholder approval, provided that any such modification of the Value and/or number of Awards does not result in exceeding the maximum annual cap per Non-Employee Director set forth under Section 5(a) of the Plan. Notwithstanding anything herein to the contrary, the Plan Administrator may specify the nature of Award to be granted as Initial Equity Awards and/or Equity Compensation Awards, in lieu of providing Non-Employee Directors the opportunity to elect the nature of Award they wish to receive, provided that the Plan Administrator complies with the provisions of Section 409A of the Code when making and implementing such a determination.

6. Nature and Terms of Awards.

(a) *Nature of Awards.* The Plan enables the grant of Awards in any of the following forms as determined from time to time in the discretion of the Plan Administrator: (i) restricted shares of Common Stock that are nontransferable and subject to forfeiture prior to becoming vested ("*Restricted Shares*"); (ii) stock units providing for deferred delivery of Common Stock ("*Stock Units*"); and (iii) nonstatutory options for the purchase of Common Stock ("*Options*").

(b) *Holding Period Requirements.* All shares of Common Stock issued under an Award shall be subject to any restrictions imposed by law, the rules and regulations of any exchange or trading market on which Price Group's securities are then traded, and any then-applicable stock ownership and retention guidelines for directors of Price Group.

(c) *Vesting and Forfeiture of Awards.* Unless determined otherwise by the Plan Administrator, Awards in the form of Restricted Shares, Stock Units and Options shall be subject to the following vesting and forfeiture provisions.

(i) Such Awards upon grant shall be unvested and subject to a risk of forfeiture.

(ii) Such Awards granted as Initial Director Awards, and all accrued dividends and/or unvested Dividend Equivalents attributed to such Initial Director Awards, will become vested and no longer subject to risk of forfeiture on the earliest of the following dates (A) the first anniversary of the grant date of the Award, (B) the Non-Employee Director's date of death, (C) the date on which the Non-Employee Director becomes Totally and Permanently Disabled, or (D) the date on which a Change in Control occurs; provided that the Non-Employee Director to whom the Award was granted is a member of the Board on the applicable vesting date.

(iii) Such Awards granted as Equity Compensation Awards, and all accrued dividends and/or unvested Dividend Equivalents attributed to such Equity Compensation Awards, will become vested and no longer subject to risk of forfeiture on the earliest of the following dates (A) the day immediately prior to the Annual Meeting that occurs in the next calendar year following the year in which the grant date occurs, (B) the Non-Employee Director's date of death, (C) the date on which the Non-Employee Director becomes Totally and Permanently Disabled, or (D) the date on which a Change in Control occurs; provided that the Non-Employee Director to whom the Award was granted is a member of the Board on the applicable vesting date.

(iv) If the Non-Employee Director ceases to be a member of the Board for any reason other than death, becoming Totally and Permanently Disabled, or the occurrence of a Change in Control, all unvested Awards, and all accrued dividends and/or unvested Dividend Equivalents attributed to such unvested Awards, will be forfeited upon such cessation without any consideration paid therefor.

(v) Stock Units granted as Director Fee Awards will be fully vested and nonforfeitable on the grant date.

(d) *Transferability of Awards.* Awards are not transferable by the Non-Employee Director otherwise than by will or the laws of descent and distribution and shall not be subject in any manner to alienation, anticipation, sale, exchange, assignment, pledge, encumbrance, or garnishment, or in any other manner made subject to a hedge transaction or a put or call contract; provided, however, that with the consent of the Plan Administrator, Restricted Shares and Options (but not Stock Units) may be transferred to a family member or a trust, partnership or the like for the benefit of the Non-Employee Director or such family members. The Plan Administrator shall not permit any transfer for value of an Award (other

than shares of Common Stock received in connection with an Award of Restricted Shares after the date that the Award has become vested) and the permitted transferee of an unvested Award shall receive the Award subject to the same risk of forfeiture as applied to the Non-Employee Director transferor. No assignment or transfer of an Option, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, except by will, the laws of descent and distribution or by consent of the Plan Administrator, shall vest in the assignee or transferee any interest or right therein whatsoever, but immediately upon any attempt to assign or transfer the Option the same shall terminate and be of no force or effect.

