




T. ROWE PRICE GROUP

Annual
Report
2015

Taking the long view
today and tomorrow



We provide an array of mutual funds, subadvisory services, separate account management, recordkeeping, and related services for individuals, advisors, institutions, financial intermediaries, and retirement plan sponsors.

We know that adhering to our core principles—putting our clients' interests first, following a disciplined investment approach rooted in proprietary research, and nurturing a collaborative culture where experienced professionals share insights in pursuit of durable solutions for those we serve—leads to better outcomes for our clients.

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WHAT WE BELIEVE

We help our clients to create secure financial futures.

If our clients succeed, our firm will succeed.

Our long-term view and investment solutions address the current environment and anticipate emerging needs.

An active, disciplined, and risk-aware approach to investing benefits our clients and the firm.

Our people and approach distinguish us in the marketplace.

Collaboration yields superior results for our clients.

Giving and serving where we work and live is our responsibility.



\$763.1B

Total assets under management.*

29

Consecutive years the firm has increased its regular annual dividend since its IPO in 1986.

1937

The firm is founded by Thomas Rowe Price, Jr.

88%

Percentage of U.S.-registered T. Rowe Price mutual funds that beat their respective Lipper peer group average for the 10-year period. The performance of the firm's institutional strategies remains very competitive.*

*As of December 31, 2015.

Dear Stockholder:

In general, a look back would suggest 2015 was an uninspiring year for investors. The U.S. equity market, as measured by the S&P 500 Index, rose by about 1%, while the Dow Jones Industrial Average was essentially flat. The NASDAQ Composite Index, which is heavily weighted with technology companies, was the most fruitful area for equity investors, returning nearly 6%. Fixed income markets also faced headwinds last year, with 30-year U.S. Treasury bonds declining 3% on a total return basis and the 10-year Treasury returning about 1%. High yield bonds declined by almost 5% as investors focused on credit risk and the impact of low commodity prices. Money market returns were slightly positive. In one of the more telegraphed policy moves in history, the Federal Reserve raised its federal funds target rate in December by 0.25%, bringing to an end its seven-year zero interest rate policy.

Overseas equity returns varied greatly. Emerging markets declined, with Latin America selling off sharply. China experienced extraordinary volatility but posted a solid gain. Most developed equity markets treaded water, although Japan generated strong returns. The strength of the U.S. dollar curtailed returns of U.S. investors in overseas markets.

If last year was generally unrewarding for investors, the start of 2016 has been downright challenging. U.S. equity markets began the year with their worst first week in history, and weakness continued through January. Concerns over the Chinese economy and falling commodity prices contributed to the sharp sell-off. The year does have a long way to run, however, and hopefully markets will stabilize over the course of the next several months.

FINANCIAL REVIEW

With generally modest market returns and only slightly positive net new cash flows from investors, our asset growth was modest in 2015. Net new cash flow was \$1.6 billion, down from the net new cash flow in 2014 of nearly \$4 billion. Our solid investment performance was the major contributor to the rise in assets under management, from \$747 billion at the beginning of the year to \$763 billion on December 31, 2015. Average assets for the year were nearly \$768 billion.

Reflecting the increase in assets under management, our net revenues increased from nearly \$4 billion in 2014 to \$4.2 billion in 2015. Net income remained essentially flat at \$1.2 billion in 2015 as our operating expenses increased due to investments in talent, technology, and new business opportunities. Fully diluted earnings per share increased by nearly 2%, from \$4.55 last year to \$4.63 in 2015. This increase was primarily attributable to the fact that we had fewer shares outstanding during the year. Return on equity, a good measure of corporate profitability, was about 24%.

In recognition of our strong financial position, our Board of Directors increased our regular annual dividend in February 2015 from \$1.76 to \$2.08 per share. This increase marked the 29th consecutive year of dividend increases since our initial public offering (IPO) in 1986. We are one of a select group of companies recognized by Standard & Poor's for having increased dividends for at least 25 consecutive years. We are again proud to be included on that list. Reflecting our strong liquidity position in 2015, the Board of Directors also declared a \$2.00 per share special dividend last spring as our cash balances continued

to increase due to our strong operating cash flow. We responded to our stock price decline by purchasing 13.1 million shares of our common stock, about 5% of our outstanding shares. Combining our regular dividend, the special dividend, and these share repurchases, we returned just over \$2 billion to stockholders in 2015.

DELIVERING FOR OUR CLIENTS

Strong investment performance, world-class service, and a client-driven focus are keys to our long-term success. While market returns were low, many of our leading investors did an outstanding job for our clients. Their efforts are, in part, reflected in our growth in assets under management. David Giroux (Capital Appreciation Fund) and Brian Berghuis (Mid-Cap Growth Fund) were nominated by Morningstar as portfolio managers of the year in their respective categories. Larry Puglia, manager of the Blue Chip Growth Fund, and Joe Fath, portfolio manager of the Growth Stock Fund, both delivered outstanding performance in a challenging investment

environment. David Eiswert did a fine job managing our Global Stock Fund, and Paul Massaro excelled managing our Floating Rate Fund. Overall in 2015, our investors' strong efforts led to 80%, 80%, 78%, and 88% of our mutual funds outperforming their Lipper averages over one, three, five, and 10 years, respectively. The performance of the firm's institutional strategies remains very competitive.

To meet client needs, we introduced a variety of new investment strategies, including the Emerging Markets Value Stock Fund and an expanded suite of global fixed income funds, including the Global Unconstrained Bond Fund, the Global High Income Bond Fund, and the Global Investment Grade Corporate Bond Fund. We have continued to invest in our sales and distribution capabilities as we seek to prudently grow our business in the years ahead. We have bolstered our institutional sales capabilities around the world and expanded our reach in the advisory channel in the U.S.

Financial Highlights

(in millions, except assets under management and per-share data)

	2014	2015
Assets under management at December 31 (in billions)	\$ 747	\$ 763
Net revenues	\$ 3,982	\$ 4,201
Net income	\$ 1,230	\$ 1,223
Net cash provided by operating activities	\$ 1,291	\$ 1,506
Basic earnings per common share	\$ 4.68	\$ 4.74
Diluted earnings per common share	\$ 4.55	\$ 4.63
Cash dividends per common share	\$ 1.76	\$ 4.08*
Stockholders' equity at December 31	\$ 5,395	\$ 4,762

*Cash dividend declared and paid in 2015 includes a special dividend of \$2.00.

CEO TRANSITION

This year was particularly notable in that, in May, Jim Kennedy announced his intention to retire as our CEO at the end of 2015. Jim had a long and distinguished career with the company beginning in 1978. He served as equity analyst, director of equity research, head of our U.S. equity business, and finally, as CEO and president. We owe Jim our most sincere gratitude for his many contributions on behalf of our clients and our firm. We also want to thank our Board of Directors, which guided us through this period of management transition. Thank you, Jim, for everything you've done.

A NOTE FROM BRIAN ROGERS ON BILL STROMBERG

Concurrent with the announcement of Jim's retirement, we announced that Bill Stromberg would become our president and CEO as of January 1, 2016. Bill also joined our Board of Directors on that date. Bill has been with the company since 1987 and has served in a number of key roles. He was an equity analyst, the first portfolio manager of the Dividend Growth Fund, director of equity research, and head of our global equity business. One of Bill's first moves as CEO was to broaden the membership of our Management Committee, which oversees the daily activities and operations of the company. We are pleased to welcome Head of U.S. Investment Services Scott David, Chief Human Resources Officer Deanna Fidler, Head of Global Investment Services Robert Higginbotham, and Head of U.S. Equity Eric Veiel, who join the five current members of the Management Committee.

BOARD OF DIRECTORS TRANSITIONS

In anticipation of two upcoming retirements, we added two new directors to our Board in 2015. Alan Wilson, CEO of McCormick & Company, Inc., and Larry Culp, retired CEO of Danaher Corporation, are both outstanding business leaders. They will provide us with insightful guidance and prudent counsel in the years ahead. This April, two of our longtime directors will retire at our upcoming Annual Meeting of Stockholders. Don Hebb has served as a director since 1999. Don has always brought a sound, long-term perspective to our Board deliberations. His investment industry experience and thoughtful counsel have been invaluable. Dr. Al Sommer joined the Board in 2003. Al's global experience, strong governance background, and keen analytical skills have consistently enriched our discussions. On behalf of all stockholders, we extend our most sincere appreciation to Don and Al for their contributions over the years.

THE YEAR AHEAD

As we look ahead to 2016, our expectations for global economic growth and financial market returns are modest. The U.S. economy should continue to grow at a positive, albeit moderate, rate. Continued employment gains, solid consumer confidence, and rising wage growth contributed to the Federal Reserve's decision to raise short-term rates for the first time in seven years. In Europe, growth has been slow, but we believe that economic activity is likely to pick up in 2016. In Asia, investors remain focused on China and Japan where growth has come under pressure. The continued decline in commodity prices suggests economic activity in China might be weaker than the Chinese government is projecting.

Financial markets will likely be volatile as a result. We expect that fixed income securities will face some headwinds. Money market rates should move up slightly, and fixed income yields may rise a bit. Continued U.S. dollar strength could weigh on U.S. corporate earnings. We believe that among equities, investors should prepare for a more subdued return environment. We always hope that our return expectations are exceeded on the upside, yet our experience suggests that it is prudent to have a conservative outlook as we begin the year.

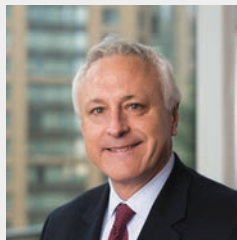
As always, we are prepared for whatever unexpected developments occur. Our strong competitive position, broad investment capabilities, and financial strength will enable us to grow the long-term value of your investment.

**WE APPRECIATE YOUR CONFIDENCE
IN T. ROWE PRICE.**



Brian C. Rogers
Chairman and CIO

A handwritten signature in black ink that reads "Brian C. Rogers".



William J. Stromberg
President and CEO

A handwritten signature in black ink that reads "William J. Stromberg".

February 3, 2016

The stories that follow highlight our work in 2015: managing investments and guiding clients through volatile markets, expanding capabilities to meet global needs, and giving and serving in the communities where we live and work.

Finding tomorrow's opportunity amid today's uncertainty.

How should investors react when years of steady market gains and relative calm give way to volatility?

At T. Rowe Price, we reinforce that while our clients cannot control market fluctuations, they can control their reaction to them—and that includes being mindful of long-term investment priorities.

The reason is simple: While market turbulence is normal, it also provides opportunities to uncover attractive investment ideas at reasonable prices.

“When markets become turbulent, we stay intently focused,” says Eric Veiel, head of U.S. Equity. “We work to parse out what’s truly changed and, equally as important, what has not. Our analysts assess whether or not the factors driving volatility have altered the fundamentals of the companies in our portfolios. At face value, an event such as China allowing its currency

to moderately devalue should not fundamentally change the way we view most U.S. companies in which we invest.”

In fact, the firm often uses market corrections such as last summer’s to add to existing high-confidence holdings and reconsider well-positioned, high-quality companies that were previously considered too expensive.

Similarly, when volatility resurfaced in credit markets, primarily as a result of market reaction to the prospect of a Federal Reserve interest rate hike, our fixed income managers looked for attractively priced opportunities among U.S. and global credit markets.

“Investors will have choices—they can wait for markets to settle or they can embrace the opportunities volatility creates,” says Ted Wiese, head of Fixed Income. “Valuations certainly

became more attractive last year as investors repriced risk, so being more selective and taking a global approach to diversification became even more important. We rely on our independent credit research and quantitative analysis to identify sectors that are likely to deliver better returns as well as those likely to underperform.”

“One of the underlying strengths of our collaborative culture is the ability to leverage collective insights across the whole of the investment organization,” says Sebastien Page, co-head of Asset Allocation. “That open and ready access in turn enables needed adjustments and better performance for our clients.”

ENCOURAGING A BALANCED VIEWPOINT

To help our clients maintain a long-term view and avoid reflex selling, our client-facing associates and client communications stress the importance of investing fundamentals and seek to offer a balanced perspective on the market environment. The transparency of the information we provide is the first line of defense for our clients, particularly when market volatility causes concern.



Ted Wiese, head of Fixed Income, sees opportunity for long-term investors who take a more global approach to diversification.

We provide guidance to clients through digital, social media, and print communications, as well as through individual discussions.

Those discussions urge clients not to make investment decisions based on daily headlines, but instead focus on what they can control—including having a financial plan, diversifying, and adopting a long-term time horizon.

We also help advisors by providing them with timely communications that they can use in interactions with their own clients. “We know that advisors respect our unique investment insights and share them with their clients,” says John Halaby, head of the Financial Advisor segment in the U.S. Investment Services division. “Helping advisors communicate more effectively with their clients, particularly during difficult market environments, enhances advisors’ perception of our value and contributes to the success of both relationships. That’s a win-win proposition.”

AN EXPANDING SUITE OF INVESTMENT PRODUCTS AND SOLUTIONS

No matter the market, our equity, fixed income, and asset allocation teams constantly build on the foundation of existing investment solutions to meet emerging client needs.

In 2015, the firm introduced a variety of new investment products and solutions, offering a broad array of options across investment sectors.

REMAINING FOCUSED ON OUR CLIENTS

Finally, the strength of our balance sheet enables us to move opportunistically and nimbly on behalf of our stockholders and make strategic investments to enhance our capabilities and reach. Our associates keep their attention focused on our clients and achieving their financial goals.

Equity

EMERGING MARKETS VALUE STOCK FUND

seeks long-term growth of capital by investing in emerging markets companies that are out of favor and undervalued but possess identified catalysts that could drive their stock prices higher

John Halaby, center, head of the Financial Advisor segment in U.S. Investment Services, wants to help advisors more effectively communicate with their clients.



Our associates provide guidance to clients through one-on-one conversations, events such as our Investment Symposium for institutional clients, and thought leadership developed in partnership with our investment professionals.



Fixed Income

GLOBAL UNCONSTRAINED BOND FUND

seeks to offer low volatility and consistent income, even in rising interest rate environments

GLOBAL HIGH INCOME BOND FUND

seeks to provide high income and capital appreciation by investing in high yield bonds issued by companies around the world

GLOBAL INVESTMENT GRADE CORPORATE BOND FUND

invests primarily in investment-grade corporate debt securities issued by U.S. companies in pursuit of high current income with some capital appreciation



In order to better serve intermediary clients in Europe, the firm opened three new offices in 2015—in Frankfurt, Madrid, and Milan.



Steady
investment in
our business
builds lasting
value for clients.

Our responsibility as a trusted investment manager is to listen to our clients, understand their needs, and respond with long-term strategic solutions that meet those needs. The most effective way to do that is to continuously invest in our business—whether in technology, talent, or distribution.

