



ANNUAL REPORT 2017

Our Long-Term Horizon

Building on our strengths, preparing for tomorrow.



GLOBAL EXPERTISE Connecting our clients with opportunities wherever they exist.

The global landscape and city imagery in this year's annual report are the outcome of an associate-led brand photography initiative to highlight T. Rowe Price's core principles and will be used in materials created to promote our brand worldwide.



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Investing in Our Global Capabilities for the Long Term

For more than 80 years we have viewed our clients' success as our own. That perspective will never change, even as we grow and diversify the company on a global basis.

Our overall performance and balance sheet remained strong in 2017, supporting further investment in our global capabilities for the long term and with our clients' current needs and interests always top of mind.

We believe that our reputation as a premier active asset manager reflects the talent of our global associates, our collaborative culture, and our ability to continuously develop and offer innovative investment strategies that drive leading investment performance on behalf of our clients and stockholders.

Looking ahead, we remain focused on executing our Integrated Strategic Plan with discipline and a clear focus on delivering a level of performance and variety of capabilities that our clients can rely on both today and tomorrow.

Read on to learn more about our investments in investment offerings, distribution, and technology – and the progress we are driving.



Dear Stockholder:

Every year, financial markets surprise investors, oftentimes on the upside and occasionally on the downside. The past year was no exception, with global equity markets surpassing most experts' expectations — including our own.

Global economic growth was healthy, and earnings growth was generally robust. Investor sentiment in the U.S., aided by expectations for tax and regulatory reform, remained at historically high levels. These factors contributed to a 21.8% total return for the S&P 500 Stock Index. Other equity markets around the world also performed very well. The MSCI All Country World Index (excluding the U.S.) returned 27.2% and returns in emerging markets were even higher.

Fixed income returns were muted as the Federal Reserve increased interest rates several times and indicated that additional rate hikes were likely in 2018. The Bloomberg Barclays U.S. Aggregate Bond Index returned approximately 3.5%, while riskier fixed income assets, including high yield and emerging market bonds, provided higher returns. Money market yields rose above 1%, lifting returns that had been barely above 0% for nearly a decade.

Financial Performance

Our assets under management (AUM) grew from \$810.8 billion at the beginning of 2017 to \$991.1 billion on December 31, 2017. Average AUM for the period

was \$909 billion. While much of the appreciation in AUM came from strong market returns, net new cash flows also contributed \$14 billion, our highest flows since 2012, for organic growth of 1.7%. We were pleased with the diversity of these flows across fixed income, international equity, and multi-asset, and across a range of geographies. Given the growth of passively managed index funds and exchange-traded funds in recent years, these results were particularly satisfying. We believe there will always be a role for active managers who can generate excellent investment performance at a reasonable cost to investors.

Higher assets under management resulted in healthy revenue growth in 2017 as our net revenues grew by 13.5%, from \$4.2 billion in 2016 to \$4.8 billion. Our operating expenses increased by 7.8% as we invested in a variety of new investment capabilities, distribution and client services, technology, and operations initiatives. This operating expense growth was muted in part by \$50 million in insurance recoveries related to the Dell appraisal rights matter.

Much of this annual report focuses on these efforts, which are aligned with what we refer to as our Integrated Strategic Plan.

Despite this heavy investment phase, our earnings rose 23.3% to \$1.5 billion, our earnings per share grew 25.7% to \$5.97 per share, and our return on equity was a healthy 27.7%.

Our business consistently generates robust free cash flow, which enables us to invest to grow, diversify our business, and reward our stockholders. Capital expenditures in 2017 were \$186.1 million.

We also were pleased to once again increase our dividend and continue our strategy of opportunistically repurchasing stock when we think doing so makes sense. In February 2017 we announced an increase in our regular dividend from \$2.16 to \$2.28 on an annual basis. This was the 31st consecutive year of dividend increases since our IPO in 1986. We also repurchased 6.6 million shares at an average price of \$69.28 during the year, although the pace of our buying slowed late in the year as our stock price rose relatively sharply. Dividends and stock repurchases combined, we returned \$1 billion to stockholders in 2017.

Our year-end financial position remained exceptionally strong, with cash and discretionary investments of \$2.7 billion and no debt. This rock-solid liquidity position will enable us to invest in our business through all market cycles.

Investment Performance Review

These healthy financial results are the byproduct of generating excellent investment performance and providing outstanding services to our clients. As our founder Thomas Rowe Price, Jr., said some 80 years ago, “If you take care of your clients, your clients will take care of you.”

In 2017, our investment teams delivered impressive results across our equity, fixed income, and multi-asset portfolios. This led to 72%, 84%, 82%, and 81% of our mutual funds outperforming their Lipper averages over one, three, five, and 10 years,

“Our business consistently generates robust free cash flow, which enables us to invest to grow, diversify our business, and reward our stockholders.”

respectively. Investment performance over longer time periods was similarly strong in our institutional investment offerings.

We had particularly noteworthy investment performance in several investment areas. Most notably, four of our portfolio managers were nominated by Morningstar as Fund Manager of the Year in their respective categories:

- Henry Ellenbogen, portfolio manager of our New Horizons Fund, in the Domestic Equity category;
- Larry Puglia, portfolio manager of our Blue Chip Growth Fund, also in the Domestic Equity category;
- David Giroux, portfolio manager of our Capital Appreciation Fund, in the Allocation category; and
- Gonzalo Pángaro, portfolio manager of our Emerging Markets Stock Fund, in the Global category.

We are extremely proud of them and the many other outstanding investors at the firm. We also learned that David was selected by Morningstar as the winning Allocation Fund Manager of the Year. It was his fifth nomination and the second time in the six years since Morningstar initiated the award that David has been recognized, having received his first award in 2012.

Transitions

As announced early last year, Ken Moreland retired in February 2018. Ken had an exceptional 40-year career in accounting and financial management, including serving for nearly 14 years as our chief financial officer. His intellect, experience, and steady hand have paid dividends in countless ways. He has

“As always, we will work diligently on your behalf to generate leading investment returns and provide the services our clients have come to expect from T. Rowe Price.”

been the steward of our strong financial position, and stockholders owe him a tremendous sense of gratitude. Good luck, Ken. We will all miss you very much.

Successful senior management transitions are a characteristic of a well-managed organization. Last summer we announced that Céline Dufétel would succeed Ken as our chief financial officer. Céline is well-suited for the task, with 14 years of asset management experience in a variety of consulting and operating roles. She and Ken and the entire finance team have planned and executed a smooth transition.

Board of Directors Departures

We also will bid farewell to two long-serving directors of our Board at our upcoming 2018 annual stockholders meeting. After many years of outstanding service to our company, both Anne Marie Whittemore and Dwight Taylor will retire in April 2018.

Anne is our longest-serving Board member and most recently served as our lead independent director. She has guided us through many challenging market environments and several management transitions as well. Dwight has been a true voice of reason and, with his real estate background, has been an astute observer of market trends and valuation opportunities and excesses. Their calm demeanor, keen business sense, and tenured perspective have been invaluable.

Anne and Dwight, we express our sincere gratitude to both of you for your outstanding contributions to the success of our company. We wish you good health and happiness.

The Year Ahead

The global economy seems poised for continued healthy growth. As a result, we expect several increases in U.S. short-term interest rates this year. A key question for investors and policymakers is how quickly inflation will pick up during the year as growth continues and unemployment declines. The passage of the U.S. administration's tax bill in December and continued regulatory reform bode well for corporate earnings growth in 2018. The question is to what extent the equity market's advance over the last year already reflects the impact of these developments.

Our crystal ball is typically cloudy, and after nine consecutive years of economic progress and stock price advances, we can't help but expect more market fluctuations and more modest returns in 2018.

As always, we will work diligently on your behalf to generate leading investment returns and provide the services our clients have come to expect from T. Rowe Price. By doing so, we are confident we can successfully continue to grow the value of your investments over the long term.

On behalf of our nearly 7,000 associates, thank you for the confidence you place in T. Rowe Price.

Sincerely,

Brian C. Rogers
Nonexecutive Chairman

William J. Stromberg
President and CEO



How We Work

We have long believed that the manner in which we create success for our clients — how we work — matters.

It's apparent in the way we recruit, develop, and retain our people. It's evident in our instinctive client-first orientation and relentless focus on delivering investment excellence. And it's demonstrated in the discipline we exercise to maintain a rock-solid balance sheet and sustain a durable business model built for the long run.