(e) *Terms of Stock Units.*

(i) Stock Units represent an unfunded promise of Price Group to deliver shares of Common Stock, or in limited circumstances the cash equivalent of such shares, to the Non-Employee Director or the Non-Employee Director's estate, as applicable, at a future date subject to satisfaction of certain conditions but no shares of Common Stock are issued upon the grant of Stock Units. Stock Units shall be settled, to the extent vested, upon the Non-Employee Director's Termination Date, unless the Non-Employee director is a "specified employee" (as defined under Section 409A of the Code and determined in good faith by the Plan Administrator). If a Non-Employee Director is a "specified employee" on the Termination Date, the Stock Units to be settled on account of the occurrence of that Termination Date will be settled within 15 days after the end of the six-month period beginning on that Termination Date or, if earlier, within 15 days after the appointment of the personal representative or executor of the estate after the Non-Employee Director's death. Upon settlement, Price Group shall issue to the Non-Employee Director or the Non-Employee Director's estate, as applicable, a number of shares of Common Stock equal to the number of whole, vested Stock Units then credited to the Non-Employee Director's Account; any fractional Stock Units will be settled in cash. In the event that a Change in Control occurs, the provisions of Section 8(b) of the Plan shall control notwithstanding anything in this Section 6(e) to the contrary.

(ii) The grant of a Stock Unit shall not entitle the Non-Employee Director or the Non-Employee Director's estate, as applicable, to voting or other rights as a stockholder until shares of Common Stock are issued upon settlement.

(iii) If Price Group declares a cash dividend payable to the holders of its Common Stock, then, on the dividend payment date, Price Group shall credit Dividend Equivalents to Accounts under this Plan as follows: (A) all such Dividend Equivalents shall be credited in the form of Stock Units the vested or unvested status of which shall align with the vested or unvested status of the Stock Units to which the Dividend Equivalents are attributed, and to the extent unvested such Dividend Equivalents shall be subject to risk of forfeiture until the Stock Units to which they are attributed become vested; (B) such Stock Units shall be settled in shares of Common Stock except as otherwise provided in Section 6(e)(iv) or Section 8(b) of the Plan; (C) such Dividend Equivalents shall be credited on behalf of each Non-Employee Director who, as of the record date for such dividend, has a Prior Plan Account Balance and/or Stock Units credited to an Account under this Plan; and (D) the number of Stock Units to be credited to the Account as Dividend Equivalents shall be equal to the quotient determined by dividing (a) by (b), where "(a)" is the product of (1) the cash dividend payable per share of Common Stock multiplied by (2) the sum of the Prior Plan Account Balance plus the number of Stock Units credited to the Non-Employee Director's Account under this Plan as of the record date, and "(b)" is the Fair Market Value of a share of Common Stock on the dividend payment date. If the Account holder's Stock Units have been settled after the record date but prior to the dividend payment date, any Dividend Equivalents that would be credited pursuant to this Section 6(e)(iii) shall be settled on or as soon as practicable after the dividend payment date. For purposes of Section 409A of the Code, the payment of Dividend Equivalents shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of any Award that gave rise to the Dividend Equivalent.

(iv) In the event that on a dividend payment date on which Dividend Equivalents are to be credited to Accounts under the Plan the number of shares in the Share Pool then available for grant of Awards under the Plan is insufficient to enable the grant of all such Dividend Equivalents in the form of Stock Units that are settleable in shares of Common Stock, then unless provision is made for grant of such Dividend Equivalents under a successor plan, the Dividend Equivalents to be credited on such date shall be Stock Units that provide for settlement in cash on the relevant settlement date.

(f) *Terms of Restricted Shares.*

(i) The grant of Restricted Shares shall entitle the Non-Employee Director to all the rights of a stockholder, including voting and rights to receive dividends and distributions with respect to such shares of Common Stock, but the shares shall be subject to transfer restrictions and risk of forfeiture until becoming vested. Notwithstanding the foregoing sentence, the Plan Administrator shall accrue dividends and distributions payable with respect to Restricted Shares and defer the payment thereof, subject to risk of forfeiture, until the Restricted Shares to which they are attributed become vested.

(ii) The Non-Employee Director will be reflected on Price Group's books as the owner of record of the shares of Common Stock represented by the Restricted Shares as of the grant date. Price Group will retain the shares in uncertificated book entry form with a notation as to their nontransferability, until the Restricted Shares become vested and nonforfeitable. As soon as practicable after vesting of the Restricted Shares, Price Group will remove any notation of nontransferability of the shares on its books and, unless requested to deliver a share certificate to the Non-Employee Director, or to deliver shares electronically or in certificate form to the Non-Employee Director's designated broker on the director's behalf, for such vested shares, Price Group will retain the shares in uncertificated book entry form.