BUILDING TRUSTED, VALUED PARTNERSHIPS WITH INTERMEDIARIES

A “broad-based” strategy to increase our presence with intermediaries around the world, explains Robert Higginbotham, head of Global Investment Services, has led to continued hires in the UK, Benelux,

Japan, Australia, Switzerland, Germany, Italy, and Spain; a new head of our Asia intermediary business; and the formal opening of offices in Frankfurt, Madrid, and Milan.

Our U.S. Investment Services business is likewise expanding. “We continue to build out areas of strategic importance for our clients and the firm, including strengthening our offering to individual investors, financial advisors, financial institutions, and retirement plan sponsors,” says Scott David, head of U.S. Investment Services. “Our new digital solutions are fostering improved engagement levels with our clients, and we continue to invest in both people and solutions to drive distribution excellence across our business lines.”

SUPPORTING EXCEPTIONAL CLIENT SERVICE WITH DIGITAL SOLUTIONS

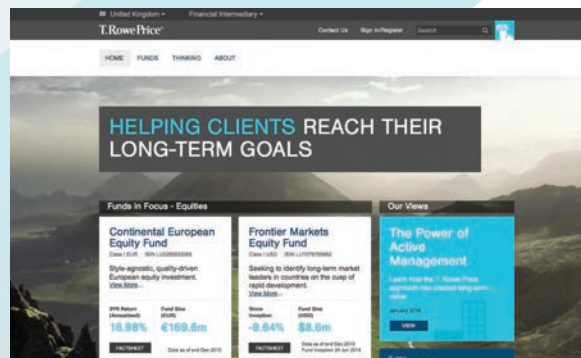
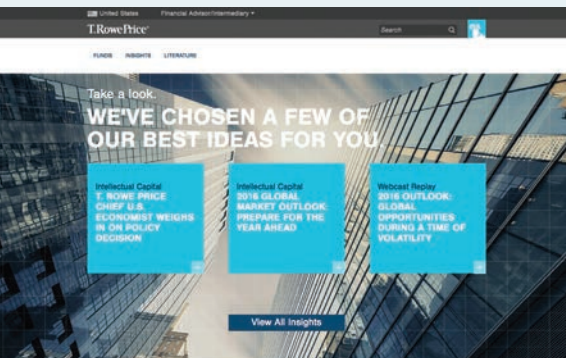
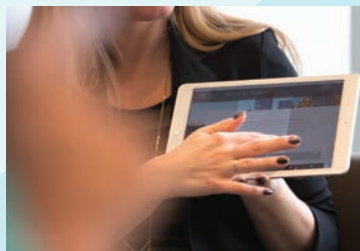
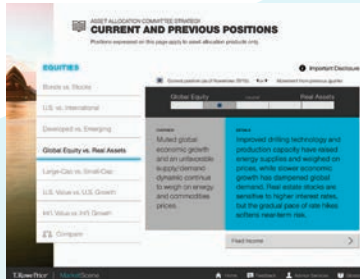
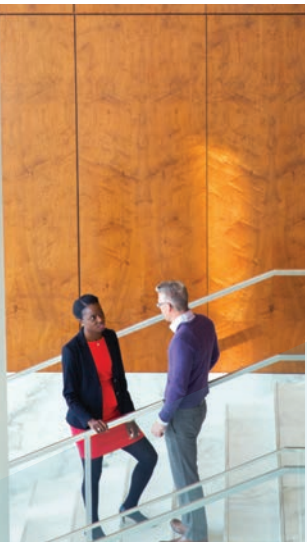
Whether a client is an intermediary or institutional investor, the ability to interact with us digitally is an important component of our business. “Improved digital delivery of content allows clients to get the information they need when, where, and how they want it,” notes Mr. Higginbotham. “These capabilities also allow us to scale our client service more effectively across time zones and geographies.”

The introduction of MarketSceneSM, an app for advisors, now enables access to T. Rowe Price perspectives and analysis anytime, anywhere, on the user’s preferred device. Similarly, a new intermediary website initially launched in the UK, Australia, and Switzerland, and slated for wider release in 2016, enables timely, multi-language translations of content, extending our best thinking to global intermediaries and their clients.

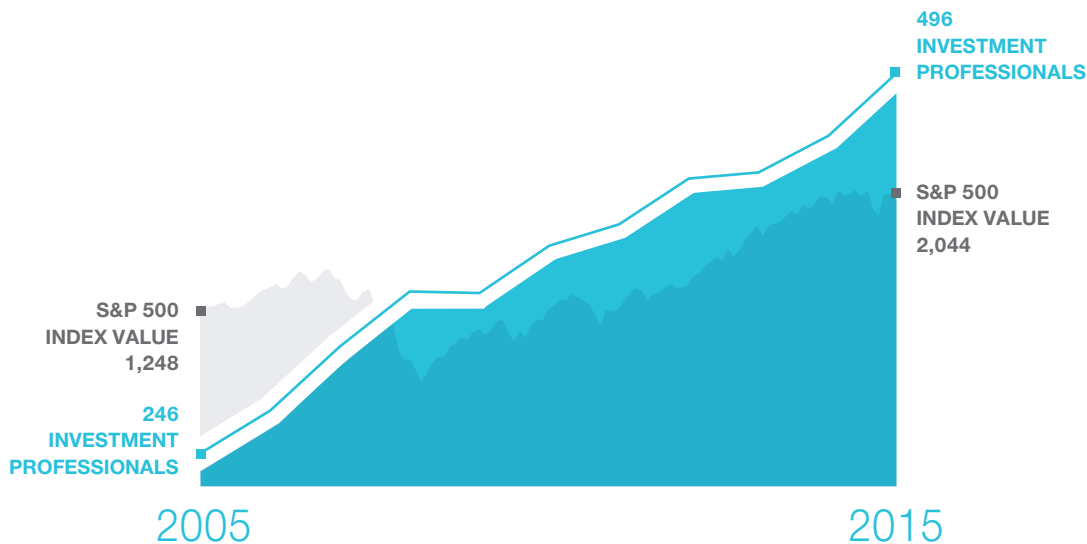
U.S. Investment Services launched a variety of digital initiatives, including a new website for financial advisors, an iPad app and refreshed Insights content for individual investors, and personalized “smart video” statements for 529 college savings plan clients.



Digital solutions, such as our new MarketSceneSM app, and new websites for both intermediaries and advisors provide clients with timely access to market intelligence, insights, and investment strategies designed to address both current and emerging needs.



Investing in talent through all market conditions



Of course, supporting a successful digital experience also requires significant investment in back-end technologies and in the operating model that facilitates client interactions.

“New data and content management capabilities, plus an updated workflow management system, are just two examples of the technology investments we’re making today to serve clients for years to come,” says Nigel Faulkner, head of Technology. “Furthermore, the rapid pace of change, our clients’ increasing and evolving expectations concerning access and insights, and the ever-present drive to maintain information security continue to transform the way we do business.”

INVESTING IN PEOPLE, OUR MOST VALUABLE ASSET

Our workforce strategy is consistent with our investment approach. “Think strategically, be nimble, and take a long-term view,” says Deanna Fidler, chief human resources officer. “As a result, effectively serving our clients now and in the future means anticipating emerging needs, identifying capabilities that will differentiate us, and planning the organization of the future—all while continuing to develop our people, skills, and services today.”

Our approach includes investing in developing leaders internally as well as opportunistically recruiting talent externally to bring leadership expertise and fresh thinking to the organization.

“When we’re hiring analysts, we realize that we’re actually recruiting the next generation of portfolio managers,” explains Jason Polun, director of Equity Research, North America. “We look for people who are not just great analysts, but also individuals who embrace the firm’s investment philosophy, values, and culture—including our commitment to instilling a sense of confidence and reliability for our clients.”

The process to enhance our firm’s capabilities continues through all market conditions, Ms. Fidler adds. “Our talent strategy to build a global, diverse, and high-performing workforce remains on course.”

We give and serve
where we live and
work—and beyond.

longer-term opportunities led to the firm's sponsorship of a school uniform drive and construction of playground facilities.

The T. Rowe Price Foundation has approved \$1.4 million to support rebuilding and educational enrichment initiatives through 2018. Foundation trustees continue to meet with community and city leaders—as well as international thought leaders on poverty and inequality, cities and unrest—to learn more about the role of philanthropy in addressing such needs, inform future planning, and maximize the impact of our community investments.

STANDING UP FOR BALTIMORE

In April of last year, our hometown of Baltimore faced profound challenges. We were saddened by these events, but we are proud to be headquartered here—and of the firm's long history of investing in our historic city.

In response, the firm's Corporate Social Responsibility team and the T. Rowe Price Foundation simultaneously began developing a multiyear strategy to identify new ways to positively impact the Baltimore community as a whole. Initial grants helped meet every day needs and provide services that had been disrupted, such as dispensing prescriptions to residents who relied on affected pharmacies.

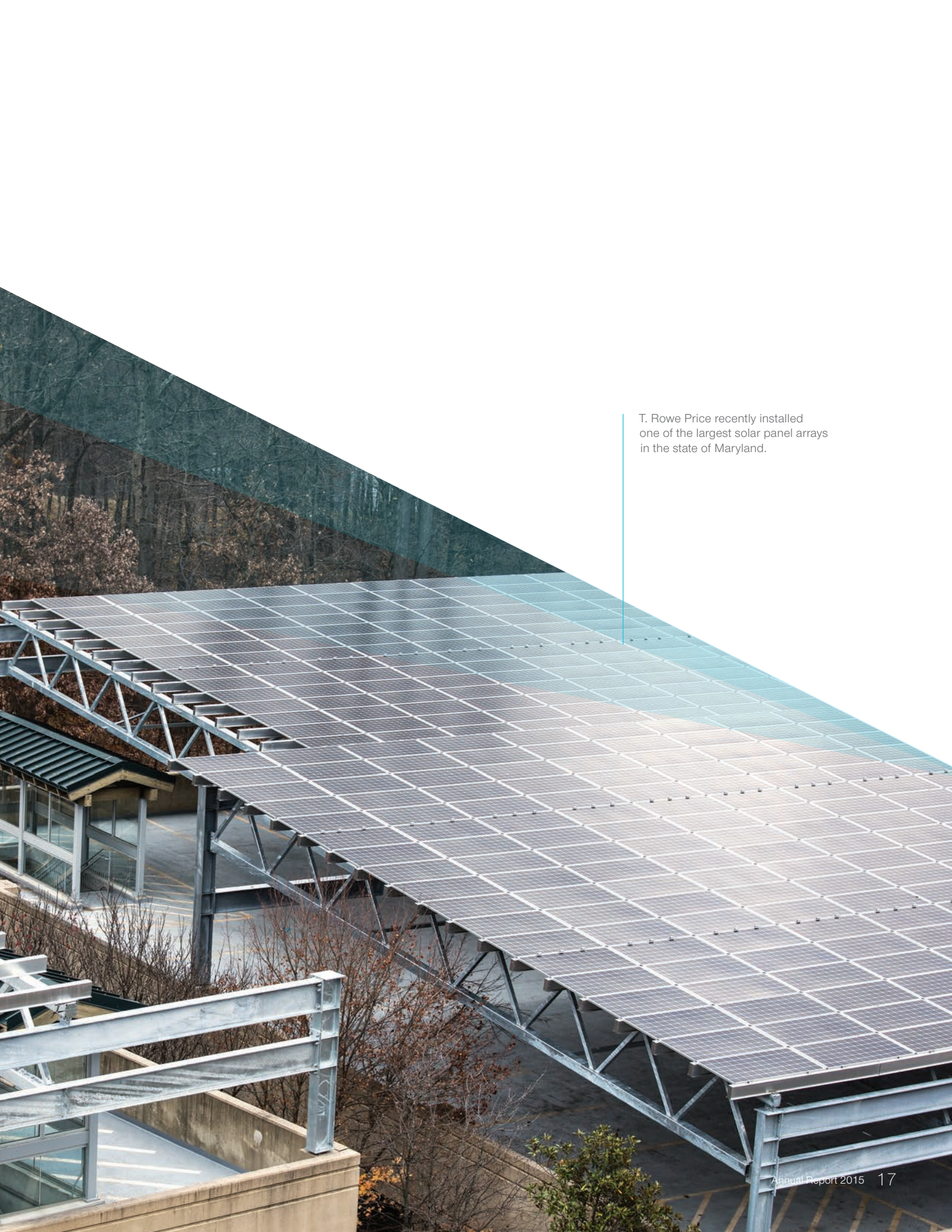
Given the firm's strong commitment to education and youth development, the Foundation also immediately directed funds to Baltimore City summer youth programs focused on providing skill building and enrichment activities in a safe and positive environment for the youngest members of our community. Funding for intermediate- and

LOOKING TO THE SUN FOR RENEWABLE ENERGY

T. Rowe Price is committed to operating in an environmentally sustainable manner wherever our associates work on behalf of our clients.

The installation of a solar energy system at our Owings Mills Corporate Campus in suburban Maryland this past fall is our latest advance in conducting business in ways that minimize our environmental impact. More than 7,000 photovoltaic panels installed atop parking structures adjacent to our offices represent one of the largest solar panel installations in the state. The installation also will reduce the firm's carbon footprint by the equivalent of taking 300 automobiles off the road for a year.





T. Rowe Price recently installed one of the largest solar panel arrays in the state of Maryland.

“People take pride in working for a firm that is environmentally conscious,” says Brian Dean, head of Facilities Management. “Embracing solar power as an energy source helps us attract and retain individuals who share our values and commitment to sustainability.”

Chief Financial Officer Ken Moreland adds, “As we continue to look at ways to reduce our carbon footprint, we’ll evaluate—does it make good business sense and does it make good sense for the environment? If we can find the intersection of those initiatives as new technologies come to market, we’ll be committed to implementing those at T. Rowe Price.”

TAKING AN INTERACTIVE APPROACH TO FINANCIAL EDUCATION

Our annual Parents, Kids, and Money Survey found that both parents and kids consider games an effective way to teach new concepts. Last spring, T. Rowe Price launched the Star Banks Adventure® app, a new online game and mobile app that teaches kids important investing concepts while they interact in a fun and engaging “intergalactic” battle.

“At the same time that players are trying to ‘save the galaxy,’ they’re learning to set financial goals, save, and spend wisely—they even develop a beginning understanding of inflation, asset allocation, and diversification,” says Renee Christoff, head of Corporate Social Responsibility.