Diversity & Inclusion

We want every T. Rowe Price office to be a welcoming and inclusive place that pursues excellence through collaboration and idea sharing, encourages respectful debate in the right spirit, and recognizes that when we embrace our differences it not only draws us closer, it makes us all stronger.

We strengthened our commitment to diversity and inclusion in 2017, expanding diverse recruitment and student engagement efforts, deepening leader accountability, supporting the launch of expanded associate-led business resource groups, and enhancing our enterprise communications to encourage the dialogue.

Commitment to Community

Our associates and the T. Rowe Price Foundation combined to deliver more than \$20 million in community giving and 43,000 volunteer hours in 2017, supporting a broad range of efforts to address needs in human services, education, the arts, and more.

When major hurricanes severely damaged regions in the southern U.S., associates responded to an urgent Foundation challenge grant and helped provide \$500,000 to begin the recovery process.

What Others Are Saying

We are proud to be recognized for our accomplishments highlighting our commitment to our clients, our employees, and our communities.

- Once again honored as one of the World's Most Admired Companies 2017
Fortune Magazine
- Named one of the 50 Most Trustworthy Financial Companies 2017
Forbes America
- Recognized as one of the Best Mid-Size Employers in the U.S. 2017
Forbes
- Ranked one of the Best Places to Work 2017
Pension & Investments Magazine
- Named a 2017 Best Place to Work
Human Rights Commission



COLLABORATION Building an environment where bright ideas are shared and debated.

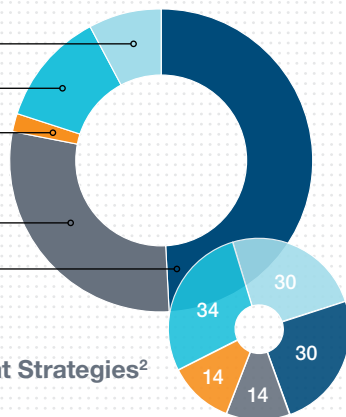
Tailoring Our Investment Offerings to Meet Client Needs

T. Rowe Price creates durable value for institutional, intermediary, and individual investors around the world by delivering the strength of our investment capabilities through investment offerings designed to meet their local needs by region, market, and client segment.

Assets Under Management¹

December 31, 2017

- INTL. EQUITY 8%
- U.S. FIXED INCOME 12%
- INTL. FIXED INCOME 2%
- MULTI-ASSET 29%
- U.S. EQUITY 49%



Primary Investment Strategies²

December 31, 2017

¹ Numbers represent percentages of total firm AUM as of December 31, 2017. Based on investment strategy.

² Primary strategy count does not include institutional separate account and subadvisor products, Multi-Sector Account Portfolios, Internal Portfolios, Internal reserves, Single Client, and Charitable Giving Funds. The number of target date strategies does not count underlying vintages separately.

While our investment capabilities are consistently high quality and research-focused, the vehicle used to deliver them varies widely — from mutual funds or other commingled vehicles in the U.S., Canada, UK, Luxembourg, Australia, and Japan, to institutional and retail separately managed accounts.

We also remain sensitive to demographic, regulatory, and tax issues — as well as the changing ways that diverse groups of investors save, assess their investment options, and consume investment offerings.

By regularly enhancing the breadth and flexibility of our investment offerings, we are responsive to the increasingly complex markets that we serve and the investors that we support.

We review our existing investment offerings through robust management processes to ensure they remain fit for purpose for our clients and our firm — and

exercise consistent discipline in the assessment, design, and development of any new strategy to ensure that it:

- Serves a durable client need;
- Delivers a high-quality investment outcome;
- Can be effectively delivered in an efficient format such as a fund, a trust, or a separate account; and
- Is priced to deliver good value.

We achieve this by offering a superior range of investment strategies across multiple asset classes to serve our global clients. At present, that's more than 120 investment strategies in all major sectors of equity, fixed income, and multi-asset — with many of them delivered through multiple investment vehicles around the world.

Expanding Our Capabilities in 2017

We continued to augment our existing investment offerings in 2017 by introducing new strategies specifically targeting durable client needs:

Multi-Asset: Multi-asset strategies are increasingly important to our clients as they focus on outcomes-oriented investing. Our augmented suite of multi-asset offerings addresses target date solutions outside of the U.S., the continued demand for a range of income-producing products and services, and alternative solutions to diversify traditional long-only portfolios. New launches included:

- The Retirement Income 2020 managed payout fund offering U.S. retail investors an effective way to manage their savings in retirement;
- Our first target date fund offering in Korea;
- A new global allocation strategy as a line extension of an existing global multi-asset offering; and
- T. Rowe Price® ActivePlus Portfolios, a digitally based discretionary investment program offering investors streamlined access to our active management expertise.

Equity: We created new tailored portfolios based on our flagship equity products, which are suitable for separately managed accounts for retail investors. We also made the initial investments in a quantitative U.S.

large-cap growth strategy to be used in future multi-asset strategies.

Fixed Income: Following the integration of the former Henderson High Yield Opportunities team into our Fixed Income organization, we created a new T. Rowe Price U.S. High Yield Fund and brought additional high-quality investment talent to our team. We also launched a Dynamic Global Investment Grade Strategy as a line extension of an existing fixed income investment capability.

While T. Rowe Price remains one of the largest providers of U.S. mutual funds, we also continue to make existing and new investment capabilities available to clients around the world in ways that are relevant for them. This past year we expanded our range of investment offerings by packaging our investment lineup in new formats, including:

VEHICLE	DESCRIPTION	INVESTMENT STRATEGY
OEICs	Mutual fund structure to serve the UK market	<ul style="list-style-type: none"> ▪ Japanese Equity Fund ▪ Global Technology Equity Fund ▪ Global Natural Resources Equity Fund ▪ Large-Cap Value Equity Fund ▪ Asian Opportunities Equity Fund ▪ Global Focused Growth Equity Fund ▪ U.S. Smaller Companies Equity Fund
SICAVs	Cross-Border funds serving countries across Europe and Asia	<ul style="list-style-type: none"> ▪ Global Allocation Extended Fund ▪ Dynamic Global Investment-Grade Bond Fund
Retail Managed Accounts	Separately managed accounts for high net worth individual investors in the U.S.	<ul style="list-style-type: none"> ▪ Blue Chip Growth ▪ U.S. Large-Cap Core ▪ U.S. Equity Income ▪ International Core Equity ▪ U.S. Municipal Short-Intermediate Term Bond ▪ U.S. Municipal Intermediate-Term Bond

Looking forward, we will continue to invest in delivering our existing and new investment capabilities to enhance the investment portfolios of our institutional, intermediary, and individual investor clients in formats that meet their local needs across North America, Europe, Middle East, Africa, and Asia Pacific while delivering durable value.

Expanding Our Global Reach and Clients' Access

We continue to invest in our ability to reach and serve our clients across our business segments and around the world.

Whether one of the millions of individual investors and participants we serve both directly and through employer-sponsored retirement plans, or among thousands of professional buyers representing global intermediaries and financial institutions, we know that client needs vary widely. We continue to invest in our capabilities and services as a global firm in response.

Serving Retail and Workplace Investors

The interests of our investors remain at the center of all that we do. With more than 3.4 million clients and workplace plan participants served by our Individual & Retirement Plan Services (IRPS) business, that means understanding the most important aspects of their relationships with us, what will help them reach their financial goals, and how we can continue to improve as a service provider.

Our IRPS clients continue to seek more personalized solutions and service. They are increasingly goal-based in their investment style and want simple and efficient technology-based tools and engagement channels. Investments in new capabilities and services are helping us respond.

- An enhanced approach to relationship management launched in 2017 is building and strengthening our connections with individual investor clients who have entrusted significant assets to us.
- Our Retirement Plan Services team earned best-in-class client satisfaction in the 2017 Chatham Large-Market Survey of workplace plan clients. Ninety-two percent indicated they were “very satisfied” with their experience, resulting in T. Rowe Price ranking best in 10 of 11 attributes measured.

- A series of improved “client journeys” launched in 2017 is helping us better understand our clients' experiences with us, leading to accelerated development of a new account setup process — significantly reducing the time needed to open an account online — and adding convenient digital advice and self-service features.