(g) *Terms of Options.*

(i) Each Option granted under the Plan shall: (A) have an exercise price for each share subject thereto equal to the Fair Market Value of the Common Stock on the grant date; (B) be exercisable once it has become vested; (C) be exercised during the lifetime of the Non-Employee Director, only by the Non-Employee Director or, during any period the Non-Employee Director is under a legal disability, by the Non-Employee Director's guardian or legal representative, unless otherwise determined by the Plan Administrator; (D) terminate and no longer be exercisable, to the extent unvested, when the Non-Employee Director ceases to be a member of the Board for any reason other than death, becoming Totally and Permanently Disabled, or the occurrence of a Change in Control, and to the extent vested, on the earlier to occur of the expiration of ten years after the grant date of such Option or five years after the Non-Employee Director ceases to be a member of the Board for any reason; and (E) provide for payment of the exercise price via cash, check, or tender of shares of Common Stock, by way of a broker-assisted cashless exercise in accordance with procedures established by the Plan Administrator, or any combination thereof.

(ii) No Option holder shall have any rights as a stockholder with respect to any shares of Common Stock covered by an Option until the date a stock certificate or certificates representing such shares is issued or such other evidence of issuance of the shares to the person is entered on the records of Price Group.

(iii) Except as provided in Section 8 of the Plan, no adjustment for dividends or otherwise shall be made if the record date is prior to the date of issuance of the shares of Common Stock purchased pursuant to exercise of the Option.

7. Election Procedures.

(a) *Election Timing Rules.* Unless determined otherwise by the Plan Administrator, each Non-Employee Director shall elect the form in which he or she will be granted Awards under the Plan by filing with the treasurer of Price Group, or his designee, an Election Form in accordance with the rules set forth herein.

(b) *Election of Form of Awards.* Unless determined otherwise by the Plan Administrator, Non-Employee Directors may elect to receive their Initial Director Awards and/or Equity Compensation Awards in the form of Restricted Shares or Stock Units. Director Fee Awards shall be received only in the form of Stock Units.

(c) *Elections by New Directors.* Each New Director may file an Election Form with the treasurer of Price Group, or his designee, prior to or on the day of becoming a Non-Employee Director, but must file an Election Form by no later than 14 days after becoming a Non-Employee Director. Such election shall apply to Initial Director Awards and Equity Compensation Awards that are scheduled to be granted, under the terms of Section 5, after the written notice is received by the treasurer of Price Group or his designee.

(d) *Incumbent Directors Serving on the Board as of December 31, 2016.* Each Incumbent Director who as of December 31, 2016, was eligible to participate in the Prior Plan shall file an Election Form with the treasurer of Price Group, or his designee, by no later than December 31, 2016. Such election shall apply to Awards under the Plan that are scheduled to be granted, under the terms of Section 5, after the written notice is received by the treasurer of Price Group or his designee.

(e) *Incumbent Directors Not Serving on the Board as of December 31, 2016.* Each Incumbent Director who first became a Non-Employee Director after December 31, 2016 and before the Effective Date may file an Election Form with the treasurer of Price Group, or his designee, prior to or on the day of becoming a Non-Employee Director, but must file an Election Form by no later than 14 days after becoming a Non-Employee Director. Such election shall apply to Awards under the Plan that are scheduled to be granted, under the terms of Section 5, after the written notice is received by the treasurer of Price Group or his designee.

(f) *Director Fee Awards.* Except as provided below, a Non-Employee Director may file an Election Form with the treasurer of Price Group, or his designee, by December 31st of a Plan Year to elect to receive Director Fee Awards with respect to Director Fees related to services performed by the Non-Employee Director during any Plan Year following the Plan Year in which the election is made. Any election to receive Director Fee Awards must be made during the period established by the Plan Administrator, which shall end no later than December 31st of the Plan Year preceding the Plan Year in which the services giving rise to the Director Fees to be received as Director Fee Awards are to be performed. Notwithstanding the foregoing, each New Director may file an Election Form with the treasurer of Price Group, or his designee, prior to but no later than 14 days after becoming a Non-Employee Director electing to receive Director Fee Awards with respect to Director Fees related to services performed by the New Director after the election becomes effective and for the balance of the Plan Year in which the election is made and for Director Fees related to services performed by the Non-Employee Director during any Plan Year following the Plan Year to which the election relates. Any election under this Section 7(f) to receive Director Fee Awards with respect to Director Fees payable in a Plan Year shall be subject to the single calendar year aggregate Value limit on Awards to a Non-Employee Director in Section 5(a).