The Star Banks Adventure® app is just one element of our Money Confident Kids program, a broader effort to bolster financial education at an early age that also includes partnerships with *Scholastic* magazine and Junior

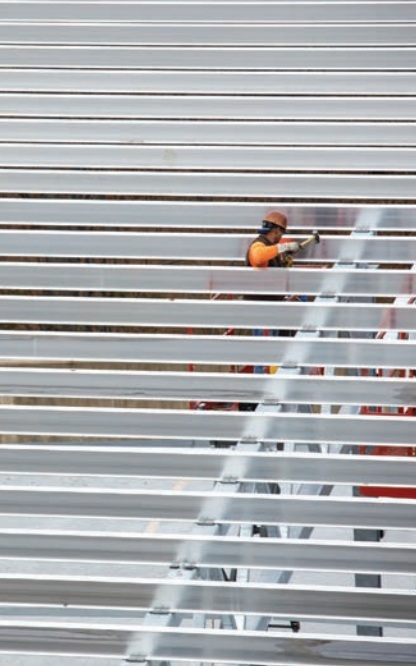
Achievement. The T. Rowe Price Parents, Kids, and Money Survey strives to promote good financial habits by asking parents and children for their opinions on money matters each year.

PROMOTING READING AND GENDER EQUALITY IN EDUCATION

Each year, the T. Rowe Price Foundation makes a gift to benefit children and youth on behalf of the firm’s clients. The 2015 holiday gift is being used to support education and reading through the auspices of Room to Read, a global organization dedicated to transforming the lives of children in low-income countries through their focus on literacy and gender equality in education.

Our commitment to creating stronger communities is fueled by the same sense of responsibility we feel to our clients, associates, and stockholders. We are privileged to have the opportunity to serve, grow, and reward.

At T. Rowe Price, we're more than associates. We're volunteers, donors, educators, and environmentalists. Guided by a core set of values, our associates are committed to creating positive change in our communities and beyond.



Board of Directors



FRONT ROW

(Left to right)

H. LAWRENCE CULP, JR.

Senior Advisor,
Danaher Corporation

ANNE MARIE WHITTEMORE

Partner,
McGuireWoods LLP

DONALD B. HEBB, JR.

Chairman,
ABS Capital Partners

ALAN D. WILSON

Executive Chairman,
McCormick & Company, Inc.

MARK S. BARTLETT

Retired Managing Partner,
Ernst & Young

MARY K. BUSH

Chairman,
Bush International, LLC

EDWARD C. BERNARD

Vice Chairman

BACK ROW

(Left to right)

DWIGHT S. TAYLOR

Retired President,
COPT Development &
Construction Services, LLC

BRIAN C. ROGERS

Chairman
and Chief Investment Officer

OLYMPIA J. SNOWE

Chairman and Chief Executive Officer,
Olympia Snowe, LLC

DR. FREEMAN A. HRABOWSKI III

President,
University of Maryland,
Baltimore County

DR. ALFRED SOMMER

Dean Emeritus and University
Distinguished Service Professor,
Johns Hopkins Bloomberg
School of Public Health

JAMES A.C. KENNEDY

Chief Executive Officer
and President

ROBERT F. MACLELLAN

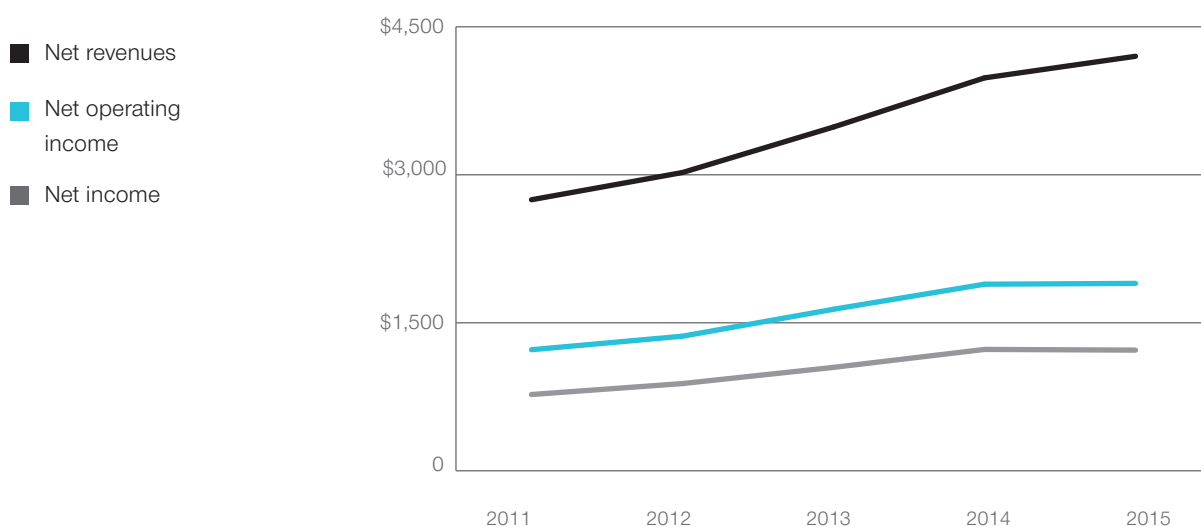
Non-Executive Chairman,
Northleaf Capital Partners

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Selected Consolidated Financial Data

(in millions, except per-share data)



Net revenues	\$ 2,747	\$ 3,023	\$ 3,484	\$ 3,982	\$ 4,201
Net operating income	\$ 1,227	\$ 1,364	\$ 1,637	\$ 1,891	\$ 1,899
Net income	\$ 773	\$ 884	\$ 1,048	\$ 1,230	\$ 1,223

Net cash provided by operating activities	\$ 948	\$ 903	\$ 1,233	\$ 1,291	\$ 1,506
Assets under management at December 31 (in billions)	\$ 489.5	\$ 576.8	\$ 692.4	\$ 746.8	\$ 763.1

	2011	2012	2013	2014	2015
Per common share information					
Basic earnings	\$ 3.01	\$ 3.47	\$ 4.02	\$ 4.68	\$ 4.74
Diluted earnings	\$ 2.92	\$ 3.36	\$ 3.90	\$ 4.55	\$ 4.63
Cash dividends declared ¹	\$ 1.24	\$ 2.36	\$ 1.52	\$ 1.76	\$ 4.08

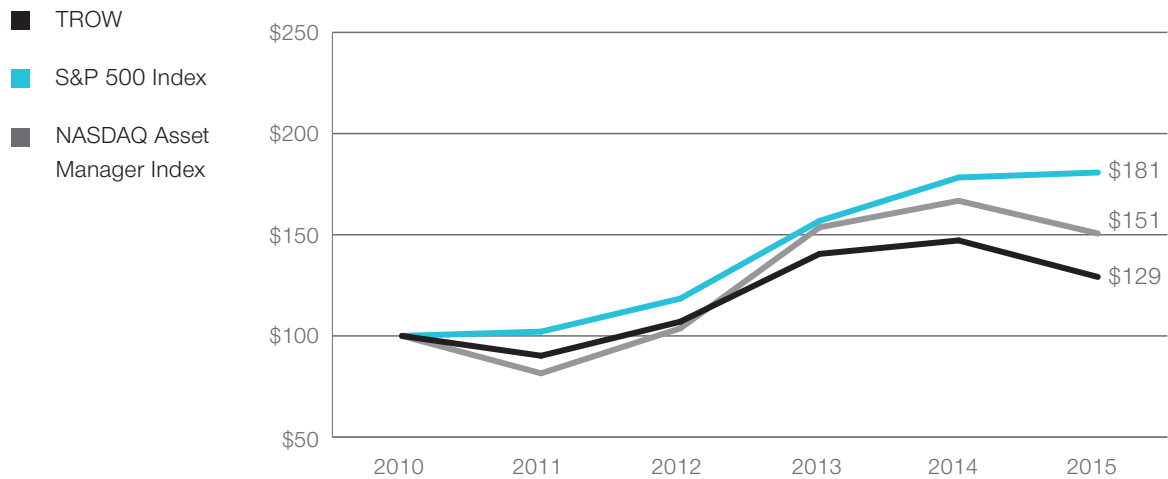
Weighted-average common shares outstanding	255.6	253.4	258.3	259.6	254.6
Weighted-average common shares outstanding assuming dilution	263.3	261.0	266.3	267.4	260.9

Balance sheet data at December 31					
Total assets	\$ 3,770	\$ 4,203	\$ 5,033	\$ 5,644	\$ 5,107
Stockholders' equity	\$ 3,421	\$ 3,846	\$ 4,818	\$ 5,395	\$ 4,762

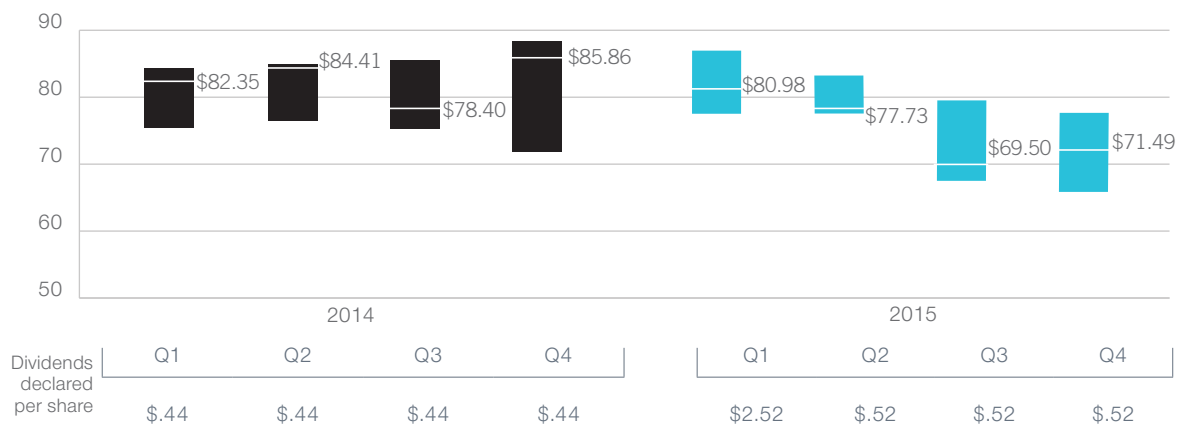
¹ Cash dividends declared in 2012 and 2015 include special dividends per share of \$1.00 and \$2.00, respectively, that we paid during those years.

Common Stock Performance

Our common stock trades on the NASDAQ Global Select Market under the symbol TROW. This table compares the total cumulative return on our common stock to that of the indexes for the S&P 500 and the NASDAQ Asset Manager Index. For purposes of this presentation, we assume that \$100 was invested in our common stock and each of the indexes on December 31, 2010, and that all subsequent dividends have been reinvested. We have calculated this information based on data provided by NASDAQ OMX Global Indexes and data obtained from Standard & Poor's website (standardandpoors.com).



The following table presents our common stock prices as ranges for each quarter over the past two years. Closing prices at the end of each quarter are indicated.



Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Our revenues and net income are derived primarily from investment advisory services provided to individual and institutional investors in our sponsored U.S. mutual funds and other investment portfolios. The other investment portfolios include separately managed accounts, subadvised funds, and other sponsored investment portfolios including collective investment trusts, target-date retirement trusts, Luxembourg-based funds offered to investors outside the U.S., and portfolios offered through variable annuity life insurance plans in the U.S. Investment advisory clients outside the U.S. account for nearly 5% of our assets under management at December 31, 2015.

We manage a broad range of U.S., international and global stock, bond, and money market mutual funds and other investment portfolios, 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.

We remain debt-free with ample liquidity and resources that allow us to take advantage of attractive growth opportunities, invest in key capabilities, including investment professionals, technologies, and new product offerings; and, most importantly, provide our clients with strong investment management expertise and service both now and in the future. We expect to continue our investment in long-term initiatives 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.

In 2014, we made a long-term strategic decision to change our delivery of certain administrative services, including fund accounting and other investment recordkeeping operations. BNY Mellon was contracted to provide such services, and 210 associates became employees of BNY Mellon on August 1, 2015. BNY Mellon will transition our data to its technology platform over time. Though a few line items of our consolidated income statements, including administrative revenues, compensation and related costs, and other operating expenses, will be affected, we do not expect that the net impact on our future operating results will be material.

BACKGROUND

Major U.S. stock index returns were narrowly mixed in 2015, but it was the seventh consecutive year for a positive S&P 500 Index total return. In the first part of the year, equities benefited from steady economic and employment growth, generally favorable corporate earnings outside of the energy sector, and merger and acquisition activity. During the summer, U.S. and global equities fell sharply in response to an unexpected devaluation of China's currency and subsequent plunge in Chinese stocks, raising concerns about China's decelerating economy, and uncertainty regarding China's leadership and policy responses. U.S. markets pared their losses in the final months of the year as global market volatility subsided amid hopes for additional stimulus measures in Europe and Asia, even as the Federal Reserve prepared to raise short-term U.S. interest rates. On December 16, 2015, the U.S. central bank raised the fed funds target rate range to 25 to 50 basis points. It had been 0 to 25 basis points since December 2008.

Stocks in developed non-U.S. markets were mixed. Japanese stocks strongly outpaced other developed Asian markets in dollar terms, helped by the Bank of Japan's stimulus efforts, lower energy prices, and increased capital spending. The Japanese economy narrowly avoided a recession as it grew modestly in the third quarter following a second-quarter contraction. European markets rose in local currency terms, but a 10% decline in the euro versus the dollar reduced returns in dollar terms. Eurozone inflation and economic growth remained stubbornly weak throughout the year despite the European Central Bank's (ECB) quantitative easing program, and many investors were disappointed with the ECB's relatively mild expansion of its stimulus efforts in early December.

Emerging markets equities fared poorly around the world, as large resource-exporting countries Brazil and Russia were in recession, in part, because of the collapse in commodity prices, and broad currency weakness versus the U.S. dollar hurt returns in dollar terms. Most Asian markets declined, as Chinese stocks fell sharply in the second half of 2015.

Results of several major equity market indexes for the full year 2015 are as follows:

Index	
S&P 500 Index	1.4%
NASDAQ Composite Index (excluding dividends)	5.7%
Russell 2000 Index	(4.4)%
MSCI EAFE (Europe, Australasia, and Far East) Index	(.4)%
MSCI Emerging Markets Index	(14.6)%

Global bond returns were mixed in 2015. In the U.S., rising interest rates generally weighed on bond prices, offsetting income. Treasury yields climbed for the year, especially short-term yields, as the economy expanded and investors anticipated a short-term interest rate increase from the Federal Reserve. The 10-year Treasury note yield rose from 2.2% at the end of 2014 to 2.3% at the end of 2015. Tax-free municipal bonds outperformed taxable bonds amid strong demand and declining issuance in the latter part of the year. Investment-grade corporate bonds recorded modest losses amid heavy new issuance as companies took advantage of low interest rates. High yield bonds declined as falling oil and commodity prices weighed on energy and metals and mining issuers, which together represent about one-fifth of the high yield sector.