Our success in winning and retaining recordkeeping business was demonstrated in part by accelerated sales growth among plan sponsors. Alongside efforts to transform clients' digital and service experiences, we're also leveraging data, Agile development, and lean management practices to better understand client needs, prioritize innovation based on the value the opportunity truly represents, and expedite decision-making and our speed to market.

Expanding Visibility Through U.S. Intermediaries

T. Rowe Price mutual funds are now available to retail investors and financial advisors on all major retail and registered investment advisor platforms with no transaction fee (NTF), including Charles Schwab and Fidelity added in 2017. These arrangements greatly expand investor access, enhance our visibility, and represent a substantial growth opportunity for our U.S. Intermediaries (USI) business serving thousands of professional buyers across the United States.

Our funds consistently place well in various investment platforms managed by financial intermediaries across the U.S. These placements allow investors and advisors another way to access our products and underscore our longstanding commitment to offer high-quality, actively managed



CLIENT UNDERSTANDING Forming strong partnerships with our clients based on mutual trust.

investment solutions focused on long-term performance at a reasonable cost.

We remain a retirement leader across the intermediary and institutional segments in the U.S., ranking among leading U.S. active subadvisory and active target date fund providers and U.S. platform direct providers. Ongoing expansion of our broker-dealer sales team and the addition of several new account managers to USI platform services continue to drive growth through these critical channels.

Growing Global Intermediary and Institutional Relationships

Our global strategy to serve intermediary and institutional clients through Global Investment Services has been built with discipline over 25 years. With a long-term track record of above-market asset growth among active managers, we remain well aligned to capture the growth opportunity in the advisory, institutional, and retirement fiduciary markets.

Firmly established in North America, we are working to build our awareness and performance reputation in a range of international markets where we are less well known. Our efforts have been rewarded by growing awareness and positive sales trends in Asia Pacific and Europe, Middle East, and Africa (EMEA), including our newest markets of Germany, Italy, and Spain.

- Significant hires in EMEA, the appointment of heads for our Retail and Institutional Investors

businesses in Japan, and the addition of relationship and product managers in Australia are driving growth and client awareness in those important markets.

- Our existing agreement with Korea Investment Management (KIM) to support cooperation in areas of asset allocation and investment management led to the 2017 launch of KIM's target date suite, an important step in developing this subadvisory relationship. The suite invests in T. Rowe Price SICAVs and KIM products, with T. Rowe Price providing asset allocation overlay management.
- A similar partnership with UOB Asset Management in Singapore and Malaysia will provide retail investors in those countries the opportunity to invest in our Global Technology Equity Strategy.

We also continue to expand our presence and capabilities in our Americas institutional business, supporting continued growth in the defined contribution segment and enhancing our ability to engage U.S. institutional investors.

Going Forward

Evolving world markets, client preferences, and technology will lead to further investments in our capabilities, services, and innovative technology to serve our clients. We see this as “investing in growth” as we execute our Integrated Strategic Plan, deliver strong investment performance, and strive to anticipate and meet our clients’ needs and aspirations worldwide.

Technology as a Strategic Differentiator

We are driving the transformation of technology at T. Rowe Price from an operationally critical cost of doing business to a strategic differentiator.

Our investments in the skills and talent to drive that transformation are part of a comprehensive technology strategy that supports the firm's short- and long-term strategic priorities and will help grow and shape our businesses for the future.

Further improvements in our infrastructure and enhancement of our application portfolio capabilities are bringing increased innovation and agility — and better positioning our talent, architecture, and solutions to meet our rapidly evolving internal needs and those of our clients.

2017 “MOVING TO THE CLOUD”

Cloud computing represents a transformational shift in the way that IT infrastructure and services are designed, provisioned, built, deployed, and managed and presents the promise of significant increases in speed, agility, scaling, and innovation leverage.

In the last 24 months, we have transitioned nearly 25% of our applications to cloud computing — up from 4% in 2015.

MOVING TO THE CLOUD:

- Enables the future by moving us to a digital organization.
- Simplifies and provides flexibility.
- Assists in being globally cohesive.
- Provides cost savings.



Four Strategic Themes

Our transformation efforts are shaped by four strategic themes:

- **Technical Specialization:** adds new technology capabilities and deep expertise to enhance business opportunities through a range of technologies, including automation, alternative analytic techniques, cloud-based architectures, and improvements in existing target state architectures.
- **Enterprise Data and Architecture:** takes an enterprise approach to leveraging contemporary solutions in data sourcing and global distribution and fosters a strong focus on a “build once, use many times” architectural philosophy.
- **Core Portfolio Modernization:** implements accelerated replacement of older systems to enable use of more cost-effective and scalable technology.
- **Commercial Accountability:** raises our sense of transparency, stewardship, and business-oriented value bias to help us better understand and manage the cost and risk implications of our technology investments.

These themes serve as both a guide and filter for decision-making, capital investments, prioritization, and talent development.

Serving Our Clients

In 2017, technology played a key role in execution of strategic projects fundamental to our Integrated Strategic Plan, working in partnership with our

business units and investments teams to anticipate client needs and respond to industry trends by:

- Supporting development of digital client “journeys” on cloud-based platforms for Individual & Retirement Plan Services, expediting development, testing, and launch of improved client service experiences and new sales development tools;
- Launching an enhanced client relationship management system to the global enterprise;
- Driving early traction with machine learning to better understand, analyze, and serve our varied global client segments;
- Implementing modern Agile techniques across multiple business lines with marked improvements in deliverable accuracy, pace, and innovation; and
- Facilitating compliance in a rapidly evolving global regulatory environment, including our readiness for new MiFID II regulations.

Focusing on Innovation and Development

New development centers in New York, London, and Baltimore are operating much like disruptive start-ups within T. Rowe Price, enhancing our innovation focus while offering new and developmental experiences for our associates. Significantly different in their design, environment, and development approaches, these centers serve as central hubs for specialized talent and initiatives.

The New York Technology Development Center is leveraging machine learning and advanced analytics to support our distribution segmentation and proven, fundamental active investment management capabilities. Its counterpart in London is driving the rapid conception, prototyping, and live testing of digital solutions for sales and client service enablement. And in Baltimore, teams partner with our businesses to create new self-service tools and improve processes that will allow clients to perform an increasing variety of their transactions and requests through digital devices.



COLLABORATION Making connections that lead to better outcomes.

Maintaining Cost Discipline

These ongoing investments in technology are complemented by our Total Cost of Ownership initiative, engaging associates to help us assess the true cost of operating our technology across the firm and be “good stewards” of that investment to find efficiencies and self-fund additional improvements.

The value and cost of enterprise applications, infrastructure costs, and existing technology tools are regularly assessed to ensure we are operating with transparency. This new discipline, partly a result of our move to cloud-based solutions, is helping to significantly reduce our capital and overall spending on technology, identify opportunities to enhance the capacity of our existing data centers (versus building new ones), and drive a significant reduction in our data storage costs.

BOARD OF DIRECTORS



FRONT ROW

ROBERT F. MACLELLAN

Nonexecutive Chairman, Northleaf Capital Partners

DWIGHT S. TAYLOR

Retired President, COPT Development & Construction Services, LLC

OLYMPIA J. SNOWE

Chairman and Chief Executive Officer, Olympia Snowe, LLC

MARK S. BARTLETT

Retired Managing Partner, Ernst & Young

ANNE MARIE WHITEMORE

Partner, McGuireWoods LLP

ALAN D. WILSON

Retired Executive Chairman, McCormick & Company, Inc.

EDWARD C. BERNARD

Vice Chairman, T. Rowe Price Group, Inc.

BACK ROW

WILLIAM J. STROMBERG

President and Chief Executive Officer, T. Rowe Price Group, Inc.

MARY K. BUSH

Chairman, Bush International, LLC

BRIAN C. ROGERS

Nonexecutive Chairman, T. Rowe Price Group, Inc.