(g) *Modification of Elections.* Election Forms entered into pursuant to Section 7(f) are irrevocable as of the later of (i) the 14th day after a New Director first becomes a Non-Employee Director, and (ii) December 31st of each Plan Year and a Non-Employee Director may not modify an Election Form with respect to Awards to be granted during a Plan Year after the Plan Year has commenced and the Election Form has become irrevocable. Election Forms will remain in effect from year to year unless modified prospectively by the Non-Employee Director for a subsequent Plan Year. A Non-Employee Director may modify an existing Election Form for any subsequent Plan Year by filing a new Election Form with the treasurer of Price Group, or his designee, by December 31st of the year preceding the Plan Year for which the modification is to become effective. For the avoidance of doubt, a Non-Employee Director may not modify an Election Form with respect to Awards to be granted during a Plan Year after the Plan Year has commenced.

(h) *Default Election.* If a Non-Employee Director does not have a valid Election Form in effect at the relevant time that an Initial Director Award or Equity Compensation Award is scheduled to be granted, the Non-Employee Director's Initial Director Award or Equity Compensation Award, as applicable, shall be made in the form of Stock Units. If a Non-Employee Director does not have a valid Election Form with respect to Director Fee Awards in place for a Plan Year, as provided in Sections 7(f) and 7(g), then the Non-Employee Director shall be deemed to have elected to have all of his Director Fees for that Plan Year paid in cash.

8. Adjustments for Corporate Transactions and Other Events.

(a) *Mandatory Adjustments.* In the event of a merger, consolidation, stock rights offering, liquidation, statutory share exchange, or similar event affecting Price Group, or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, special dividend of cash or other property, share combination or subdivision, recapitalization, or similar event affecting the capital structure of Price Group, that occurs at any time after adoption of the Plan by the Board (including any such event that occurs after such adoption and coincident with or prior to the Effective Date), the Plan Administrator, in its discretion and without the consent of the holders of outstanding Awards, shall make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of shares of Common Stock or other securities on which Awards under the Plan may be granted, (ii) the number of shares of Common Stock or other securities covered by each outstanding Award or reflected in the Accounts, the exercise price, if any, and other relevant terms of each outstanding Award, and (iii) all other numerical limitations relating to Awards, whether contained in the Plan or in Award agreements. The Plan Administrator shall determine the treatment of fractional shares and fractional cents that arise with respect to outstanding Awards and amounts reflected in the Accounts as a result of the adjustments to be made under this Section 8(a), which treatment may include the cancellation of fractional shares without payment therefor. The Plan Administrator will

make the adjustments and determinations under this Section 8(a), and its determination will be final, binding and conclusive.

(b) *Change in Control Transactions.* In the event of any transaction resulting in a Change in Control of Price Group, (A) all outstanding Awards will become fully vested immediately before and contingent upon the Change in Control; (B) all outstanding Options not exercised prior to or upon the Change in Control will terminate at the effective time of such Change in Control unless provision is made by the Board in connection with the transaction for the continuation, assumption or settlement of such Options by, or for the substitution of equivalent options of, the surviving or successor entity or a parent thereof; and (C) all Stock Units credited to Accounts as of the Change in Control will be settled in shares (of either Common Stock or common stock of the surviving or successor entity or a parent thereof) or in cash, all at the discretion of the Board, upon the Change in Control or as soon as practicable thereafter but in no event later than the close of the calendar year in which the Change in Control occurs.

(c) *Other Events.* In the event of a change in Price Group's Common Stock which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase in the number of issued shares, the shares resulting from any such change shall be deemed to be Common Stock within the meaning of the Plan.

9. Amendment, Modification and Termination of the Plan and Awards.

(a) *Amendment, Modification and Termination of the Plan.* The Board or the Nominating and Corporate Governance Committee of the Board may amend, modify, or terminate the Plan at any time and from time to time; provided, however, that without the degree of stockholder approval required by Price Group's charter or bylaws, applicable law, or the rules and regulations of any exchange or trading market on which Price Group's securities are then traded, neither the Board nor the Nominating and Corporate Governance Committee of the Board may: (a) increase the number of shares of Common Stock that may be issued under the Plan other than as provided under Section 8 of the Plan, (b) modify the share accounting provisions set forth in Section 4 of the Plan, (c) modify the maximum annual cap on Awards per Non-Employee Director set forth under Section 5(a) of the Plan, or (d) modify the requirements as to eligibility for participation in the Plan. No amendment, modification, or termination of the Plan shall adversely affect the rights of a holder of an Award without the written consent of the holder. In the event that the Plan is terminated, Price Group will continue to maintain the Accounts and settle Stock Units credited thereto only in accordance with the provisions of Section 409A of the Code or any successor thereto. Notwithstanding anything herein to the contrary, the Plan Administrator is authorized to amend the Plan in such manner as it may determine to be necessary or desirable to ensure the Plan's compliance with Section 409A of the Code or other applicable law or the rules and regulations of any exchange or trading market on which Price Group's securities are then traded.