Bonds in developed non-U.S. markets declined over the last year as a stronger U.S. dollar versus other major developed market currencies, especially the euro, resulted in negative returns in dollar terms. U.S. dollar-denominated emerging markets debt advanced modestly but significantly outperformed local currency bonds, which posted steep losses as nearly all developing market currencies weakened versus the dollar. Plunging commodity prices, expectations for rising short-term U.S. interest rates, and country-specific factors weighed on local currency bond performance.

Results of several major bond market indexes for the full year 2015 are as follows:

Index	
Barclays U.S. Aggregate Bond Index	.6%
Credit Suisse High Yield Index	(4.9)%
Barclays Municipal Bond Index	3.3%
Barclays Global Aggregate Ex-U.S. Dollar Bond Index	(6.0)%
JPMorgan Emerging Markets Index Plus	1.8%

ASSETS UNDER MANAGEMENT

Our assets under management ended 2015 at \$763.1 billion, an increase of \$16.3 billion from the end of 2014. Market appreciation and income, net of distributions not reinvested, added \$14.7 billion, and net cash inflows added \$1.6 billion in assets under management during 2015.

Assets under management (in billions) at the end of the year and changes during each of the last three years are detailed below.

Assets Under Management by Investment Portfolio

	December 31,	2013	2014	2015
Sponsored U.S. mutual funds		\$ 435.3	\$ 477.6	\$ 487.1
Other investment portfolios		257.1	269.2	276.0
Total		\$ 692.4	\$ 746.8	\$ 763.1

Assets Under Management by Investment Objective

	December 31,	2013	2014	2015
Stock and blended asset portfolios		\$ 537.0	\$ 579.9	\$ 592.8
Fixed income portfolios		155.4	166.9	170.3
Total		\$ 692.4	\$ 746.8	\$ 763.1

Components of Changes in Assets Under Management

	Sponsored U.S. Mutual Funds	Other Investment Portfolios	Total
Assets under management at December 31, 2012	\$ 346.9	\$ 229.9	\$ 576.8
Net cash flows before client transfers	17.9	(29.9)	(12.0)
Client transfers from mutual funds to other portfolios	(7.7)	7.7	—
Net cash flows after client transfers	10.2	(22.2)	(12.0)
Net market appreciation and income	79.0	49.4	128.4
Distributions not reinvested	(.8)	—	(.8)
Change during the period	88.4	27.2	115.6
Assets under management at December 31, 2013	\$ 435.3	\$ 257.1	\$ 692.4
Net cash flows before client transfers	17.1	(13.4)	3.7
Client transfers from mutual funds to other portfolios	(5.3)	5.3	—
Net cash flows after client transfers	11.8	(8.1)	3.7
Net market appreciation and income	32.2	20.2	52.4
Distributions not reinvested	(1.7)	—	(1.7)
Change during the period	42.3	12.1	54.4
Assets under management at December 31, 2014	\$ 477.6	\$ 269.2	\$ 746.8
Net cash flows before client transfers	7.9	(6.3)	1.6
Client transfers from mutual funds to other portfolios	(6.5)	6.5	—
Net cash flows after client transfers	1.4	.2	1.6
Net market appreciation and income	9.6	6.7	16.3
Distributions not reinvested	(1.5)	(.1)	(1.6)
Change during the period	9.5	6.8	16.3
Assets under management at December 31, 2015	\$ 487.1	\$ 276.0	\$ 763.1

In 2013 and 2014, the majority of the assets transferred by clients from our sponsored mutual funds to our other investment portfolios disclosed in the table above were moved from our target-date retirement funds to our collective investment trusts and target-date retirement trusts. In 2015, assets were transferred primarily from the mutual funds to our collective investment trusts, target-date retirement trusts, and separate accounts.

The net cash inflows in our sponsored U.S. mutual funds over the last three years were sourced primarily from third-party financial intermediaries across various mandates as detailed below.

	Year ended December 31,	2013	2014	2015
Stock and blended asset funds		\$ 5.8	\$ 3.7	\$ 1.5
Bond funds		3.5	8.3	.3
Money market funds		.9	(.2)	(.4)
Net cash flows after client transfers		\$ 10.2	\$ 11.8	\$ 1.4

In 2013, a vast majority of the net outflows from our other investment portfolios were concentrated among several large institutional clients outside the U.S. and intermediary clients that changed their investment objectives, repositioned their strategy allocations, or experienced investment performance challenges within their portfolio. In 2014, the net outflows from our other investment portfolios were primarily from a few institutional and subadvisory clients who redeemed significant amounts from a small number of equity and fixed income strategies. In 2015, the net inflows in our other investment portfolios resulted primarily from the client transfers received from the mutual funds. The net outflows prior to transfers in these portfolios in 2015 were largely concentrated among a small number of institutional clients who redeemed primarily from large-cap U.S. equity strategies.

Our target-date retirement portfolios, which invest in a broadly diversified portfolio of other T. Rowe Price funds or T. Rowe Price collective investment trusts, and automatically rebalance to maintain their specific asset allocation weightings, are a significant source of cash flows. Net cash flows after client transfers shown in the previous tables include or are net of the following net cash inflows that originated in our target-date portfolios.

	Year ended December 31,	2013	2014	2015
Target-date retirement funds		\$ 6.6	\$13.2	\$ 8.9
Target-date retirement trusts		4.9	4.5	7.3
Total target-date portfolios		\$ 11.5	\$ 17.7	\$ 16.2

Assets under management at December 31, 2015, in these target-date portfolios totaled \$165.7 billion, including \$135.5 billion in target-date retirement funds and \$30.2 billion in target-date retirement trusts.

Strong investment performance and brand awareness is a key driver to attracting assets and to our long-term success. For 2015, 80% of the T. Rowe Price U.S. mutual funds across their share classes outperformed their comparable Lipper averages on a total return basis for the three-year period ended December 31, 2015, 78% outperformed for the five-year period, 88% outperformed for the 10-year period, and 80% outperformed for the one-year period. In addition, T. Rowe Price stock, bond and blended asset funds that were given an overall rating of four or five stars from Morningstar at December 31, 2015, account for nearly 86% of the assets under management in our rated funds. Our target-date retirement funds continue to deliver very attractive long-term performance, with at least 97% of these funds outperforming their comparable Lipper averages on a total return basis for the three-, five-, and 10-year periods ended December 31, 2015. The performance of the firm's institutional strategies remains very competitive.

We incur significant expenditures to attract new investment advisory clients and additional investments from our existing clients. These efforts involve costs that precede any future revenues that we recognize from an increase to our assets under management.

RESULTS OF OPERATIONS

2015 versus 2014

(in millions, except per-share data)

	Year ended December 31,	2014	2015	Dollar Change	Percent Change
Investment advisory fees		\$ 3,464.5	\$ 3,687.3	\$ 222.8	6.4%
Net revenues		\$ 3,982.1	\$ 4,200.6	\$ 218.5	5.5%
Operating expenses		\$ 2,091.2	\$ 2,301.7	\$ 210.5	10.1%
Net operating income		\$ 1,890.9	\$ 1,898.9	\$ 8.0	.4%
Non-operating investment income		\$ 112.2	\$ 103.5	\$ (8.7)	(7.8)%
Net income		\$ 1,229.6	\$ 1,223.0	\$ (6.6)	(.5)%
Diluted earnings per share		\$ 4.55	\$ 4.63	\$.08	1.8%

Investment advisory revenues earned in 2015 increased over 2014, as average assets under our management increased \$43.2 billion, or 6.0%, to \$767.9 billion. The average annualized fee rate earned on our assets under management was 48.0 basis points in 2015, up from the 47.8 basis points earned in 2014, as money market fee waivers declined and equity valuations, which on average carry a higher fee rate, increased in 2015. We waived \$47.6 million in money market-related fees in 2015, including advisory fees and fund expenses, a decrease of \$10.8 million from the \$58.4 million waived in 2014. The fee waivers in 2015 represent 1.3% of total investment advisory revenues earned during the same period. Fees were waived from all our money market mutual funds and trusts, which have combined net assets of \$15.7 billion at December 31, 2015. We expect that these fee waivers will continue into 2016.

Our operating margin in 2015 was 45.2% compared to 47.5% in the 2014 period. The decline is a result of the investments we have been making to broaden and deepen our investment management, distribution, and service capabilities around the world despite the impact of market volatility on our net revenues. We expect continued downward pressure on our operating margin in 2016 and beyond from the market effects on our net revenues and the anticipated continued investment in our capabilities.

Net revenues

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the U.S. increased 7.3%, or \$182.1 million, to nearly \$2.7 billion, on higher average mutual fund assets. Average mutual fund assets in 2015 were \$493.6 billion, an increase of 7.1% from the average for the comparable 2014 period.

Investment advisory revenues earned on the other investment portfolios in 2015 were \$1.0 billion, an increase of \$40.7 million, or 4.2%, from the \$978.7 million earned in the comparable 2014 period. Average assets in these portfolios were \$274.3 billion in 2015, up 4.0% from the comparable 2014 period.

Administrative fee revenues decreased \$12.2 million to \$361.8 million in 2015. The decrease includes the reduction in certain administrative service fee rates paid by certain fund shareholders at the beginning of 2015. Additionally, fees earned from the mutual funds for fund accounting has declined in 2015 compared to 2014, as such services began to be performed by BNY Mellon in August 2015. The mutual funds have contracted directly with BNY Mellon to provide such services. Changes in administrative fee revenues are generally offset by similar changes in related operating expenses that are incurred to provide services to the funds and their investors.

Distribution and servicing fee revenues earned from 12b-1 plans of the Advisor Class, R Class, and Variable Annuity II Class shares of our sponsored portfolios were \$151.5 million in 2015, an increase of \$7.9 million from 2014 on greater average assets under management in these share classes. The 12b-1 fees earned are offset entirely by the costs paid to third-party intermediaries who source these assets. These costs are reported as distribution and servicing costs in the consolidated income statements.

Operating expenses

Compensation and related costs were \$1.4 billion in 2015, an increase of \$114.0 million, or 8.6%, compared to 2014. The largest part of the increase is attributable to a \$52.6 million increase in salaries and related benefits and a \$43.0 million increase in our annual variable compensation program. Our average staff size in 2015 has increased 3.7% over 2014 and we employed 5,999 associates at December 31, 2015. Higher noncash stock-based compensation expense and temporary staff expense account for the remainder of the increase in compensation and related costs in the 2015 period. The increase in compensation and related costs and our average staff size were muted by the lower compensation costs resulting from shifting 210 associates and providing ongoing transition support to BNY Mellon, with whom we contracted to provide fund accounting and recordkeeping operations. However, these lower compensation costs are offset by increases in costs paid to BNY Mellon to provide these administrative services, which are reflected in other operating expenses.

Advertising and promotion costs were \$79.7 million in 2015, an increase of \$3.7 million from 2014. The higher cost is primarily attributable to the creation and launch of a new advertising campaign and increased participation in promotional activities as we broaden our distribution reach. We currently expect advertising and promotion costs for 2016 to be comparable to 2015 levels.

Occupancy and facility costs, together with depreciation expense, increased \$29.9 million, or 11.7%, compared to 2014. The increase is primarily attributable to the added costs to update and enhance technology capabilities, including related maintenance programs.

Other operating expenses were \$341.4 million in 2015, an increase of \$55.0 million from 2014. About a third of the increase is attributable to costs being paid to BNY Mellon since August 2015 for the performance of certain administrative services. The balance of the change is due to increased business demands and our continued investment in capabilities. These costs include information and third-party service costs, costs related to our defined contribution recordkeeping business, travel-related costs, and other general and administrative costs.

Non-operating investment income

Net non-operating investment activity during 2015 resulted in income of \$103.5 million, a decrease of \$8.7 million from 2014. Net losses recognized on our sponsored fund investments of \$12.3 million were offset in part by other investment income of \$3.6 million. The following table details the components of non-operating investment income (in millions) during 2014 and 2015.

Year ended December 31,	2014	2015	Dollar Change
Net gains realized on sponsored fund dispositions	\$ 49.3	\$ 56.5	\$ 7.2
Ordinary and capital gain dividends	50.2	43.0	(7.2)
Other-than-temporary impairment	—	(4.8)	(4.8)
Earnings (losses) on equity method fund holdings	1.1	(2.4)	(3.5)
Net losses recognized on trading securities	(3.8)	(2.0)	1.8
Net loss recognized on deconsolidation of a sponsored fund	—	(5.8)	(5.8)
Net investment gains recognized on sponsored funds	96.8	84.5	(12.3)
Other investment income	15.4	19.0	3.6
Non-operating investment income	\$ 112.2	\$ 103.5	\$ (8.7)

The net loss recognized on deconsolidation represents the reclassification of a foreign currency loss that was accumulated in other comprehensive income from the date we made our initial seed capital investment in an Australian dollar-denominated fund. Since the deconsolidation, we are accounting for the investment under the equity method of accounting.

Provision for income taxes

Our effective tax rate was 38.9% in 2015 compared to 38.6% in 2014. We currently estimate our effective tax rate for 2016 to be about 38.7%. Our effective income tax rate reflects the relative contribution of pretax income generated by our foreign subsidiaries that are subject to tax rates lower than our U.S. rates. Changes in the relative contribution of pretax income from U.S. and foreign sources or changes in tax rates in relevant foreign jurisdictions may affect our effective income tax rate and overall net income in the future.

(in millions, except per-share data)	Year ended December 31,	2013	2014	Dollar Change	Percent Change
Investment advisory fees		\$ 3,022.6	\$ 3,464.5	\$ 441.9	14.6%
Net revenues		\$ 3,484.2	\$ 3,982.1	\$ 497.9	14.3%
Operating expenses		\$ 1,846.8	\$ 2,091.2	\$ 244.4	13.2%
Net operating income		\$ 1,637.4	\$ 1,890.9	\$ 253.5	15.5%
Non-operating investment income		\$ 63.0	\$ 112.2	\$ 49.2	78.1%
Net income		\$ 1,047.7	\$ 1,229.6	\$ 181.9	17.4%
Diluted earnings per share		\$ 3.90	\$ 4.55	\$.65	16.7%

Investment advisory fees earned in 2014 were up 14.6% over 2013 as average assets under our management increased \$90.9 billion, or 14.3%, to \$724.7 billion. The average annualized fee rate earned on our assets under management was 47.8 basis points during 2014, virtually unchanged from the 47.7 basis points earned in 2013. In 2014, we voluntarily waived \$58.4 million in money market-related fees, including advisory fees and fund expenses, in order to maintain a positive yield for fund investors. The fee waivers in 2014 were up \$7.2 million from the \$51.2 million waived in 2013 and represent about 2% of total investment advisory revenues earned in 2014. Fees were waived from each of our money market funds and trusts, which have combined net assets at December 31, 2014, of \$16.0 billion, or 2.1% of our total assets under management.