DR. FREEMAN A. HRABOWSKI III

President, University of Maryland Baltimore County

SANDRA S. WIJNBERG

Executive Advisor, Aquiline Capital Partners

H. LAWRENCE CULP, JR.

Senior Lecturer, Harvard Business School

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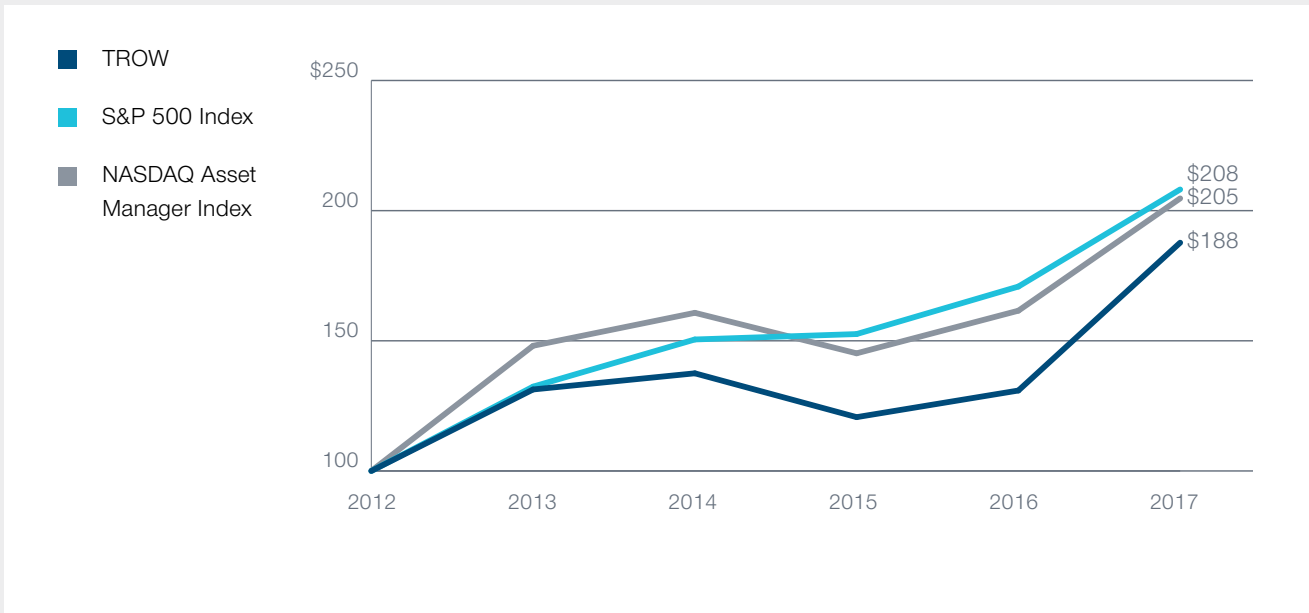
Selected Consolidated Financial Data

(in millions, except per-share data)

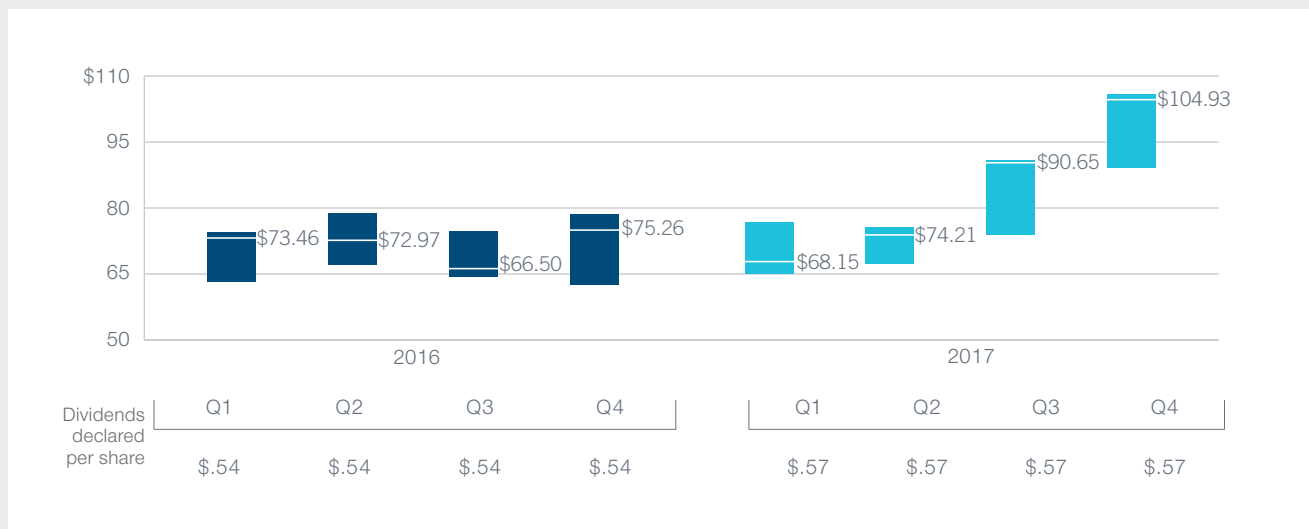
	2013	2014	2015	2016	2017	
Net revenues	\$ 3,484	\$ 3,982	\$ 4,201	\$ 4,223	\$ 4,793	
Net operating income ⁽¹⁾	\$ 1,637	\$ 1,891	\$ 1,899	\$ 1,733	\$ 2,109	
Net income ⁽¹⁾	\$ 1,048	\$ 1,230	\$ 1,223	\$ 1,254	\$ 1,581	
Net income attributable to redeemable non-controlling interests ⁽²⁾	\$ —	\$ —	\$ —	\$ 39	\$ 83	
Net income attributable to T. Rowe Price Group ⁽¹⁾	\$ 1,048	\$ 1,230	\$ 1,223	\$ 1,215	\$ 1,498	
Adjusted net income attributable to T. Rowe Price Group ⁽³⁾	\$ 1,009	\$ 1,161	\$ 1,160	\$ 1,149	\$ 1,361	
Per common share information						
Basic earnings	\$ 4.02	\$ 4.68	\$ 4.74	\$ 4.85	\$ 6.07	
Diluted earnings	\$ 3.90	\$ 4.55	\$ 4.63	\$ 4.75	\$ 5.97	
Adjusted diluted earnings ⁽³⁾	\$ 3.76	\$ 4.29	\$ 4.39	\$ 4.49	\$ 5.43	
Cash dividends declared ⁽⁴⁾	\$ 1.52	\$ 1.76	\$ 4.08	\$ 2.16	\$ 2.28	
Weighted-average common shares outstanding	258.3	259.6	254.6	245.5	241.2	
Weighted-average common shares outstanding assuming dilution	266.3	267.4	260.9	250.3	245.1	
<p>⁽¹⁾Net operating income reflects a non-recurring net charge of \$66.2 million in 2016 and an insurance recovery of \$50.0 million in 2017 related to the Dell appraisal rights matter. Net income and net income attributable to T. Rowe Price Group reflect the after-tax impact of these items.</p> <p>⁽²⁾Net income attributable to redeemable non-controlling interests represents the portion of net income of our consolidated T. Rowe Price investment products we recognized in our consolidated statements of income that is attributable to the interests held by third-party investors.</p> <p>⁽³⁾These items represent non-GAAP financial measures that have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. See Item 7, <i>Management's Discussion and Analysis of Financial Condition and Results of Operations</i> for the definitions of these measures and the related reconciliation from U.S. GAAP.</p> <p>⁽⁴⁾Cash dividends declared in 2015 includes a special dividend of \$2.00 per share that we paid during the year.</p>						
	December 31,	2013	2014	2015	2016	2017
Balance sheet data (in millions)						
Total assets	\$ 5,033	\$ 5,644	\$ 5,107	\$ 6,225	\$ 7,535	
Redeemable non-controlling interests	\$ —	\$ —	\$ —	\$ 687	\$ 993	
Stockholders' equity	\$ 4,818	\$ 5,395	\$ 4,762	\$ 5,009	\$ 5,824	
Assets under management (in billions)	\$ 692.4	\$ 746.8	\$ 763.1	\$ 810.8	\$ 991.1	

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 with 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, 2012, 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 T. Rowe Price U.S. mutual funds and other investment products. The other investment products include: separately managed accounts, subadvised funds, and other T. Rowe Price products including collective investment trusts, target date retirement trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S.