(b) *Amendment of Awards.* Subject to Section 3 of the Plan, the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Non-Employee Director with respect to an Award without the Non-Employee Director's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Common Stock is listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Non-Employee Director or Price Group. Any such amendment of an Award shall be undertaken in a manner that complies with Section 409A of the Code to the extent applicable.

10. Claims Procedure.

(a) *Named Fiduciary.* The Plan Administrator shall be the named fiduciary for purposes of this claims procedure.

(b) *Initial Claims.* If a Non-Employee Director or other person does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, the claimant of such benefit must file a written claim with the Plan Administrator within 60 days from the date payment or delivery is refused. The Plan Administrator shall review the written claim and, if the claim is denied in whole or in part, shall provide, in writing and within 90 days of receipt of such claim, the specific reasons for such denial and reference to the provisions of the Plan upon which the denial is based and any additional material or information necessary to perfect the claim. Such written notice shall further indicate the steps to be taken by the claimant if a further review of the claim denial is desired.

(c) *Appeals.* If the claimant desires a second review, he or she shall notify the Plan Administrator in writing within 60 days of the first claim denial. The claimant may review the Plan or any documents relating thereto and submit any written issues and comments he or she may feel appropriate. In its discretion, the Plan Administrator shall then review the second claim and provide a written decision within 60 days of receipt of such claim. This decision shall likewise state the specific reasons for the decision and shall include reference to specific provisions of the Plan upon which the decision is based.

11. Compliance With Laws And Regulations.

The Plan, the grant of Awards, and the obligation of Price Group to issue and deliver shares of Common Stock upon the exercise of Options, grant of Restricted Shares, or settlement of Stock Units shall be subject to all applicable foreign, federal and state laws, rules, and regulations and to such approvals by such governmental or regulatory agency or national securities exchange as may be required. Price Group shall not be required to issue any shares of Common Stock upon the exercise of Options, grant of Restricted Shares, or settlement of Stock Units if the issuance of such shares shall constitute a violation by the Non-Employee Director or Price Group of any provisions of any law or regulation of any governmental authority or national securities exchange. Each Award granted under the Plan shall be subject to the requirement that, if at any time the Plan Administrator shall determine that (a) the listing, registration or qualification of the shares subject thereto on any securities exchange or trading market or under any state or federal law of the United States or of any other country or governmental subdivision thereof, (b) the consent or approval of any governmental regulatory body, or (c) the making of investment or other representations are necessary or desirable in connection with the issue or purchase of shares subject thereto, no shares of Common Stock may be issued upon grant, settlement, or exercise of any Award unless such listing, registration, qualification, consent, approval or representation shall have been effected or obtained, free of any conditions not acceptable to the Plan Administrator. Any determination in this connection by the Plan Administrator shall be final, binding, and conclusive.

12. Miscellaneous.

(a) *Non-Guarantee of Service.* Nothing in the Plan or in any agreement evidencing an Award, nor any action taken pursuant to the Plan, shall confer any right on an individual to continue in the service of Price Group as a Non-Employee Director or in any other capacity for any period of time or at a particular retainer or other rate of compensation, or as limiting, interfering with or otherwise affecting the provisions of Price Group's charter, by-laws or the Maryland General Corporation Law relating to the removal of directors.

(b) *Unfunded Status of Plan*. The Plan, with respect to Stock Units credited to Accounts, is intended to constitute and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan for a select group of directors under the Employee Retirement Income Security Act of 1974, as amended. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Price Group and a Non-Employee Director or any other person. To the extent that any Non-Employee Director or other person acquires a right to receive payments from Price Group pursuant to the Plan or any Award made under the Plan, such right shall be no greater than the right of an unsecured general creditor of Price Group.

(c) *Governing Law*. The validity, construction and effect of the Plan, of Award agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Plan Administrator relating to the Plan or such Award agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Maryland, without regard to its conflict of laws principles.