Greater average assets under management have increased our investment advisory revenues and helped lift our operating margin in 2014 to 47.5% compared to 47.0% in the 2013 period. Non-operating investment income in 2014 includes higher gains of \$35.8 million realized from the sale of certain of our sponsored fund holdings. The proceeds from these sales were primarily used to provide additional seed capital to other sponsored funds in support of our distribution efforts outside the U.S.

Net revenues

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the U.S. were \$2.5 billion in 2014, an increase of 16.9%, or \$359.7 million, on higher average mutual fund assets. In 2014, average mutual fund assets were \$460.9 billion, an increase of 17.8% from the 2013 average.

Mutual fund assets were \$477.6 billion at December 31, 2014, an increase of \$42.3 billion from \$435.3 billion at the end of 2013. Investors added net cash inflows during 2014 of \$11.8 billion, including \$3.7 billion into our stock and blended asset funds and \$8.3 billion into our bond funds. The money market funds had net outflows of \$.2 billion. These cash flow amounts are presented net of \$5.3 billion that clients transferred to the other investment portfolios, primarily our collective investment trusts and target-date retirement trusts. Without these transfers, the mutual funds would have had net cash inflows of \$17.1 billion in 2014. Market appreciation and income, net of distributions not reinvested, added \$30.5 billion to our mutual fund assets under management in 2014.

Investment advisory revenues earned on the other investment portfolios that we manage increased \$82.2 million, or 9.2%, to \$978.7 million. Average assets in these portfolios were \$263.8 billion during 2014, an increase of \$21.2 billion, or 8.7%, from the 2013 year. Assets in these portfolios at December 31, 2014, were \$269.2 billion, an increase of \$12.1 billion from the end of 2013. Market appreciation and income of \$20.2 billion was partially offset by net outflows of \$8.1 billion during 2014. Net outflows during 2014 are presented net of the \$5.3 billion assets that clients transferred in from the mutual funds. These net outflows were primarily from a few number of institutional and subadvisory clients who redeemed significant amounts from a small number of equity and fixed income strategies.

Administrative fees increased \$30.3 million to \$374.0 million in 2014. The increase is primarily attributable to increased costs incurred to provide fund accounting services and transfer agent servicing activities to the mutual funds and their investors. Changes in administrative fee revenues are generally offset by similar changes in related operating expenses that are incurred to provide services to the funds and their investors.

Distribution and servicing fee revenues earned from 12b-1 plans of the Advisor Class, R Class, and Variable Annuity II Class shares of our sponsored portfolios were \$143.6 million in 2014, an increase of \$26.4 million from the comparable 2013 period, on greater average assets under management in these share classes. The 12b-1 fees earned are offset entirely by the costs paid to third-party intermediaries who source these assets. These costs are reported as distribution and servicing costs on the face of our consolidated income statements.

Operating expenses

Compensation and related costs increased 14.9% from 2013 to about \$1.3 billion. A significant part of the increase is attributable to a \$60.7 million increase in our annual variable compensation program and a \$60.8 million increase in salaries and related benefits, which result from a modest increase in salaries at the beginning of 2014 combined with a 4.8% increase in our average staff size over the 2013 period. We continue to increase our staff size to support both business growth and added capabilities. Higher temporary staff expenses, noncash stock-based compensation expense, and other employee costs account for the remainder of the increase in compensation and related costs in the 2014 period. At December 31, 2014, we employed 5,870 associates, an increase of 3.6% from the end of 2013.

Advertising and promotion expenditures were \$76.0 million in 2014, a decrease of \$11.0 million from the 2013 period. The decrease in cost from the 2013 period is primarily a result of repurposing this spending to other distribution activities.

Occupancy and facility costs together with depreciation expense increased \$29.2 million, or 12.9%, versus 2013. Nearly half of the increase is attributable to the opening of two new buildings at our Owings Mills campus in the fourth quarter of 2013 and the renovation of certain existing facilities. The increase also includes the added costs to update and enhance our technology capabilities, including related maintenance programs. These increases were offset by the non-recurrence of the \$3.5 million in costs recognized to terminate certain facility leases in 2013.

Other operating expenses were \$286.4 million in 2014, an increase of \$27.1 million from the comparable 2013 period, as higher business demands and our continued investment in our capabilities have increased our costs. These increased costs include those related to our defined contribution recordkeeping business, information and other third-party service costs, travel costs, and other general and administrative costs.

Non-operating investment income

Our non-operating investment income, which includes the recognition of investment gains and losses, was up \$49.2 million from the 2013 period. The increase is due in part to the 2014 results including \$49.3 million in gains realized on the sale of certain sponsored fund holdings compared with \$13.5 million in gains realized in the comparable 2013 period. Larger year-end dividends, including capital gain distributions, earned from our mutual fund investments of \$21.8 million were offset in part by a decrease in net investment gains recognized on certain of our other investments in the 2014 period. The 2013 year also included a \$1.5 million gain recognized on the sale of our savings bank subsidiary.

Provision for income taxes

Our effective tax rate was 38.6% in 2014 compared to 38.4% in 2013. Our effective income tax rate reflects the relative contribution of pretax income generated by our foreign subsidiaries that are subject to tax rates lower than our U.S. rates. Changes in the relative contribution of pretax income from U.S. and foreign sources or changes in tax rates in relevant foreign jurisdictions may affect our effective income tax rate and overall net income in the future.

CAPITAL RESOURCES AND LIQUIDITY

During 2015, stockholders' equity decreased from \$5.4 billion to \$4.8 billion, which results primarily from us expending \$987.8 million to repurchase 13.1 million common shares in 2015. Additionally, we paid \$2.08 per share in regular dividends and paid a \$2.00 special dividend in 2015. Our repurchases and dividends were expended using existing cash balances and cash generated from operations. We generally repurchase shares of our common stock over time to offset the dilution created by our equity-based compensation plans.

As detailed below, we have returned \$3.3 billion to stockholders over the last three years through stock repurchases, our regular quarterly dividends, and one special dividend.

(in millions)	Recurring Dividends	Special Dividend	Stock Repurchases	Total Cash Returned to Stockholders
2013	\$ 396.6	\$ —	\$ 14.1	\$ 410.7
2014	462.1	—	415.5	877.6
2015	534.5	524.5	987.8	2,046.8
Total	\$ 1,393.2	\$ 524.5	\$ 1,417.4	\$ 3,335.1

Tangible book value is \$4.1 billion at December 31, 2015, and our cash and fund investment holdings total \$2.8 billion. The cash and fund investment holdings held by our foreign subsidiaries is \$4 billion at December 31, 2015. Given the availability of these financial resources, we do not maintain an available external source of liquidity.

At December 31, 2015, we had outstanding commitments to make additional contributions totaling \$48.2 million to various investment partnerships in which we have an existing investment. These outstanding commitments, if called, will be funded from operating resources. We currently expect total capital expenditures for facilities, equipment, and technology development for 2016 to be up to \$180 million, which will be funded from operating resources.

2015 versus 2014

Operating activities during 2015 provided cash flows of \$1.5 billion, up \$215.1 million from the 2014 period. We used \$75.0 million less cash in 2015 compared with the 2014 period as we seeded fewer new sponsored investment portfolios. Higher noncash depreciation and amortization and noncash stock-based compensation in 2015 increased cash flows by \$30.2 million. Timing differences on the cash settlement of our assets and liabilities increased our operating cash flows by \$114.8 million compared to 2014. More than half of the timing difference on the cash settlement of our assets and liabilities is related to bonus compensation that was deferred by certain employees under the new Supplemental Savings Plan that went into effect in 2015. The Supplemental Savings Plan provides certain senior officers the opportunity to defer any portion of their cash incentive compensation earned for a respective calendar year during which services are provided for a period of two or more years.

Net cash provided by investing activities totaled \$109.0 million in 2015, compared with net cash used of \$443.4 million in the comparable 2014 period. In 2015, cash proceeds from the sale of certain sponsored fund holdings, net of new investments, resulted in investing cash flows of \$269.7 million. This compares with net investments of \$305.3 million that we made into our sponsored fund investments in 2014. We increased our property and equipment additions by \$25.1 million during 2015 compared to the 2014 period.

Net cash used in financing activities was \$1,949.2 million in 2015, up \$1,209.4 million from the comparable 2014 period. The payment of a \$2.00 special dividend on April 23, 2015, and an 18% increase in our regular quarterly per-share dividend accounted for \$596.9 million of the increase from 2014. We also increased our common stock repurchases by \$572.3 million during 2015 compared with 2014.

2014 versus 2013

Operating activities during 2014 provided cash flows of nearly \$1.3 billion, up \$58.1 million from the 2013 period. Higher net income, noncash depreciation and amortization, and noncash stock-based compensation in the 2014 period increased cash flows, in aggregate, \$221.8 million over the 2013 levels. This aggregate increase was offset by \$64.5 million in more cash used in 2014 to seed new sponsored investment portfolios that we are consolidating and treating their underlying investment holdings as trading securities. Timing differences in the cash settlement of our accounts receivable and accrued revenues, payables and accrued liabilities, and other assets and liabilities also decreased our operating cash flows by \$69.2 million compared to the 2013 year. Our 2014 operating cash flows were also increased by \$35.8 million in higher gains realized from the sale of certain available-for-sale sponsored fund investments as the related proceeds are reflected as an investing activity in our consolidated statements of cash flows.

Net cash used in investing activities totaled \$443.4 million, an increase of \$5.9 million from 2013. We increased our capital expenditures and other investments activity in 2014 by \$20.4 million and \$12.1 million, respectively. These increases in net cash used were more than offset by \$35.2 million in less net cash invested in our sponsored funds, as we sold more existing investments to fund the new investments in 2014 compared to the 2013 period. The 2013 year also included \$8.6 million in net cash proceeds related to our savings bank subsidiary and its sale in December 2013.

Net cash used in financing activities was \$739.8 million in 2014, up \$463.0 million from the comparable 2013 period. We increased our common stock repurchases by \$401.4 million in 2014 compared with the 2013 period. Cash used for dividends paid in 2014 increased \$65.4 million due primarily to the 16% increase in our per-share dividend rate.

CONTRACTUAL OBLIGATIONS

The following table presents a summary of our future obligations (in millions) under the terms of existing operating leases and other contractual cash purchase commitments at December 31, 2015. 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. The information presented does not include operating expenses or capital expenditures that will be committed in the normal course of operations in 2016 and future years. The information also excludes the \$5.8 million of unrecognized tax benefits discussed in Note 7 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	2016	2017-18	2019-20	Later
Noncancelable operating leases	\$ 250	\$ 29	\$ 53	\$ 49	\$ 119
Other purchase commitments	182	136	38	8	-
Total	\$ 432	\$ 165	\$ 91	\$ 57	\$ 119

We also have outstanding commitments to fund additional contributions to investment partnerships totaling \$48.2 million at December 31, 2015. 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 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 2015 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.

Other-than-temporary impairments of available-for-sale securities. We generally classify our investment holdings in sponsored funds as available-for-sale if we are not deemed to have a controlling financial interest nor exercise significant influence over its operating and financial policies. At the end of each quarter, we mark the carrying amount of each investment holding to fair value and recognize an unrealized gain or loss as a component of comprehensive income within the consolidated statements of comprehensive income. We next review each individual security position that has an unrealized loss or impairment to determine if that impairment is other than temporary.

In determining whether a mutual fund holding is other-than-temporarily impaired, we consider many factors, including the duration of time the impairment has existed, the severity of the impairment, any subsequent changes in value, and our intent and ability to hold the security for a period of time sufficient for an anticipated recovery in fair value. Subject to the other considerations noted above, we believe a fund holding with an unrealized loss that has persisted daily throughout the six months between quarter-ends is generally presumed to have an other-than-temporary impairment. We may also recognize an other-than-temporary impairment for losses that have existed for less than six months in our consolidated statements of income if the particular circumstances of the underlying investment do not warrant our belief that a near-term recovery is possible.

Other-than-temporary impairments of equity method investments. We evaluate our equity method investments, including our investment in UTI, 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.

Stock options. We recognize stock option-based compensation expense in our consolidated statements of income using a fair value-based method. Fair value methods use a valuation model for shorter-term, market-traded financial instruments to theoretically value stock option grants even though they are not available for trading and are of longer duration. The Black-Scholes option-pricing model that we use includes the input of certain variables that are dependent on future expectations, including the expected lives of our options from grant date to exercise date, the volatility of our underlying common shares in the market over that time period, and the rate of dividends that we will pay during that time. Our estimates of these variables are made for the purpose of using the valuation model to determine an expense for each reporting period and are not subsequently adjusted. Unlike most of our expenses, the resulting charge to earnings using a fair value-based method is a noncash charge that is never measured by, or adjusted based on, a cash outflow.

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

In May 2014, the FASB issued Accounting Standards Update No. 2014-09—Revenue from Contracts with Customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that will be applied to determine the measurement of revenue and timing of when it is recognized. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, which defers the effective date of the standard by one year and permits early adoption. We would be required to adopt the new standard on January 1, 2018. We are currently evaluating the impact this standard will have on our financial position and results of operations.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02—Consolidation (Topic 810): Amendments to the Consolidation Analysis. This standard modifies existing consolidation guidance for reporting companies that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015, and requires either a retrospective or a modified

retrospective approach to adoption. We will adopt the ASU on January 1, 2016, using the modified retrospective transition method. The adoption of this new guidance will increase the number of sponsored fund investments that we consolidate either because we own the majority of the voting interest of those U.S. mutual funds or are considered the primary beneficiary of those investment vehicles outside the U.S. that will be required to be analyzed as variable interest entities. As a result, the underlying assets and liabilities of the consolidated funds will be included in our consolidated balance sheet and we will recognize redeemable non-controlling interest for the portion of the consolidated funds that are owned by a third-party investor. Additionally, the change in fair value of the consolidated funds, net of taxes, will begin to be recognized in net income instead of other comprehensive income as they will no longer be accounted for as available-for-sale investments. We are evaluating the effect ASU 2015-02 will have on our consolidated financial statements and related disclosures.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01—Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early adoption is not permitted. The new guidance will require the change in fair value of equity investments with readily determinable fair values to be recognized through the income statements. We are currently evaluating the full impact of the standard, however, upon adoption the change in the fair value of our available-for-sale equity investments' will be recognized in our consolidated income statement instead of accumulated other comprehensive income on the balance sheet.