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

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

In 2018, we expect to advance our strategic priorities to sustain and deepen our investment talent, add investment capabilities both in terms of new strategies and new investment vehicles, expand capabilities through enhanced technology, and broaden our distribution reach globally. We currently expect 2018 non-GAAP operating expense growth to lessen relative to 2017, even as growth in market-driven expenses and investments in the business continue. However, we could elect to adjust our expense growth should markets increase or decline significantly. In addition, other events not currently planned or expected could impact our expense level in 2018. We are carefully evaluating the impact the U.S. tax reform will have, and factoring in the potential investment, operating expense, and capital management implications.

BACKGROUND

Lifted by favorable corporate earnings and economic growth, U.S. stocks posted excellent returns in 2017. In fact, it was the ninth consecutive year of positive total returns for the S&P 500 Index. Equities were also buoyed at times by hopes that President Trump's proposals for lower tax rates, reduced regulation, and increased infrastructure spending would be enacted. The Federal Reserve raised short-term interest rates three times in 2017, but the central bank's moves were widely expected and did not disrupt the equity markets. In the closing weeks of the year, Congress passed, and President Trump signed, legislation that reduces tax rates for corporations and closely held businesses and reduces marginal tax rates for individuals at most income levels. Most major stock indexes finished the year near record levels amid expectations that the new tax law would lift corporate profits and add to U.S. economic growth in 2018.

Developed non-U.S. equity markets outperformed the broad U.S. market, as a weaker dollar enhanced returns to U.S. investors. As measured by the MSCI Japan Index, Japanese stocks rose more than 24%, aided by an economic recovery and by the re-election of the reform-minded Prime Minister. European equity markets also generated strong returns, lifted in part by an economic recovery and continued European Central Bank stimulus. Shares in the UK rose, but lagged other markets, as Brexit-related uncertainty lingered for most of the year, growth remained sluggish, and elevated inflation prompted the Bank of England to raise short-term interest rates in November.

Emerging equity markets significantly outperformed developed markets. Most major regions featured several countries with very strong returns in dollar terms.

Results of several major equity market indexes for 2017 are as follows:

Index	
S&P 500 Index	21.8%
NASDAQ Composite Index (excluding dividends)	28.2%
Russell 2000 Index	14.7%
MSCI EAFE (Europe, Australasia, and Far East) Index	25.6%
MSCI Emerging Markets Index	37.8%

Global bond returns were mostly positive in 2017. In the U.S., shorter-term Treasury yields increased while the 10-year Treasury note yield, which dipped as low as about 2.0% in early September, decreased from about 2.5% to 2.4% for the year. In the investment-grade universe, corporate bonds performed well as credit spreads tightened during the year. Long-term Treasuries produced gains, but shorter-term Treasuries struggled. Municipal bonds outperformed taxable bonds. High yield bonds outperformed high-quality issues, helped by their lower interest rate sensitivity and investors' demand for securities with attractive yields.

Bonds in developed non-U.S. markets performed well in U.S. dollar terms in 2017, as the weaker dollar lifted returns to U.S. investors. In the UK, the 10-year government bond yield was little changed for the year. Late in the year, rising inflation prompted the Central Bank to raise short-term interest rates. In the eurozone, bond yields generally rose, as the economic recovery gained traction. Late in the year, the European Central Bank announced that it will continue its bond-buying program until September 2018, but that it will halve the size of its monthly purchases starting in January. In Japan, the Central Bank sought to keep the 10-year government bond yield around 0%. Bonds in developing markets produced good returns in dollar terms, as growth in the emerging markets universe generally improved. Local currency bonds outperformed dollar-denominated issues, thanks to strength in many emerging markets currencies versus the U.S. dollar.

Results of several major bond market indexes for 2017 are as follows:

Index	
Bloomberg Barclays U.S. Aggregate Bond Index	3.5%
JPMorgan Global High Yield Index	8.3%
Bloomberg Barclays Municipal Bond Index	5.5%
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	10.5%
JPMorgan Emerging Markets Bond Index Plus	8.3%

ASSETS UNDER MANAGEMENT

Our assets under management ended 2017 at \$991.1 billion, an increase of \$180.3 billion from the end of 2016. During 2017, investors entrusted net inflows of \$14.0 billion to our management, and market appreciation and income, net of distributions not reinvested, added \$166.3 billion. Investment advisory clients outside the U.S. account for about 6% of our assets under management at December 31, 2017, up from about 5% at December 31, 2016.

Assets Under Management by Investment Vehicle

(in billions)	2016	2017
T. Rowe Price U.S. mutual funds	\$ 514.2	\$ 606.3
Other investment products	296.6	384.8
Total assets under management	\$ 810.8	\$ 991.1

Assets Under Management by Asset Class

(in billions)	2016	2017
Equity	\$ 450.6	\$ 564.1
Fixed income	121.2	134.4
Asset allocation	239.0	292.6
Total assets under management	\$ 810.8	\$ 991.1

Our target date retirement products, which are included in the asset totals shown above, continue to be a significant part of our assets under management. These products 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. Assets in these products at December 31, 2017, totaled \$232.1 billion, including \$168.4 billion in target date retirement funds and \$63.7 billion in target date retirement trusts.

The following table presents the component changes in assets under management for 2015, 2016, and 2017.

(in billions)	T. Rowe Price U.S. mutual funds	Other investment products	Total
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	(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
Net cash flows before client transfers	.3	(3.1)	(2.8)
Client transfers	(4.9)	4.9	—
Net cash flows after client transfers	(4.6)	1.8	(2.8)
Net market appreciation and income	31.7	18.8	50.5
Distributions not reinvested	—	—	—
Change during the period	27.1	20.6	47.7
Assets under management at December 31, 2016	514.2	296.6	810.8
Net cash flows before client transfers	9.4	4.6	14.0
Client transfers	(20.2)	20.2	—
Net cash flows after client transfers	(10.8)	24.8	14.0
Net market appreciation and income	104.6	63.4	168.0
Distributions not reinvested	(1.7)	—	(1.7)
Change during the period	92.1	88.2	180.3
Assets under management at December 31, 2017	\$ 606.3	\$ 384.8	\$ 991.1

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

The cash flows include, in addition to net client flows, rebalancing within our proprietary target date mutual fund and trust products in order to maintain their targeted asset allocation. Net cash flows after client transfers shown above include \$16.2 billion in 2015, \$8.1 billion in 2016, and \$7.1 billion in 2017 from target date products.

Net cash inflows into T. Rowe Price U.S. mutual funds before transfers over the last three years were sourced primarily from third-party financial intermediaries across various mandates. In each of the last three years, the net inflows in our other investment products resulted primarily from the client transfers received from the mutual funds. In 2015, the net outflows prior to the client transfers into these portfolios were largely concentrated among a small number of institutional clients who redeemed primarily from large-cap U.S. equity strategies. In 2016, other investment products' net cash outflows prior to client transfers were largely attributable to institutional and intermediary clients reallocating to passive investments and the impact of our closed investment strategies. In 2017, other investment products' net inflows prior to client transfers resulted primarily from flows into our subadvised accounts and Luxembourg domiciled investment products.

Net cash flows after client transfers, by investment product and by asset class, over the last three years are as follows:

(in billions)	2015	2016	2017
Net cash flows after client transfers by investment product			
T. Rowe Price U.S. mutual funds			
Stock and blended asset funds	\$ 1.5	\$ (9.9)	\$ (18.9)
Bond funds	.3	4.7	6.9
Money market funds	(.4)	.6	1.2
	\$ 1.4	\$ (4.6)	\$ (10.8)
Other investment products			
Stock and blended assets	(3.8)	(4.9)	12.1
Fixed income, money market, and stable value	4.0	6.7	12.7
	.2	1.8	24.8
Total net cash flows after client transfers	\$ 1.6	\$ (2.8)	\$ 14.0
Net cash flows after client transfers by asset class			
Stock and blended asset	\$ (2.3)	\$ (14.8)	\$ (6.8)
Bond, money market, and stable value	3.9	12.0	20.8
Total net cash flows	\$ 1.6	\$ (2.8)	\$ 14.0

INVESTMENT PERFORMANCE

Strong investment performance and brand awareness is a key driver to attracting and retaining assets—and to our long-term success. The percentage of our Price Funds across their share classes that outperformed their comparable Lipper averages on a total return basis, and percentage in top Lipper quartile for the one-, three-, five- and 10-years ended December 31, 2017, were:

	1 year	3 years	5 years	10 years
Outperformed Lipper averages				
All Price Funds	72%	84%	82%	81%
Asset allocation	86%	97%	93%	93%
Top Lipper quartile				
All Price Funds	38%	50%	55%	57%
Asset allocation	59%	60%	82%	86%

In addition, 88% of the T. Rowe Price U.S. mutual funds' assets under management ended December 31, 2017, with an overall rating of four or five stars from Morningstar. The performance of our institutional strategies against their benchmarks remains very competitive, especially over longer time periods.