(d) *Effective Date and Expiration Date*. The Plan is effective as of the date on which it is first approved by the stockholders of Price Group. No Award shall be granted under the Plan on or after the tenth anniversary of the Effective Date of the Plan. Subject to other applicable provisions of the Plan, all Awards made under the Plan prior to such termination of the Plan shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(e) *409A Savings Clause*. It is intended that the Plan comply with Section 409A of the Code. The Plan shall be administered, interpreted and construed in a manner consistent with such Code Section. Should any provision of the Plan be found not to comply with the provisions of Section 409A of the Code, it shall be modified and given effect, in the sole discretion of the Plan Administrator and without requiring consent of any Award holder, in such manner as the Plan Administrator determines to be necessary or appropriate to comply with Section 409A of the Code.

13. Glossary.

Under the Plan and Award agreements issued in connection with the Plan, except where the context otherwise indicates, the following definitions apply:

- (a) "Account" means a bookkeeping reserve account to which Stock Units are credited on behalf of Non-Employee Directors.
- (b) "Annual Meeting" means an annual meeting of the stockholders of Price Group at which members of the Board are to be elected.
- (c) "Award" means a share of Common Stock, Stock Unit, or Option granted under the Plan.
- (d) "Board" means the Board of Directors of Price Group.
- (e) "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the City of New York, New York USA are authorized or required to close.
- (f) "Change in Control" means the earliest to occur of any of the following events, construed in accordance with Section 409A of the Code:
 - (i) Any one person or more than one person acting as a group acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group, beneficial ownership of 35 percent or more of the total voting power of Price Group's then outstanding voting securities;
 - (ii) A majority of the members of Price Group's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed or approved by a majority of the members of the Board who were members of the Board prior to the initiation of the replacement; or
 - (iii) Any one person or more than one person acting as a group acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group, assets of Price Group that have a total gross fair market value of 50 percent or more of the total gross fair market value of all of the assets of Price Group immediately prior to the initiation of the acquisition.
- (g) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.
- (h) "Common Stock" means shares of common stock, par value \$.20 per share, of Price Group and any capital securities into which they are converted.
- (i) "Director Fees" means the cash payments for the (i) the annual retainer, (ii) any Board or Board committee meeting attendance fee; and (iii) any fee for serving as lead director, or chair or member of a Board committee.
- (j) "Directors Fee Award" means the grant of Awards to a Non-Employee Director pursuant to Section 5(f) of the Plan.
- (k) "Dividend Equivalent" means a right, granted to a Non-Employee Director, to receive Stock Units or cash equal in value to dividends paid with respect to a specified number of shares of Common Stock.
- (l) "Effective Date" means April 26, 2017 or such later date upon which the stockholders of Price Group first approve the Plan.
- (m) "Election Form" means the form prescribed by the Plan Administrator on which a Non-Employee Director specifies (i) the form in which his or her Initial Director Award or Equity Compensation Awards under the Plan are to be granted, or (ii) that the Director is making an election

pursuant to Section 7(f)

(n) "Equity Compensation Award" means the grant of Awards to a Non-Employee Director pursuant to Section 5(d) of the Plan.

(o) "Fair Market Value" means, with respect to the Common Stock, as of any date:

(i) if the principal market for the Common Stock (as determined by the Plan Administrator if the Common Stock is listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, the official closing price per share of Common Stock for the regular market session on that date on the principal exchange or market on which the Common Stock is then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(ii) if the principal market for the Common Stock is not a national securities exchange or an established securities market, the average of the highest bid and lowest asked prices for the Common Stock on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(iii) if the Common Stock is not listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Plan Administrator in good faith by the reasonable application of a reasonable valuation method.

(p) "Incumbent Director" means a person who is a Non-Employee Director immediately before and on the Effective Date.

(q) "Initial Director Award" means the initial grant of Awards to a Non-Employee Director pursuant to Section 5(a) of the Plan or Section 5(a) of the Prior Plan.

(r) "New Director" means a person who (i) is first elected or appointed as a Non-Employee Director on or after the Effective Date, or (ii) first becomes a Non-Employee Director on or after the Effective Date.

(s) "Non-Employee Director" means a member of the Board who, at the relevant time, is not an employee of Price Group or of any direct or indirect subsidiary or affiliate of Price Group.

(t) "Option" means a nonstatutory option to purchase shares of Common Stock from Price Group at a specified price.

(u) "Plan" means this T. Rowe Price Group, Inc. 2017 Non-Employee Director Equity Plan, as amended from time to time.

(v) "Plan Administrator" means the Nominating and Corporate Governance Committee of the Board.

(w) "Plan Year" shall be the twelve-month period coinciding with the calendar year; provided, however, that the first Plan Year shall be a shorter period commencing on the Effective Date and ending on December 31, 2017.