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

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 estimated effective income tax rate; and our expectations regarding financial markets, future transactions, dividends, 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 T. Rowe Price mutual funds and other managed investment portfolios, 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 portfolios, 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 Price mutual funds and other managed investment portfolios as compared to 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 Price funds and could be adversely affected if the independent directors of one or more of the 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 investee's 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 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.; variations in the level of total compensation expense due to, among other things, bonuses, stock option and other equity grants, other incentive awards, 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; 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 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 the effects on costs that we incur and effects on investor interest in mutual funds and investing in general or in particular classes of mutual funds or other investments.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table (in millions) presents the equity price risk from investments in sponsored funds that are accounted for as available-for-sale securities or under the equity method by assuming a hypothetical decline in the fair values of fund shares. We have chosen to use a variant of each fund's net asset value to quantify the equity price risk, as we believe the volatility in each fund's net asset value best reflects the underlying risk potential as well as the market trends surrounding each fund's investment objective. The potential future loss of value, before any income tax benefits, of these fund investments at year-end was determined by using the lower of each fund's lowest net asset value per share during 2015 or its net asset value per share at December 31, 2015, reduced by 10%. In considering this presentation, it is important to note that: not all funds experienced their lowest net asset value per share on the same day; it is likely that the composition of the fund investment portfolio would be changed if adverse market conditions persisted; and we could experience future losses in excess of those presented below.

	Fair Value 12/31/2015	Percentage of Portfolio	Potential Lower Value	Percentage of Portfolio	2015 Potential Loss		2014 Potential Loss	
Stock and blended asset funds	\$ 599.8	37%	\$ 536.1	37%	\$ 63.7	11%	\$ 76.1	10%
Bond funds	1,012.5	63%	911.2	63%	101.3	10%	115.2	10%
	\$ 1,612.3	100%	\$ 1,447.3	100%	165.0	10%	\$ 191.3	10%
Equity method fund investments	\$ 113.7	100%	\$ 102.3	100%	\$ 11.4	10%	\$ 12.6	10%

For available-for-sale securities, we experienced actual net unrealized losses of \$5.0 million in 2015 that are considered temporary in other comprehensive income. We review the carrying amount of each investment on a quarterly basis and recognize an impairment charge in non-operating investment income (loss) whenever an unrealized loss is considered other than temporary. During 2015, we recognized an other-than-temporary impairment of \$4.8 million.

Investments in mutual funds generally moderate market risk because funds, by their nature, are diversified investment portfolios that invest in a number of different financial instruments. T. Rowe Price further manages its exposure to market risk by diversifying its investments among many domestic and international funds. 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.

Our equity method investment in UTI of \$132.8 million at December 31, 2015, exposes us to foreign currency risk related to translating our proportionate share of its financial statements, which are denominated in Indian rupees (INR), to U.S. dollars (USD) each reporting period. We do not use derivative financial instruments to manage this foreign 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 \$31.4 million at December 31, 2015, 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 foreign countries of which the United Kingdom is the most prominent. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, though our revenues are predominately realized in USD. We do not believe that foreign currency fluctuations materially affect our results of operations.

Consolidated Balance Sheets

(in millions, except share data)

	December 31,	2014	2015
Assets			
Cash and cash equivalents		\$ 1,506.1	\$ 1,172.3
Accounts receivable and accrued revenue		442.8	446.0
Investments in sponsored funds		1,884.0	1,612.3
Other investments		408.3	406.6
Property and equipment, net		586.4	607.1
Goodwill		665.7	665.7
Other assets		151.1	196.9
Total assets		\$ 5,644.4	\$ 5,106.9
Liabilities and Stockholders' Equity			
Liabilities			
Accounts payable and accrued expenses		\$ 143.4	\$ 170.6
Accrued compensation and related costs		82.2	153.1
Income taxes payable		23.6	21.2
Total liabilities		249.2	344.9
Commitments and contingent liabilities			
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 261,110,000 shares at December 31, 2014 and 250,469,000 at December 31, 2015		52.2	50.1
Additional capital in excess of par value		756.5	654.6
Retained earnings		4,450.1	3,970.7
Accumulated other comprehensive income		136.4	86.6
Total stockholders' equity		5,395.2	4,762.0
Total liabilities and stockholders' equity		\$ 5,644.4	\$ 5,106.9

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income

(in millions, except earnings per share)

	Year ended December 31,	2013	2014	2015
Revenues				
Investment advisory fees		\$ 3,022.6	\$ 3,464.5	\$ 3,687.3
Administrative fees		343.7	374.0	361.8
Distribution and servicing fees		117.2	143.6	151.5
Net revenue of savings bank subsidiary		.7	—	—
Net revenues		3,484.2	3,982.1	4,200.6
Operating Expenses				
Compensation and related costs		1,156.9	1,329.6	1,443.6
Advertising and promotion		87.0	76.0	79.7
Distribution and servicing costs		117.2	143.6	151.5
Depreciation and amortization of property and equipment		90.6	111.7	126.3
Occupancy and facility costs		135.8	143.9	159.2
Other operating expenses		259.3	286.4	341.4
Total operating expenses		1,846.8	2,091.2	2,301.7
Net Operating Income		1,637.4	1,890.9	1,898.9
Non-operating investment income		63.0	112.2	103.5
Income before income taxes		1,700.4	2,003.1	2,002.4
Provision for income taxes		652.7	773.5	779.4
Net income		\$ 1,047.7	\$ 1,229.6	\$ 1,223.0
Earnings Per Share on Common Stock				
Basic		\$ 4.02	\$ 4.68	\$ 4.74
Diluted		\$ 3.90	\$ 4.55	\$ 4.63

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

(in millions)

	Year ended December 31,	2013	2014	2015
Net income		\$ 1,047.7	\$ 1,229.6	\$ 1,223.0
Other comprehensive income (loss)				
Net unrealized holding gains (losses) on available-for-sale investments		148.1	(1.9)	(4.5)
Reclassification adjustments recognized in non-operating investment income:				
Capital gain distributions		(15.3)	(31.1)	(20.8)
Net gains realized on dispositions determined using average cost		(13.5)	(49.3)	(56.5)
Other-than-temporary impairments		—	—	4.8
Net unrealized holding gains derecognized upon the sale of savings bank subsidiary		(1.6)	—	—
Total reclassification adjustments		(30.4)	(80.4)	(72.5)
Total net unrealized holding gains (losses) recognized in other comprehensive income		117.7	(82.3)	(77.0)
Currency translation adjustment		(23.7)	(1.8)	(13.0)
Reclassification loss recognized in non-operating investment income upon deconsolidation of sponsored fund subsidiary		—	—	5.8
Total currency translation adjustments		(23.7)	(1.8)	(7.2)
Other comprehensive income (loss) before income taxes		94.0	(84.1)	(84.2)
Deferred tax benefits (income taxes)		(37.6)	32.2	34.4
Total other comprehensive income (loss)		56.4	(51.9)	(49.8)
Total comprehensive income		\$ 1,104.1	\$ 1,177.7	\$ 1,173.2

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

(in millions)

	Year ended December 31,	2013	2014	2015
Cash Flows From Operating Activities				
Net income		\$ 1,047.7	\$ 1,229.6	\$ 1,223.0
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization of property and equipment		90.6	111.7	126.3
Stock-based compensation expense		114.6	133.4	149.0
Realized gains on the dispositions of sponsored funds		(13.5)	(49.3)	(56.5)
Net losses (gains) recognized on other investments		(13.0)	(7.2)	1.7
Net change in trading securities held by consolidated sponsored investment portfolios		(25.6)	(90.1)	(15.1)
Changes in accounts receivable and accrued revenue		(44.7)	(31.5)	(3.2)
Changes in payables and accrued liabilities		(5.1)	36.5	98.2
Other changes in assets and liabilities		82.2	(41.8)	(17.0)
Net cash provided by operating activities		1,233.2	1,291.3	1,506.4
Cash Flows From Investing Activities				
Investments in sponsored funds		(377.7)	(471.9)	(164.8)
Dispositions of sponsored funds		37.2	166.6	434.5
Investments in debt securities held by savings bank subsidiary		(28.2)	—	—
Proceeds from debt securities held by savings bank subsidiary		48.5	—	—
Additions to property and equipment		(105.8)	(126.2)	(151.3)
Other investing activity		(11.5)	(11.9)	(9.4)
Net cash provided by (used in) investing activities		(437.5)	(443.4)	109.0
Cash Flows From Financing Activities				
Repurchases of common stock		(14.1)	(415.5)	(987.8)
Common share issuances under stock-based compensation plans		118.2	85.2	73.5
Excess tax benefits from stock-based compensation plans		45.5	52.6	24.1
Dividends		(396.7)	(462.1)	(1,059.0)
Change in savings bank subsidiary deposits		(29.7)	—	—
Net cash used in financing activities		(276.8)	(739.8)	(1,949.2)
Cash and Cash Equivalents				
Net change during year		518.9	108.1	(333.8)
At beginning of year		879.1	1,398.0	1,506.1
At end of year		\$ 1,398.0	\$ 1,506.1	\$ 1,172.3

The accompanying summary of significant accounting policies and 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	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balances at December 31, 2012	257,018	\$51.4	\$631.0	\$3,031.8	\$131.9	\$3,846.1
Net income	—	—	—	1,047.7	—	1,047.7
Other comprehensive income, net of tax	—	—	—	—	56.4	56.4
Dividends	—	—	—	(396.6)	—	(396.6)
Common stock-based compensation plans activity						
Shares issued upon option exercises	4,147	.8	127.3	—	—	128.1
Restricted shares issued, net of shares withheld for taxes	1,041	.2	(6.9)	—	—	(6.7)
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	149	—	(3.3)	—	—	(3.3)
Forfeiture of restricted awards	(82)	—	—	—	—	—
Net tax benefits	—	—	45.9	—	—	45.9
Stock-based compensation expense	—	—	114.6	—	—	114.6
Restricted stock units issued as dividend equivalents	—	—	.1	(.1)	—	—
Common shares repurchased	(200)	—	(14.1)	—	—	(14.1)
Balances at December 31, 2013	262,073	52.4	894.6	3,682.8	188.3	4,818.1
Net income	—	—	—	1,229.6	—	1,229.6
Other comprehensive loss, net of tax	—	—	—	—	(51.9)	(51.9)
Dividends	—	—	—	(462.1)	—	(462.1)
Common stock-based compensation plans activity						
Shares issued upon option exercises	3,679	.8	106.3	—	—	107.1
Restricted shares issued, net of shares withheld for taxes	625	.1	(12.3)	—	—	(12.2)
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	163	—	(4.7)	—	—	(4.7)
Forfeiture of restricted awards	(117)	—	—	—	—	—
Net tax benefits	—	—	53.4	—	—	53.4
Stock-based compensation expense	—	—	133.4	—	—	133.4
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—
Common shares repurchased	(5,313)	(1.1)	(414.4)	—	—	(415.5)
Balances at December 31, 2014	261,110	52.2	756.5	4,450.1	136.4	5,395.2
Net income	—	—	—	1,223.0	—	1,223.0
Other comprehensive loss, net of tax	—	—	—	—	(49.8)	(49.8)
Dividends	—	—	—	(1,059.0)	—	(1,059.0)
Common stock-based compensation plans activity						
Shares issued upon option exercises	2,471	.5	84.0	—	—	84.5
Restricted shares withheld for taxes, net of shares issued	(180)	—	(14.3)	—	—	(14.3)
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	236	—	(2.0)	—	—	(2.0)
Forfeiture of restricted awards	(59)	—	—	—	—	—
Net tax benefits	—	—	23.2	—	—	23.2
Stock-based compensation expense	—	—	149.0	—	—	149.0
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—
Common shares repurchased	(13,109)	(2.6)	(342.0)	(643.2)	—	(987.8)
Balances at December 31, 2015	250,469	\$ 50.1	\$ 654.6	\$ 3,970.7	\$ 86.6	\$ 4,762.0

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Summary of Significant Accounting Policies

T. Rowe Price Group derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the sponsored T. Rowe Price U.S. mutual funds and other investment portfolios. We also provide our 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 our management in accordance with accounting principles generally accepted in the U.S. These principles require that we make certain estimates and assumptions. Actual results may vary from our estimates.

CONSOLIDATION

Our financial statements include the accounts of all subsidiaries and sponsored portfolios in which we have a controlling financial interest. We are generally deemed to have a controlling financial interest when we own the majority of the voting interest of an entity or are considered to be the primary beneficiary of a variable interest entity. All material intercompany accounts and transactions are eliminated in consolidation. We have determined that the sponsored portfolios in which we have investments at December 31, 2014 and 2015, are voting interest entities and, as a result, have consolidated those sponsored portfolios in which we own a majority of the voting interest.

If we determine that we no longer have a controlling financial interest in a subsidiary or a sponsored portfolio, we deconsolidate the carrying value of their assets and liabilities and record our remaining equity interest, if any, at its fair value. Any gain or loss realized upon deconsolidation is included in non-operating investment income in our consolidated statements of income.

We will implement Accounting Standards Update No. 2015-02—Consolidation (Topic 810): Amendments to the Consolidation Analysis on January 1, 2016, using the modified retrospective transition method. The adoption of this new guidance will increase the number of sponsored fund investments that we consolidate, either because we own the majority of the voting interest of those U.S. mutual funds or because we are considered the primary beneficiary of those investment vehicles outside the U.S. that will be required to be analyzed as variable interest entities. As a result, the underlying assets and liabilities of the consolidated funds will be included in our consolidated balance sheet, and we will recognize redeemable non-controlling interest for the portion of the consolidated funds that are owned by a third-party investor. Additionally, the change in fair value of the consolidated funds, net of taxes, will begin to be recognized in net income instead of other comprehensive income as they will no longer be accounted for as available-for-sale investments. We are evaluating the effect ASU 2015-02 will have on our consolidated financial statements and related disclosures.

CASH EQUIVALENTS

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

INVESTMENTS IN SPONSORED FUNDS—AVAILABLE FOR SALE

These are investments we have made for both general corporate investment purposes and to provide seed capital for newly formed funds. These sponsored funds were determined to be voting interest entities and are classified as available-for-sale. These investments are carried at fair value using the quoted closing net asset value, or NAV, per share of each fund as of the balance sheet date. Changes in net unrealized holding gains or losses on these investments are recognized in other comprehensive income.