RESULTS OF OPERATIONS

The table below presents financial results on a U.S. GAAP basis as well as a non-GAAP basis that adjusts for the impact of the Dell appraisal rights matter, the consolidated T. Rowe Price investment products, the supplemental savings plan, other nonoperating income, and the non-recurring charge recognized in 2017 related to the enactment of U.S. tax reform. We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results.

(in millions, except per-share data)	2016		2017		Dollar change	Percentage change
U.S. GAAP Basis						
Investment advisory fees	\$	3,728.7	\$	4,287.7	\$ 559.0	15.0%
Net revenues	\$	4,222.9	\$	4,793.0	\$ 570.1	13.5%
Operating expenses	\$	2,489.5	\$	2,684.2	\$ 194.7	7.8%
Net operating income	\$	1,733.4	\$	2,108.8	\$ 375.4	21.7%
Non-operating income	\$	227.1	\$	396.3	\$ 169.2	74.5%
Net income attributable to T. Rowe Price Group	\$	1,215.0	\$	1,497.8	\$ 282.8	23.3%
Diluted earnings per share on common stock of T. Rowe Price Group	\$	4.75	\$	5.97	\$ 1.22	25.7%
Weighted average common shares outstanding assuming dilution		250.3		245.1	(5.2)	(2.1)%
Adjusted non-GAAP Basis⁽¹⁾						
Operating expenses	\$	2,416.8	\$	2,715.8	\$ 299.0	12.4%
Net income attributable to T. Rowe Price Group	\$	1,148.9	\$	1,361.1	\$ 212.2	18.5%
Diluted earnings per share on common stock of T. Rowe Price Group	\$	4.49	\$	5.43	\$.94	20.9%
Assets under management (in billions)						
Average assets under management	\$	778.2	\$	909.0	\$ 130.8	16.8%
Ending assets under management	\$	810.8	\$	991.1	\$ 180.3	22.2%

⁽¹⁾See the reconciliation to the comparable U.S. GAAP measures at the end of the results of operations sections of this management's discussion and analysis.

Investment advisory revenues earned in 2017 increased 15.0% over the comparable 2016 period, as average assets under our management increased \$130.8 billion, or 16.8%, to \$909.0 billion. The average annualized fee rate earned on our assets under management was 47.2 basis points in 2017, compared with 47.9 basis points earned in the 2016 period. Our effective fee rate has declined primarily due to fee rate reductions we made to certain T. Rowe Price investment products since the end of 2015, and higher equity valuations in funds with tiered individual rates which decrease as assets under management grow. The impact of the fee reductions was offset in part by higher equity valuations, which resulted in a greater percentage of our assets under management being attributable to higher fee equity products. In addition, there were negligible money market fee waivers in 2017, versus waivers in 2016 of \$10.5 million.

Our operating expenses in 2016 include a non-recurring operating charge, net of insurance recovery, of \$66.2 million, or \$.15 per share after tax, related to the Dell appraisal rights matter. During 2017, we recognized additional insurance recoveries totaling \$50 million, or \$.12 per share after tax, from claims filed in 2016 related to this matter. A summary of the financial impact of the Dell matter on our annual pre-tax operating expenses and pre-tax operating cash flows since the matter arose as follows:

(in millions)	Pre-tax operating expense	Pre-tax operating cash flow
2016	\$ 66.2	\$ (166.2)
2017	(50.0)	150.0
Total impact from Dell appraisal right matter	\$ 16.2	\$ (16.2)

On a non-GAAP basis, our operating expenses increased \$299.0 million, or 12.4%, over the comparable 2016 period. About one fourth of the increase is related to certain expenses, such as variable compensation and market-driven distribution and client servicing costs, that are higher in 2017 as a result of the strong market performance. The remaining change is attributable to our investments in the strategic initiatives announced in early 2017 and other growing operational and regulatory demands.

Our operating margin in 2017 was 44.0% compared to 41.0% in the 2016 period. Excluding the impact of the Dell appraisal rights matter, our operating margin in 2017 and 2016 would have been 43.0% and 42.6%, respectively. The increase in our operating margin is driven by the higher percentage growth in net revenue from strong market performance compared with the growth in operating expenses.

Net revenues

Investment advisory revenues earned from the T. Rowe Price U.S. mutual funds increased 13.5%, or \$366.5 million, to \$3.1 billion. Average mutual fund assets in 2017 were \$568.5 billion, an increase of 14.7% from the average for the comparable 2016 period. Fee rate reductions of certain mutual funds were a factor in why advisory revenue grew slower than average assets under management during 2017.

Investment advisory revenues earned on the other investment products for 2017 were \$1,215.8 million, an increase of \$192.5 million, or 18.8%, from the \$1,023.3 million earned in 2016. Average assets in these products were \$340.5 billion during 2017, up 20.4% from the comparable 2016 period.

We have reduced the management fees of certain mutual funds and other investment products since the end of 2015. These reductions were a factor in why investment advisory revenue grew slower than average assets under management during 2017. We regularly assess the competitiveness of our fees and will continue to make adjustments as deemed appropriate.

Administrative fee revenues increased \$5.8 million to \$358.3 million in 2017. The increase is primarily attributable to transfer agent and other administrative servicing activities provided to the T. Rowe Price U.S. 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.

In 2017 and 2016, our advisory and administrative fees are presented net of \$5.6 million and \$6.5 million, respectively, related to the elimination of management fee and administrative fees earned from our consolidated T. Rowe Price investment products.

Distribution and servicing fee revenues earned from 12b-1 plans of the Advisor, R, and Variable Annuity II Class shares of certain T. Rowe Price investment products were \$147.0 million in 2017, an increase of \$5.3 million from the comparable 2016 period, on higher 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 \$1,664.9 million in 2017, an increase of \$170.9 million, or 11.4%, compared to the 2016 period. The largest part of the change is attributable to a \$116.9 million increase in salaries and related benefit expenses, which resulted primarily from a modest increase in salaries at the beginning of 2017, combined with a 6.4% increase in average headcount from 2016. The higher employee benefit costs also includes greater payroll taxes associated with option exercises and restricted stock vesting that results from the significant rise in our stock price in 2017, as well as increased health care costs. Higher average headcount also drove recruiting costs to be up in 2017, compared with the 2016 period. Our annual variable compensation in the 2017 period rose \$59.8 million over the 2016 period. Stronger markets in 2017 increased the supplemental savings plan liability resulting in additional compensation expense of \$21.1 million in 2017 compared with the 2016 period. The changes in these compensation and related costs were offset in part by higher labor capitalization related to internally developed software in 2017 compared with the 2016 period, as we continue to invest in our technology capabilities. We had a reduction in our noncash stock-based compensation expense in 2017, as we shifted our annual grant from twice a year to a single grant in December.

Advertising and promotion costs were \$92.0 million in 2017, an increase of \$12.1 million, or 15.1%, compared to 2016. We increased our spend in 2017 in support of efforts to broaden our distribution reach and in response to investor sentiment and the strong market environment.

Occupancy and facility costs, together with depreciation expense, increased \$32.3 million, or 10.5%, compared to 2016. The increase is due primarily to added costs to update and enhance technology capabilities, including related maintenance programs, as well as expanded office facilities and new locations.

Other operating expenses were \$491.8 million in 2017, an increase of \$90.3 million from 2016. About half of this increase is attributable to professional fees incurred to support our continued investment in our operating capabilities and growth in regulatory

demands. The remainder of the change from 2016 results from higher distribution and client servicing costs that were driven by the strong market performance in 2017, as well as increased operational and regulatory business demands.

Non-operating income

Net non-operating investment activity during 2017 resulted in income of \$396.3 million compared with \$227.1 million in 2016. The following table details the components of non-operating income (in millions) during 2016 and 2017.