(x) "Price Group" means T. Rowe Price Group, Inc., a Maryland corporation.

(y) "Prior Plan" means the T. Rowe Price Group, Inc. Amended and Restated 2007 Non-Employee Director Equity Plan.

(z) "Prior Plan Account Balance" means the number of Stock Units credited to a Non-Employee Director's Account under the Prior Plan as of the date the Prior Plan terminates and which Stock Units have not been settled before the record date of the relevant dividend with respect to which a Dividend Equivalent is to be credited pursuant to Section 6(e) of this Plan.

(aa) "Restricted Shares" means shares of Common Stock that, upon issuance, are nontransferable and subject to forfeiture for a specified period.

(bb) "Share Pool" means the number of Awards that may be granted under the Plan from time to time, on the basis that one Award represents one share of Common Stock to be issued upon grant or at a subsequent date specified under the terms of the Award.

(cc) "Stock Unit" means a share equivalent credited to a Non-Employee Director's Account and which represents Price Group's unfunded promise to deliver one share of Common Stock, or the cash equivalent thereof, upon a specified future event or date.

(dd) "Termination Date" means the date on which a Non-Employee Director ceases to serve as a member of the Board and has otherwise incurred a "separation from service" within the meaning of Section 409A of the Code.

(ee) "Total and Permanent Disability" means that a Non-Employee Director is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Non-Employee Director's death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Non-Employee Director participates and which

conditions the right to receive benefits under such program on the Non-Employee Director being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Non-Employee Director's death or result in death. The Administrator shall have sole authority to determine whether a Non-Employee Director has suffered a Total and Permanent Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Non-Employee Director's condition.

(ff) "Value" means, with respect to Restricted Shares and Stock Units, the product of the number of shares of Common Stock subject to the Award multiplied by the Fair Market Value per share on the grant date, and with respect to Options, the grant date fair value computed using the Black-Scholes option-pricing model and applying the same assumptions for volatility, risk-free interest rate, dividend yield, and expected life in the option-pricing model as used for U.S. Generally Accepted Accounting Principles financial reporting.

{End of Plan}

T. Rowe Price Group, Inc.
100 E. Pratt Street Baltimore, MD 21202 USA

**Notice of Grant Of
Restricted Stock Units Award**

Award Number: 00000000XXXXX
ID: XXXX
Plan: 2012 Long-Term Incentive Plan

[Name]
[Address]

On _____ (the Grant Date), T. Rowe Price Group, Inc. (Price Group) granted you **XXX** restricted stock units pertaining to Price Group common stock (the Stock Units) as a service-based restricted stock units award under Price Group's 2012 Long-Term Incentive Plan. The closing price of Price Group common stock on the Grant Date was \$XX.XX per share. The Stock Units, upon vesting, convert to shares of Price Group common stock, as described in the Statement of Additional Terms Regarding Awards of Restricted Stock Units (version 4B) (the Statement of Additional Terms) that, except as may otherwise be provided herein, sets forth the terms and conditions of this grant.

Vesting Schedule:

Except as otherwise provided in the Statement of Additional Terms, so long as your employment with Price Group and/or its affiliates is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the Stock Units will become vested and will be converted to shares of Price Group common stock in installments on the vesting dates set forth in the vesting schedule below.

# of Stock Units	Vesting Date
XXX	__-Dec-2020
XXX	__-Dec-2021
XXX	__-Dec-2022
XXX	__-Dec-2023
XXX	__-Dec-2024

The Statement of Additional Terms describes additional circumstances under which you may earn the Stock Units. Notwithstanding the post-termination vesting provisions contained in Section 2(c)(i) of the Statement of Additional Terms, if you voluntarily terminate your employment on or after December 31, 2022, but before satisfying any one of the more generous post-termination vesting provision contained in Section 2(c)(i) of the Statement of Additional Terms, you will continue to vest in the nonforfeited, unvested Stock Units that will vest in the three tranches vesting in the three calendar years immediately following your Termination of Service, as that term is defined in the Statement of Additional Terms, provided you continue to satisfy the restrictive covenants contained in Section 8 of the Statement of Additional Terms during the post-termination vesting period. All other provisions of the Statement of Additional Terms shall apply to this grant.

Your participation in our stock-based compensation program recognizes that you play a key role in the long-term success of Price Group and affords you the opportunity to participate alongside our other stockholders in that success.