We review the carrying amount of each investment on a quarterly basis and recognize an impairment charge in non-operating investment income whenever an unrealized loss is considered other than temporary. In determining whether a fund holding is other-than-temporarily impaired, we consider various factors, including the duration of time it has existed, the severity of the impairment, any subsequent changes in value, and our intent and ability to hold the fund for a period of time sufficient for an anticipated recovery in fair value. Subject to the other considerations noted above, we believe a fund holding with an unrealized loss that has persisted daily throughout the six months between quarter-ends is generally presumed to have an other-than-temporary impairment. We may also recognize an other-than-temporary impairment if particular circumstances of the underlying investment do not warrant our belief that a near-term recovery is possible.

OTHER INVESTMENTS

Cost method investments consist of investments in entities over which we do not exercise significant influence over the operating and financial policies of the investee.

Equity method investments consist of investments in entities, including sponsored portfolios, over 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 investment income in the 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.

We evaluate our equity and cost method investments 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.

Investments held as trading consist of the underlying securities of sponsored portfolios in which we have a controlling financial interest and sponsored portfolio investments we expect to hold for only a short period of time. These investments are generally the initial seed investments we make at the portfolio's formation. If we are deemed to have a controlling financial interest in the sponsored portfolio, we will consolidate the investment, and the portfolio's underlying securities are accounted for as trading securities. These investments are carried at fair value, with changes in fair value recognized in non-operating investment income. The valuation policies, methods, and sources for these investments are the same as those employed by the T. Rowe Price U.S. mutual funds to price similar investment holdings as further described under our revenue recognition policy below.

CONCENTRATIONS 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 that we manage for them.

Our investments in sponsored funds and investments held as trading 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. Our 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.

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, 4 years; buildings and improvements, 33 years; leasehold improvements, 8 years; furniture and other equipment, 7 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

Fees for investment advisory services, which are based on a percentage of assets under management, and related administrative services that we provide to investment advisory clients, including our sponsored funds and portfolios, are recognized in the period that our services are provided.

Our assets under management are valued in accordance with a valuation and pricing policy that defines the valuation and pricing processes for each major type of investment held in our sponsored U.S. mutual funds and other client investment portfolios. 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.

Distribution and servicing fees earned from 12b-1 plans of the Advisor Class, R Class, and Variable Annuity II Class shares of our sponsored U.S. mutual funds are recognized in the period that they are earned, which is the same period that the related mutual funds recognize their expense. 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.

We provide all services to the sponsored 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.

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

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 (2007 Non-Employee Director Equity Plan and 1998 Director Stock Option Plan). 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, 2015, a total of 12,907,212 shares were available for future grant under the 2012 Long-Term Incentive Plan and the 2007 Non-Employee Director Equity 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 5.5-year graded schedule. All restricted shareholders and restricted stock unit holders receive non-forfeitable cash dividends and cash dividend equivalents, respectively, on our dividend payable date.

We grant performance-based restricted shares and restricted stock units to certain executive officers in which the number of restricted shares or restricted stock units ultimately retained is determined based on achievement of certain performance thresholds. The number of restricted shares or restricted stock units retained is also subject to the same time-based vesting requirement as the other restricted shares or restricted stock units described above. Cash dividends and cash dividend equivalents are accrued and paid to the holders of performance-based restricted shares and restricted stock units only after the performance period has lapsed and the performance thresholds have been met.

Under our LTI plans, we have granted qualified incentive and nonqualified fixed stock options with a maximum term of 10 years to employees. Vesting of our employee option grants is based on the individual continuing to render service and generally occurs over an average 5.5-year graded schedule. The exercise price of each option granted is equivalent to the market price of the common stock at the date of grant.

We grant options, with a maximum term of 10 years, restricted shares and restricted stock units to non-employee directors under the stockholder approved 2007 Non-Employee Director Plan. These grants vest over six months to one year and, in the case of restricted stock units, are settled upon the non-employee directors' departure from the Board. Non-employee directors holding restricted shares receive non-forfeitable dividends while restricted stock unit holders are issued non-forfeitable dividend equivalents in the form of vested stock units on our dividend payable date.

We recognize the grant-date fair value of these awards as compensation expense ratably over the awards' requisite service period. The expense recognized includes an estimate of awards that will be forfeited and considers, in the case of our performance-based restricted shares and units, the probability of the performance thresholds being met. Both time-based and performance-based restricted shares and units are valued on the grant-date using the closing market price of our common stock. We use the Black-Scholes option-pricing model to estimate the fair value of each option grant as follows:

	Weighted-average		
	2013	2014	2015
Grant-date fair value per option awarded	\$ 19.56	\$ 21.12	\$ 17.35
Assumptions used:			
Expected life in years	7.0	7.0	7.0
Expected volatility	31%	30%	27%
Dividend yield	2.1%	2.2%	2.4%
Risk-free interest rate	1.9%	2.2%	1.9%

Our expected life assumptions are based on the vesting period for each option grant and our historical experience with respect to the average holding period from vesting to option exercise. The assumptions for expected volatility are based on historical experience for the same periods as our expected lives. Dividend yields are based on recent historical experience and future expectations. Risk-free interest rates are set using grant-date U.S. Treasury yield curves for the same periods as our expected lives.

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, the change in net unrealized security holding gains (losses), and the change in our currency translation adjustments. The currency translation adjustments result from translating our proportionate share of the financial statements of UTI, our equity method investment, and certain consolidated investment portfolios 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.

The change in net unrealized security holding gains (losses) included those related to the debt securities held by our savings bank subsidiary up until December 2013 when we completed the sale of the bank. The investments held by the savings bank were in marketable debt securities, including mortgage-backed and other asset-backed securities and were classified as available-for-sale and reported at fair value.

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 income statements to which the significant reclassifications were recognized.

Notes to Consolidated Financial Statements

NOTE 1—CASH EQUIVALENTS

Cash equivalent investments in our sponsored money market mutual funds aggregate \$1,345.8 million at December 31, 2014, and \$997.5 million at December 31, 2015. Dividends earned on these investments in each of the last three years were immaterial.

NOTE 2—INFORMATION ABOUT RECEIVABLES, REVENUES, AND SERVICES

Accounts receivable from our sponsored mutual funds for advisory fees and advisory-related administrative services aggregate \$245.8 million at December 31, 2014, and \$252.8 million at December 31, 2015.

Revenues (in millions) from advisory services provided under agreements with our sponsored mutual funds and other investment clients include:

	2013	2014	2015
Sponsored U.S. mutual funds			
Stock and blended asset	\$ 1,759.7	\$ 2,086.0	\$ 2,241.9
Bond and money market	366.4	399.8	426.0
	2,126.1	2,485.8	2,667.9
Other investment portfolios			
Stock and blended asset	735.6	824.5	862.2
Bond, money market, and stable value	160.9	154.2	157.2
	896.5	978.7	1,019.4
Total	\$ 3,022.6	\$ 3,464.5	\$ 3,687.3

The following table summarizes the various investment portfolios and assets under management (in billions) on which we earn advisory fees.

	Average during			As of December 31,	
	2013	2014	2015	2014	2015
Sponsored U.S. mutual funds					
Stock and blended asset	\$ 299.1	\$359.3	\$387.8	\$ 373.0	\$ 383.0
Bond and money market	92.1	101.6	105.8	104.6	104.1
	391.2	460.9	493.6	477.6	487.1
Other investment portfolios					
Stock and blended asset	179.3	201.6	210.3	206.9	209.8
Bond, money market, and stable value	63.3	62.2	64.0	62.3	66.2
	242.6	263.8	274.3	269.2	276.0
Total	\$ 633.8	\$ 724.7	\$ 767.9	\$ 746.8	\$ 763.1

Investors that we serve are primarily domiciled in the U.S.; investment advisory clients outside the U.S. account for 5.6% and 4.9% of our assets under management at December 31, 2014, and December 31, 2015, respectively.

The following table summarizes the other fees (in millions) earned from our sponsored U.S. mutual funds.

	2013	2014	2015
Administrative fees	\$ 264.8	\$ 296.1	\$ 292.8
Distribution and servicing fees	\$ 117.2	\$ 143.6	\$ 151.5

NOTE 3—INVESTMENTS IN SPONSORED FUNDS—AVAILABLE-FOR-SALE

Our investments (in millions) in sponsored funds accounted for as available-for-sale at December 31 include:

	Aggregate cost	Unrealized holding		Aggregate fair value
		Gains	Losses	
2014				
Stock and blended asset funds	\$ 505.4	\$ 231.4	\$ (4.2)	\$ 732.6
Bond funds	1,107.9	52.0	(8.5)	1,151.4
Total	\$ 1,613.3	\$ 283.4	\$ (12.7)	\$ 1,884.0
2015				
Stock and blended asset funds	\$ 428.6	\$ 180.3	\$ (9.1)	\$ 599.8
Bond funds	990.5	39.1	(17.1)	1,012.5
Total	\$ 1,419.1	\$ 219.4	\$ (26.2)	\$ 1,612.3

The unrealized holding losses are attributable to 12 fund holdings with an aggregate fair value of \$788.5 million at December 31, 2014, and 22 fund holdings with an aggregate fair value of \$718.2 million at December 31, 2015. Of the 22 fund holdings at December 31, 2015, four fund holdings with an aggregate fair value of \$298.6 million and unrealized holding losses of \$10.4 million, were in a continuous unrealized loss position for 12 months or more. In addition to the duration of the impairments, we also reviewed their severity as well as our intent and ability to hold the funds for a period of time sufficient for an anticipated recovery in fair value. Accordingly, impairment of these fund holdings is considered temporary.

Dividends, excluding capital gain distributions, earned on these sponsored mutual fund investments totaled \$10.6 million in 2013, \$14.7 million in 2014, and \$18.1 million in 2015.

NOTE 4—OTHER INVESTMENTS

These investments (in millions) at December 31 include:

	2014	2015
Cost method investments	\$ 63.7	\$ 69.4
Equity method investments		
26% interest in UTI Asset Management Company Limited (India)	132.4	132.8
Sponsored fund investments	125.6	113.7
Other investments	5.7	6.2
Investments held as trading		
Sponsored fund investments	10.3	25.8
Securities held by consolidated sponsored investment portfolios	69.6	57.7
U.S. Treasury note	1.0	1.0
Total	\$ 408.3	\$ 406.6

The securities held by consolidated sponsored investment portfolios, sponsored fund investments held as trading, and the sponsored fund investments treated as equity method investments relate to investment portfolios in which we provided initial seed capital at the time of its formation. We have determined at December 31, 2014, and December 31, 2015, that these investment portfolios are voting interest entities and, as a result, have consolidated those sponsored portfolios in which we own a majority of the voting interest.

During 2014 and 2015, we deconsolidated certain sponsored investment portfolios, in which we provided initial seed capital at the time of its formation, as we no longer had a controlling financial interest. Accordingly, we deconsolidated the carrying value of these investments, which at the deconsolidation dates, was \$25.5 million in 2014 and \$20.3 million in 2015.

In 2014, our consolidated investment portfolio was carried at fair value, and the investment portfolio's functional currency was U.S. dollars, therefore, we did not recognize any gain or loss in our consolidated statement of income upon deconsolidation. In 2015, the deconsolidation of a sponsored investment portfolio resulted in the reclassification of the accumulated currency translation loss of \$5.8 million recognized in accumulated other comprehensive income to non-operating investment income.

The currency translation loss had been accumulated as the investment portfolio's functional currency was the Australian dollar. The impact of the deconsolidation on our consolidated balance sheet was immaterial. We are reporting our residual interests in these sponsored investment portfolios as equity method investments.

At December 31, 2015, we had outstanding commitments to make additional contributions totaling \$48.2 million to various investment partnerships. 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.

NOTE 5—FAIR VALUE MEASUREMENTS

We determine the fair value of our 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 of our investments using Level 3 inputs.

These levels are not necessarily an indication of the risk or liquidity associated with our investments. There have been no material transfers between the levels in 2014 or 2015. The following table summarizes our investments (in millions) that are recognized in our consolidated balance sheets at year-end using fair value measurements determined based on the differing levels of inputs.

	Level 1	Level 2
2014		
Cash equivalents	\$ 1,345.8	\$ —
Investments in sponsored funds—available-for-sale	1,884.0	—
Investments held as trading	27.7	52.2
Total	\$ 3,257.5	\$ 52.2
2015		
Cash equivalents	\$ 997.5	\$ —
Investments in sponsored funds—available-for-sale	1,612.3	—
Investments held as trading	38.8	44.7
Total	\$ 2,648.6	\$ 44.7

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment (in millions) at December 31 consists of:

	2014	2015
Computer and communications software and equipment	\$ 512.0	\$ 610.8
Buildings and improvements	397.1	415.1
Leasehold improvements	93.7	98.7
Furniture and other equipment	131.6	145.9
Land	40.3	40.3
Leased land	2.7	2.7
	1,177.4	1,313.5
Less accumulated depreciation and amortization	591.0	706.4
Total	\$ 586.4	\$ 607.1

Compensation and related costs attributable to the development of computer software for internal use totaling \$15.5 million in 2013, \$19.6 million in 2014, and \$22.3 million in 2015 have been capitalized.

We occupy certain office facilities and lease computer and other equipment under noncancelable operating leases. Related rental expense was \$31.5 million in 2013, \$29.3 million in 2014, and \$31.1 million in 2015. Future minimum payments under these leases aggregate \$28.5 million in 2016, \$26.5 million in 2017, \$27.1 million in 2018, \$26.8 million in 2019, \$21.9 million in 2020, and \$118.8 million in later years.

NOTE 7—INCOME TAXES

The provision for income taxes (in millions) consists of:

	2013	2014	2015
Current income taxes			
U.S. federal	\$ 523.3	\$ 635.8	\$ 669.5
State and local	92.9	126.8	134.3
Foreign	20.7	16.3	18.9
Deferred income taxes (tax benefits)	15.8	(5.4)	(43.3)
Total	\$ 652.7	\$ 773.5	\$ 779.4

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

	2013	2014	2015
Property and equipment	\$ 5.3	\$ 2.0	\$ (2.3)
Stock-based compensation	(2.2)	(11.2)	(14.6)
Accrued and deferred compensation	5.2	(.1)	(28.3)
Other-than-temporary impairments of sponsored fund investments	4.3	4.7	(.4)
Other	3.2	(.8)	2.3
Total deferred income taxes (tax benefits)	\$ 15.8	\$ (5.4)	\$ (43.3)

In 2015, the income tax benefits recognized for accrued and deferred compensation are primarily related to the deferral of year-end bonuses by certain employees under our supplemental savings plan. Effective January 1, 2015, the supplemental savings plan provides certain senior officers the opportunity to defer any portion of their cash incentive compensation earned for a respective calendar year during which services are provided for a period of two years or more.