	2016	2017	Dollar change
Net investment income on non-consolidated T. Rowe Price investment products			
Net realized gains on dispositions of available-for-sale investments	\$ 53.0	\$ 83.1	\$ 30.1
Ordinary and capital gain dividend distributions	16.1	22.2	6.1
Dividends and unrealized gains on investment products used to hedge the supplemental savings plan liability	—	12.3	12.3
Unrealized gains on equity method and other trading investments	20.8	32.5	11.7
Gains reclassified from accumulated other comprehensive income upon transfer of an available-for-sale sponsored investment portfolio to sponsored investment portfolios held as trading	—	23.6	23.6
Net gain recognized upon deconsolidation	2.2	.1	(2.1)
Total investment income from non-consolidated T. Rowe Price investment products	92.1	173.8	81.7
Net investment income on consolidated T. Rowe Price investment products	121.1	193.9	72.8
Other investment income	15.9	24.5	8.6
Other income (expenses), including foreign currency gains and losses	(2.0)	4.1	6.1
Net non-operating income	\$ 227.1	\$ 396.3	\$ 169.2

During 2017, non-operating income includes \$30.8 million in gains realized from the disposition of certain available-for-sale investments and \$23.6 million in unrealized gains recognized on T. Rowe Price trading investments that result from our decision to economically hedge the market exposure associated with our supplemental savings plan liability. In order to fund the hedge portfolio, we used the proceeds from the sale of certain available-for-sale investments in certain T. Rowe Price U.S. mutual funds as well as designated a mutual fund that was held as available-for-sale. The designation of the T. Rowe Price mutual fund as an economic hedge transferred its accounting classification from an available-for-sale security to a trading security, and resulted in the reclassification of the investment's unrealized holding gain at the date of designation to the income statement from the balance sheet where it was previously recognized.

The impact of consolidating certain T. Rowe Price investment products on the individual lines of our consolidated statements of income for 2016 and 2017 is as follows:

(in millions)	2016	2017
Operating expenses reflected in net operating income	\$ (13.0)	\$ (12.3)
Net investment income reflected in non-operating income	121.1	193.9
Impact on income before taxes	\$ 108.1	\$ 181.6
Net income attributable to our interest in the consolidated T. Rowe Price investment products	\$ 69.1	\$ 98.2
Net income attributable to redeemable non-controlling interests (unrelated third-party investors)	39.0	83.4
Impact on income before taxes	\$ 108.1	\$ 181.6

Provision for income taxes

Our 2017 income tax provision includes a non-recurring charge of \$71.1 million to reflect the estimated effect of the U.S. tax law changes enacted on December 22, 2017, in a comprehensive U.S. tax reform bill originally known as the Tax Cuts and Jobs Act ("Tax Reform"). The recognized charge is based on current interpretation of the tax law changes, and includes \$18.9 million for the remeasurement of our deferred tax assets and liabilities, and a \$52.2 million tax liability for the mandatory deemed repatriation of foreign sourced net earnings. The increase in our 2017 effective tax rate resulting from this charge was offset in part by higher-than-expected tax benefits related to the exercise of stock options, vesting of restricted stock, and net income attributable to

redeemable non-controlling interests related to our consolidated T. Rowe Price investment products, as these earnings are not taxable to us. The following reconciles the statutory federal income tax rate to our effective tax rate for 2017:

Statutory U.S. federal income tax rate	35.0%
Impact of U.S. Tax Reform	2.9%
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	3.9%
Net income attributable to redeemable non-controlling interests	(1.3)%
Net excess tax benefits from stock-based compensation plans activity	(3.0)%
Other items	(.6)%
Effective income tax rate	36.9%

⁽¹⁾State income benefits totaling (.4)% are reflected in the total benefits for net income attributable to redeemable noncontrolling interests and stock-based compensation plans activity.

We currently estimate that the reduction in the U.S. corporate tax rate (from 35% to 21%) in 2018, combined with other miscellaneous tax changes that effect certain tax deductions, will reduce our 2018 effective tax rate to a range of 24.0% to 27.0%. Our effective tax rate will continue to experience volatility in future periods as the tax benefits recognized from stock-based compensation are impacted by market fluctuations in our stock price and timing of option exercises. The rate will also be impacted by changes in our consolidated investment products that are driven by market fluctuations and changes in the proportion of their net income that is attributable to non-controlling interests.

We continue to evaluate the impact of the Tax Reform on our estimates and expectations due to changes in our interpretations of the law, assumptions used in applying the law, and additional guidance concerning the law that may be issued.

2016 versus 2015

The table below presents financial results on a U.S. GAAP basis, as well as a non-GAAP basis to adjust for the non-recurring charge related to the Dell appraisal rights matter, the impact of the consolidated T. Rowe Price investment products, and other non-operating income. We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results.

(in millions, except per-share data)	2015	2016	Dollar change	Percentage change
U.S. GAAP Basis				
Investment advisory fees	\$ 3,687.3	\$ 3,728.7	\$ 41.4	1.1%
Net revenues	\$ 4,200.6	\$ 4,222.9	\$ 22.3	.5%
Operating expenses	\$ 2,301.7	\$ 2,489.5	\$ 187.8	8.2%
Net operating income	\$ 1,898.9	\$ 1,733.4	\$ (165.5)	(8.7)%
Non-operating income ⁽¹⁾	\$ 103.5	\$ 227.1	\$ 123.6	n/m
Net income attributable to T. Rowe Price Group	\$ 1,223.0	\$ 1,215.0	\$ (8.0)	(.7)%
Diluted earnings per common share	\$ 4.63	\$ 4.75	\$.12	2.6%
Weighted average common shares outstanding assuming dilution	260.9	250.3	(10.6)	(4.1)%
Adjusted⁽²⁾				
Operating expenses	\$ 2,301.7	\$ 2,416.8	\$ 115.1	5.0%
Net income attributable to T. Rowe Price Group	\$ 1,160.3	\$ 1,148.9	\$ (11.4)	(1.0)%
Diluted earnings per common share	\$ 4.39	\$ 4.49	\$.10	2.3%
Assets under management (in billions)				
Average assets under management	\$ 767.9	\$ 778.2	\$ 10.3	1.3%
Ending assets under management	\$ 763.1	\$ 810.8	\$ 47.7	6.3%

⁽¹⁾Non-operating income varies from year to year due to a number of factors; accordingly the percentage change in non-operating income is not believed to be meaningful.

⁽²⁾See the reconciliation to the comparable U.S. GAAP measures at the end of the results of operations sections of this management's discussion and analysis.

As detailed in the table above, the percentage increase in investment advisory revenues in 2016 was in line with the increase in our average assets under management. We waived \$10.5 million in money market-related fees (including advisory fees and fund expenses) in 2016, a decrease of \$37.1 million from the \$47.6 million waived in the 2015 period. The fee waivers in 2016 represent less than .5% of total investment advisory revenues earned during the same period. These fees were waived from certain of our money market mutual funds and trusts, which had combined net assets of \$15.7 billion at December 31, 2016. The annual fee rate earned on our assets under management was 47.9 basis points in 2016, virtually unchanged from the 48.0 basis points earned in 2015. The impact on our effective fee rate from the reduction in money market waivers in 2016 was offset by effective fee rate reductions in certain of T. Rowe Price U.S. mutual funds.

Our 2016 operating expenses include a non-recurring charge, net of insurance recovery, of \$66.2 million, or \$.15 per share after tax related to the Dell appraisal rights matter. In 2016, we paid our clients \$166.2 million to compensate them for the denial of their appraisal rights in connection with the 2013 leveraged buyout of Dell. We made claims to our insurance carriers and, on December 30, 2016, entered into an agreement with our primary insurance carrier to recover \$100 million from the claim. The insurance proceeds were recognized as an offset to the related \$166.2 million charge recognized in the second quarter of 2016. Remaining insurance claims pending as of December 31, 2016, resulted in an additional recovery of \$50 million in the first quarter of 2017.

Our operating margin in 2016 was 41.0% compared to 45.2% in the 2015 period. Without the impact of the non-recurring charge relating to the Dell appraisal rights matter, our operating margin in 2016 would have been 42.6%. The additional decline in our 2016 operating margin resulted primarily from the investments we have been making to broaden and deepen our investment management, distribution, and service capabilities around the world.