CEO & President Date

To accept this grant you must, **on or after** _____, access the LTI Shareworks Portal by clicking on <http://myapps.microsoft.com>. You will then enter or select your company email address when prompted to pick an account. Once you are at the Apps screen, choose the Shareworks Participant Portal app, this will take you to the Shareworks stock plan Dashboard. Any grant notices that need to be accepted by you should be found in the Task box on the Dashboard. **You must accept this grant by no later than** _____.

By accepting the grant online, you acknowledge that you have been provided, have read and agree to be bound by the terms of the Statement of Additional Terms under which this grant has been made and the prospectus for the 2012 Long-Term Incentive Plan, both of which are available on the Shareworks Participant Portal. You also consent to the electronic delivery, via email, posting on Price Group's Web site, Shareworks Participant Portal or the Web site of any third party vendor that provides stock plan administrative services to Price Group, of this

Notice, the Statement of Additional Terms and all future notices or other information with respect to this grant, the 2012 Long-Term Incentive Plan, and the common shares of Price Group. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents by contacting the Payroll and Stock Transaction Group in the CFO-Finance Department in the Baltimore, Maryland - Pratt Street office or by telephone, at 410-345-7716, **option 2**.

Subsidiary companies ⁽¹⁾	Place of incorporation
T. Rowe Price Advisory Services, Inc.	Maryland
T. Rowe Price Associates, Inc.	Maryland
TRP Suburban, Inc.	Maryland
TRP Suburban Second, Inc.	Maryland
TRP Colorado Springs, LLC	Maryland
TRP Office Florida, LLC	Maryland
T. Rowe Price Trust Company	Maryland
T. Rowe Price Investment Services, Inc.	Maryland
T. Rowe Price Services, Inc.	Maryland
T. Rowe Price Retirement Plan Services, Inc.	Maryland
T. Rowe Price (Canada), Inc.	Maryland
TRPH Corporation	Maryland
T. Rowe Price Index Trust, Inc.	Maryland
T. Rowe Price Institutional Income Funds, Inc.	Maryland
T. Rowe Price Institutional International Funds, Inc.	Maryland
T. Rowe Price Intermediate Tax-Free High Yield Fund, Inc.	Maryland
T. Rowe Price International Funds, Inc.	Maryland
T. Rowe Price Multi-Sector Account Portfolios, Inc.	Maryland
T. Rowe Price Multi-Strategy Total Return Fund, Inc.	Maryland
T. Rowe Price Quantitative Management Funds, Inc.	Maryland
T. Rowe Price International Ltd	United Kingdom
T. Rowe Price UK Ltd.	United Kingdom
T. Rowe Price Hong Kong Limited	Hong Kong
T. Rowe Price Singapore Private Ltd.	Singapore
T. Rowe Price (Switzerland) GmbH	Switzerland
T. Rowe Price (Luxembourg) Management Sarl	Luxembourg
T. Rowe Price Japan, Inc.	Japan
T. Rowe Price Australia, Ltd.	Australia

⁽¹⁾Other subsidiaries have been omitted because, when considered in the aggregate, they do not constitute a significant subsidiary.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
T. Rowe Price Group, Inc.:

We consent to the incorporation by reference in the registration statements (No. 33-7012, No. 333-59714, No. 333-120882, No. 333-120883, No. 333-142092, No. 333-167317, No. 333-180904, No. 333-199560, No. 333-212705, and No. 333-217483) on Form S-8 of T. Rowe Price Group, Inc. of our reports dated February 13, 2020, with respect to the consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of T. Rowe Price Group, Inc.

/s/ KPMG LLP
Baltimore, MD
February 13, 2020

I, William J. Stromberg, certify that:

1. I have reviewed this Form 10-K Annual Report for the fiscal year ended December 31, 2019 of T. Rowe Price Group, 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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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.

February 13, 2020

/s/ William J. Stromberg

President, Chief Executive Officer and Chairman of the Board of Directors

I, Céline S. Dufétel, certify that:

1. I have reviewed this Form 10-K Annual Report for the fiscal year ended December 31, 2019 of T. Rowe Price Group, 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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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.

February 13, 2020

/s/ Céline S. Dufétel

Vice President, Chief Financial Officer and Treasurer

We certify, to the best of our knowledge, based upon a review of the Form 10-K Annual Report for the fiscal year ended December 31, 2019, of T. Rowe Price Group, Inc., that:

(1) The Form 10-K Annual Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-K Annual Report fairly presents, in all material respects, the financial condition and results of operations of T. Rowe Price Group, Inc.

February 13, 2020

/s/ William J. Stromberg
President, Chief Executive Officer and Chairman of the Board of Directors

/s/ Céline S. Dufétel
Vice President, Chief Financial Officer and Treasurer