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

	2013	2014	2015
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes for current year, net of federal income tax benefits	3.7	4.0	4.3
Other items	(.3)	(.4)	(.4)
Effective income tax rate	38.4%	38.6%	38.9%

The net deferred tax assets (in millions) recognized in our consolidated balance sheets in other assets include the following:

	December 31,	2014	2015
Deferred tax liabilities			
Related to property and equipment	\$	(38.3)	\$ (36.0)
Recognized in other comprehensive income on net unrealized holding gains		(106.0)	(74.2)
Other		(21.9)	(26.3)
		(166.2)	(136.5)
Deferred tax assets			
Related to stock-based compensation		147.9	162.5
Related to other-than-temporary impairments of investments in sponsored funds		25.7	26.1
Related to accrued compensation		3.0	31.3
Recognized in other comprehensive income on currency translation adjustment		15.7	18.3
Other		9.9	12.1
		202.2	250.3
Net deferred tax asset	\$	36.0	\$ 113.8

A deferred tax liability for unremitted earnings of our foreign subsidiaries has not been recognized, as it is our intention to indefinitely reinvest these earnings outside the U.S. The unremitted earnings of these subsidiaries are estimated to be \$345 million at December 31, 2015. If these earnings were distributed to the U.S. in the form of dividends or otherwise, or if any of the entities were sold or otherwise transferred, we would be subject to U.S. income taxes, less any foreign tax credits. Determination of the amount of the unrecognized deferred tax liability related to these earnings is not practicable.

Other assets includes tax refund receivables of \$61.7 million at December 31, 2014, and \$2.4 million at December 31, 2015.

Cash outflows from operating activities include net income taxes paid of \$532.9 million in 2013, \$763.7 million in 2014, and \$778.6 million in 2015.

Additional income tax benefits of \$45.9 million in 2013, \$53.4 million in 2014, and \$23.2 million in 2015 arising from stock-based compensation plans activity reduced the amount of income taxes that would have otherwise been payable.

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

	2013	2014	2015
Balance at beginning of year	\$ 4.9	\$ 4.8	\$ 5.6
Changes in tax positions related to			
Current year	.7	1.0	.7
Prior years	—	(.2)	1.8
Expired statute of limitations	(.8)	—	(2.3)
Balance at end of year	\$ 4.8	\$ 5.6	\$ 5.8

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 2015 and prior years will significantly change in 2016. The U.S. has concluded examinations related to federal tax obligations through the year 2014. A net interest payable related to our unrecognized tax benefits of \$1.3 million at December 31, 2014, and \$.9 million at December 31, 2015, 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 8—STOCKHOLDERS' EQUITY

Share repurchases

The Board of Directors has authorized the future repurchase of up to 19,791,431 common shares as of December 31, 2015.

Dividends

Regular cash dividends declared per share were \$1.52 in 2013, \$1.76 in 2014, and \$2.08 in 2015. A \$2.00 per share special dividend was also declared and paid during 2015.

Restricted capital

Our consolidated stockholders' equity at December 31, 2015, includes about \$108 million that is restricted as to use by various regulations and agreements arising in the ordinary course of our business.

NOTE 9—STOCK-BASED COMPENSATION

Effect of special cash dividend

As a result of the special cash dividend declared by the Board of Directors in February 2015, the anti-dilution provisions of our employee long-term incentive plans and non-employee director plans (collectively, the LTI Plans) require an automatic adjustment to neutralize the effect of the special dividend. On the special dividend's ex-dividend date (April 7, 2015), the number of shares authorized and the number of stock options outstanding and their exercise price were adjusted resulting in an increase of 749,578 stock options outstanding on the ex-dividend date and no incremental compensation expense.

Shares authorized for stock-based compensation programs

At December 31, 2015, a total of 46,000,781 shares of unissued common stock were authorized for issuance under our stock-based compensation plans. Additionally, a total of 3,497,692 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 option grants during 2015. All numbers have been adjusted to reflect the effect of the special dividend as noted above.

	Options	Weighted-average exercise price	Weighted-average remaining contractual term in years
Outstanding at December 31, 2014	30,463,211	\$ 55.63	
Semiannual grants	3,948,307	\$ 75.95	
New hire grants	45,397	\$ 71.88	
Non-employee director grants	17,400	\$ 78.18	
Exercised	(3,173,793)	\$ 44.15	
Forfeited	(479,153)	\$ 68.77	
Expired	(3,140)	\$ 63.33	
Outstanding at December 31, 2015	30,818,229	\$ 59.24	5.6
Exercisable at December 31, 2015	19,852,243	\$ 52.23	4.3

Compensation and related costs includes a charge for stock option-based compensation expense of \$64.2 million in 2013, \$63.4 million in 2014, and \$63.7 million in 2015.

The total intrinsic value of options exercised was \$182.6 million in 2013, \$196.5 million in 2014, and \$108.1 million in 2015. At December 31, 2015, the aggregate intrinsic value of in-the-money options outstanding was \$419.4 million, including \$387.2 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 2015.

	Restricted shares	Restricted stock units	Weighted-average fair value
Nonvested at December 31, 2014	2,061,559	1,006,753	\$ 72.79
Granted—time-based vesting	14,750	1,447,307	\$ 76.24
Granted—performance-based vesting	—	91,321	\$ 75.33
Vested (value at vest date was \$60.1 million)	(546,179)	(270,802)	\$ 70.71
Forfeited	(59,303)	(58,148)	\$ 73.46
Nonvested at December 31, 2015	1,470,827	2,216,431	\$ 74.66

The nonvested at December 31, 2015, includes 21,600 performance-based restricted shares and 201,181 performance-based restricted stock units. These nonvested performance-based restricted shares and units include 21,600 shares and 109,860 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 \$50.4 million in 2013, \$70.0 million in 2014, and \$85.3 million in 2015.

At December 31, 2015, non-employee directors held 58,909 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 (in millions) to be recognized over the remaining vesting periods of the stock-based compensation awards outstanding at December 31, 2015. Estimated future compensation expense will change to reflect future awards, including options, unrestricted shares, restricted shares, and restricted stock units; changes in estimated forfeitures; changes in the probability of performance thresholds being met; and adjustments for actual forfeitures.

First quarter 2016	\$ 31.6
Second quarter 2016	30.5
Third quarter 2016	30.5
Fourth quarter 2016	26.8
Total 2016	119.4
2017 through 2021	128.1
Total	\$ 247.5

NOTE 10—EARNINGS PER SHARE CALCULATIONS

The following table presents the reconciliation (in millions) of our net income to net income allocated to our common stockholders and the weighted-average shares (in millions) that are used in calculating the basic and diluted earnings per share on our common stock. Weighted-average common shares outstanding assuming dilution reflects the potential dilution, determined using the treasury stock method that could occur if outstanding stock options were exercised and nonparticipating stock awards vested.

	2013	2014	2015
Net income	\$ 1,047.7	\$ 1,229.6	\$ 1,223.0
Less net income allocated to outstanding restricted stock and stock unit holders	(9.3)	(14.2)	(16.1)
Net income allocated to common stockholders	\$ 1,038.4	\$ 1,215.4	\$ 1,206.9
Weighted-average common shares			
Outstanding	258.3	259.6	254.6
Outstanding assuming dilution	266.3	267.4	260.9

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

	2013	2014	2015
Weighted-average outstanding stock options excluded	3.1	3.8	6.4

NOTE 11—OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the deferred tax benefits (income taxes) impact of the components (in millions) of other comprehensive income.

	2013	2014	2015
Deferred tax benefits (income taxes) on:			
Net unrealized holding gains or losses	\$ (57.8)	\$.8	\$ 5.1
Reclassification adjustments:			
Recognized in the provision for income taxes related to capital gain distributions	6.0	11.9	7.9
Recognized in the provision for income taxes related to net gains realized on dispositions	5.3	18.8	20.7
Recognized in the provision for income taxes relating to other-than-temporary impairments	—	—	(1.9)
Recognized in non-operating investment income for net unrealized holding gains derecognized upon the sale of savings bank subsidiary	.6	—	—
Net deferred tax benefits (income taxes) on net unrealized holding gains or losses recognized in other comprehensive income	(45.9)	31.5	31.8
Currency translation adjustments	8.3	.7	3.8
Reclassification adjustment recognized in the provision for income taxes upon deconsolidation of sponsored fund subsidiary	\$ —	\$ —	\$ (1.2)
Total deferred tax benefits on currency translation adjustments	\$ 8.3	\$.7	\$ 2.6
Total deferred tax benefits (income taxes)	\$ (37.6)	\$ 32.2	\$ 34.4

The changes (in millions) in each component of accumulated other comprehensive income for each year ended December 31 are presented below.

	Net unrealized holding gains					Total
	Investments in sponsored funds	Debt securities held by savings bank subsidiary	Equity share of UTI's net unrealized holding gains	Total net unrealized holding gains	Currency translation adjustments	
Balances at December 31, 2012	\$ 142.3	\$ 1.9	\$.3	\$ 144.5	\$ (12.6)	\$ 131.9
Other comprehensive income (loss) before reclassifications and income taxes	149.7	(1.6)	—	148.1	(23.7)	124.4
Reclassification adjustments recognized in non-operating investment income	(28.8)	(1.6)	—	(30.4)	—	(30.4)
	120.9	(3.2)	—	117.7	(23.7)	94.0
Deferred tax benefits (income taxes)	(47.2)	1.3	—	(45.9)	8.3	(37.6)
Other comprehensive income (loss)	73.7	(1.9)	—	71.8	(15.4)	56.4
Balances at December 31, 2013	216.0	—	.3	216.3	(28.0)	188.3
Other comprehensive income (loss) before reclassifications and income taxes	(2.1)	—	.2	(1.9)	(1.8)	(3.7)
Reclassification adjustments recognized in non-operating investment income	(80.4)	—	—	(80.4)	—	(80.4)
	(82.5)	—	.2	(82.3)	(1.8)	(84.1)
Deferred tax benefits (income taxes)	31.5	—	—	31.5	.7	32.2
Other comprehensive income (loss)	(51.0)	—	.2	(50.8)	(1.1)	(51.9)
Balances at December 31, 2014	165.0	—	.5	165.5	(29.1)	136.4
Other comprehensive income (loss) before reclassifications and income taxes	(5.0)	—	—	(4.5)	(13.0)	(17.5)
Reclassification adjustments recognized in non-operating investment income	(72.5)	—	—	(72.5)	5.8	(66.7)
	(77.5)	—	.5	(77.0)	(7.2)	(84.2)
Deferred tax benefits (income taxes)	32.0	—	(.2)	31.8	2.6	34.4
Other comprehensive income (loss)	(45.5)	—	.3	(45.2)	(4.6)	(49.8)
Balances at December 31, 2015	\$ 119.5	—	\$.8	\$ 120.3	\$ (33.7)	\$ 86.6

NOTE 12—OTHER DISCLOSURES

Contingencies

From time to time, 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 that an adverse determination in one or more pending claims would have a material adverse effect on our financial position or results of operations is remote.

Retirement plans

Compensation and related costs includes expense recognized for our defined contribution retirement plans of \$61.8 million in 2013, \$70.6 million in 2014, and \$74.9 million in 2015.

Savings bank subsidiary

On May 23, 2013, we entered into an agreement to sell 100% of the capital stock of our savings bank subsidiary to Jacob M. Safra for cash equal to the bank's net book value on the closing date plus \$500,000. We completed the sale on December 5, 2013, for proceeds of \$23.6 million. The total gain we recognized in non-operating investment income also included \$1.0 million of net unrealized holding gains previously recognized on the saving bank's available-for-sale portfolio that were reclassified from accumulated other comprehensive income.

NOTE 13—SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)

	Net revenues	Net income	Basic earnings on common stock	Diluted earnings on common stock
	(in millions)		(per share)	
2014				
1st quarter	\$ 954.6	\$ 304.3	\$ 1.16	\$ 1.12
2nd quarter	\$ 984.3	\$ 305.8	\$ 1.16	\$ 1.13
3rd quarter	\$ 1,020.8	\$ 303.6	\$ 1.15	\$ 1.12
4th quarter	\$ 1,022.4	\$ 315.9	\$ 1.21	\$ 1.18
2015				
1st quarter	\$ 1,027.0	\$ 309.5	\$ 1.16	\$ 1.13
2nd quarter	\$ 1,072.4	\$ 333.2	\$ 1.28	\$ 1.24
3rd quarter	\$ 1,049.0	\$ 277.1	\$ 1.08	\$ 1.06
4th quarter	\$ 1,052.2	\$ 303.2	\$ 1.20	\$ 1.17

The sums of quarterly earnings per share do not equal annual earnings per share because the computations are done independently.

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., 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, 2015, 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, 2015.

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, 2015.

February 5, 2016



William J. Stromberg
President and Chief Executive Officer



Kenneth V. Moreland
Vice President, Chief Financial Officer and Treasurer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

T. Rowe Price Group, Inc.:

We have audited the accompanying consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries (“the Company”) as of December 31, 2015 and 2014, and 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, 2015. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, 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), T. Rowe Price Group, Inc.’s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 5, 2016 expressed an unqualified opinion on the effectiveness of T. Rowe Price Group, Inc.’s internal control over financial reporting.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slightly slanted, with a casual, professional appearance.

Baltimore, Maryland
February 5, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

T. Rowe Price Group, Inc.:

We have audited T. Rowe Price Group, Inc.'s ("the Company") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, T. Rowe Price Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2015 and 2014, and 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, 2015, and our report dated February 5, 2016, expressed an unqualified opinion on those consolidated financial statements.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, stylized font, with 'LLP' in a smaller, simpler font to the right.

Baltimore, Maryland
February 5, 2016

CORPORATE HEADQUARTERS

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Baltimore, Maryland 21202
United States

(410) 345-2000

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Melbourne, Australia

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Baltimore, Maryland

Owings Mills, Maryland

Tysons Corner, Virginia

ADDITIONAL INFORMATION

SEC FORM 10-K

A paper copy is available, at no charge, by sending a written request to:

DAVID OESTREICHER

Corporate Secretary
T. Rowe Price Group, Inc.
100 East Pratt Street
Baltimore, MD 21202
Fax (410) 345-3223

A copy is available on our website:

troweprice.com

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Baltimore, MD

ANNUAL MEETING

April 27, 2016, at 10 a.m.
T. Rowe Price Group, Inc.
Owings Mills Corporate Campus
4435 Painters Mill Road
Owings Mills, MD 21117

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This annual report was printed entirely on post-consumer-waste recycled paper, using soy-based inks, by an EMAS and ISO 14001-accredited printer.

The front section and cover, 43% of the publication, were printed on 30% recycled paper; the financial section of the report, 57% of the publication, was printed on 100% recycled paper. The responsible paper selection and printing of the annual has saved more than 19,165 gallons of water, 1,283 pounds of solid waste and 1,213 pounds of emissions.

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