Our 2016 results were significantly impacted by the adoption of new accounting guidance related to consolidation and stock-based compensation. The impact (in millions) the consolidated T. Rowe Price investment products had on the individual lines of our 2016 consolidated statement of income was as follows:

Operating expenses reflected in net operating income	\$ (13.0)
Net investment income reflected in non-operating income	121.1
<hr/>	
Impact on income before taxes	\$ 108.1
Net income attributable to our interest in the consolidated T. Rowe Price investment products	\$ 69.1
Net income attributable to redeemable non-controlling interests (unrelated third-party investors)	39.0
<hr/>	
Impact on income before taxes	\$ 108.1

Net revenues

Investment advisory revenues earned from T. Rowe Price U.S. mutual funds increased 1.4%, or \$37.5 million, to \$2.7 billion. Average mutual fund assets in 2016 were \$495.5 billion, an increase of .4% from the average for the comparable 2015 period. The increase in advisory revenues was due in part to the reduction in money market fee waivers realized in 2016 compared with 2015.

Investment advisory revenues earned on the other investment products for 2016 were \$1,023.3 million, an increase of \$3.9 million, or .4%, from the \$1,019.4 million earned in 2015. Average assets in these products were \$282.7 billion during 2016, up 3.1% from the comparable 2015 period. In 2016, our advisory revenues are presented net of \$7.0 million related to the elimination of management fees earned on the net assets of certain of our consolidated T. Rowe Price investment products. We eliminated these advisory fees in preparing our consolidated financial statements.

Administrative fee revenues decreased \$9.3 million to \$352.5 million in 2016. The decrease was primarily attributable to transfer agent servicing activities provided to the mutual funds and their investors, as well as the shift of fund accounting and portfolio recordkeeping operations to BNY Mellon that, prior to August 2015, we provided to the T. Rowe Price U.S. mutual funds. Changes in administrative fee revenues were generally offset by similar changes in related operating expenses that were incurred to provide services to the funds and their investors.

Distribution and servicing fee revenues earned from 12b-1 plans of the Advisor, R, and Variable Annuity II Class shares of the T. Rowe Price U.S. mutual funds were \$141.7 million in 2016, a decrease of \$9.8 million from the comparable 2015 period on lower 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 \$1,494.0 million in 2016, an increase of \$50.4 million, or 3.5%, compared to the 2015 period. The largest part of the increase was attributable to a \$56.7 million increase in salaries and related benefits, which resulted from a modest increase in salaries at the beginning of 2016 combined with a 3.2% increase in average headcount from 2015. Noncash stock-based compensation expense and annual variable compensation were up \$12.6 million and \$4.9 million, respectively. These increases were offset by a higher level of technology labor capitalized in 2016 compared with 2015 and a reduction in temporary labor cost as the 2016 projects used more professional service resources. The overall increase in compensation and related costs and our average staff size from 2015 were muted by lower compensation costs resulting from shifting 210 associates in August 2015 to BNY Mellon and for the ongoing transition support we provide to them. However, these lower compensation costs were generally offset by increases in costs paid to BNY Mellon to provide these administrative services and other transition-related activities, which are reflected in other operating expenses.

Advertising and promotion costs were \$79.9 million in 2016 compared with \$79.7 million in 2015.

Occupancy and facility costs, together with depreciation expense, increased \$20.7 million, or 7.3%, compared to 2015. The increase was primarily attributable to the added costs to update and enhance technology capabilities, including related maintenance programs.

Other operating expenses were \$401.5 million in 2016, an increase of \$60.1 million from 2015. About half of this increase was attributable to costs paid to BNY Mellon since August 2015 for the performance of certain administrative services, as mentioned above. The increase also included \$6.5 million in operating expenses, net of investment advisory fees earned by us,

of those T. Rowe Price investment products that we began consolidating at the beginning of 2016. The remaining balance of the change was due to increased business demands and our continued investment in capabilities.

Non-operating income

Net non-operating investment activity during 2016 resulted in income of \$227.1 million compared with \$103.5 million in 2015. The following table details the components of non-operating income (in millions) during 2015 and 2016.

	2015	2016	Dollar change
Net investment income on non-consolidated T. Rowe Price investment products			
Net realized gains on dispositions of available-for-sale investments	\$ 56.5	\$ 53.0	\$ (3.5)
Ordinary and capital gain dividend distributions	39.7	16.1	(23.6)
Other-than-temporary impairment	(4.8)	—	4.8
Unrealized gains (losses) on equity method and other trading investments	(2.6)	20.8	23.4
Net gain (losses) recognized upon deconsolidation	(5.8)	2.2	8.0
Total investment income from non-consolidated T. Rowe Price investment products	83.0	92.1	9.1
Net investment income on consolidated T. Rowe Price investment products	1.5	121.1	119.6
Other investment income	22.3	15.9	(6.4)
Other expenses, including foreign currency gains and losses	(3.3)	(2.0)	1.3
Net non-operating income	\$ 103.5	\$ 227.1	\$ 123.6

The increase in investment gains on T. Rowe Price products that are accounted for as an equity method or trading investments was driven by an increase in the number of equity method investments as well as market gains. The investment income on consolidated T. Rowe Price investment products increased in 2016 as the number of products we consolidated increased significantly upon the adoption of the new consolidation accounting guidance.

Provision for income taxes

Our effective tax rate for 2016 was 36.0% compared to 38.9% in 2015. The decrease in the effective tax rate was related in part to the increase in net income attributable to redeemable non-controlling interest related to our consolidated T. Rowe Price investment products, as we do not recognize taxes associated with these earnings. Additionally, the estimated effective tax rate declined as a result of adopting the new stock-based compensation accounting guidance. Under the new guidance, tax benefits and shortfalls on exercised options and vested restricted stock relative to the stock-based compensation expense recognized are included in the provision for income taxes rather than as additional paid in capital on the consolidated balance sheet. Our effective income tax rate also reflected the relative contribution of pretax income generated by our foreign subsidiaries that are subject to tax rates lower than our U.S. rates.

Non-GAAP information and reconciliation

We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results. These measures have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. However, non-GAAP financial measures should not be considered as a substitute for financial measures calculated in accordance with U.S. GAAP and may be calculated differently by other companies. The following schedule reconciles (in millions, except for per-share amounts) U.S. GAAP financial measures to non-GAAP measures for each of the last five years.

	2013	2014	2015	2016	2017
Operating expenses, GAAP basis	\$ 1,846.8	\$ 2,091.2	\$ 2,301.7	\$ 2,489.5	\$ 2,684.2
Non-GAAP Adjustments:					
Expenses of consolidated T. Rowe Price investment products, net of elimination of its related management fee ⁽¹⁾	—	—	—	(6.5)	(6.7)
Compensation expense related to market valuation changes in supplemental savings plan liability ⁽²⁾	—	—	—	—	(11.7)
Insurance recoveries (nonrecurring charge) related to Dell appraisal rights matter ⁽⁴⁾	—	—	—	(66.2)	50.0
Adjusted operating expenses	\$ 1,846.8	\$ 2,091.2	\$ 2,301.7	\$ 2,416.8	\$ 2,715.8
Net income attributable to T. Rowe Price Group, GAAP basis	\$ 1,047.7	\$ 1,229.6	\$ 1,223.0	\$ 1,215.0	\$ 1,497.8
Non-GAAP Adjustments:					
Net income of consolidated T. Rowe Price investment products, net of redeemable non-controlling interests ⁽¹⁾	(4.5)	—	(1.5)	(69.1)	(98.2)
Non-operating income of investments designated as an economic hedge of supplemental savings plan liability less related compensation expense ⁽²⁾	—	—	—	—	(.6)
Non-operating income, excluding impacts of consolidated T. Rowe Price investment products and investments designated as an economic hedge of supplemental savings plan liability ⁽³⁾	(58.5)	(112.2)	(102.0)	(106.0)	(190.1)
Nonrecurring charge (insurance recoveries) related to Dell appraisal rights matter ⁽⁴⁾	—	—	—	66.2	(50.0)
Income tax impacts of non-GAAP adjustments before tax reform ⁽⁵⁾	24.5	43.9	40.8	42.8	131.1
Impact of U.S. tax reform ⁽⁶⁾	—	—	—	—	71.1
Adjusted net income attributable to T. Rowe Price Group, Inc.	\$ 1,009.2	\$ 1,161.3	\$ 1,160.3	\$ 1,148.9	\$ 1,361.1
Diluted earnings per common share, GAAP basis	\$ 3.90	\$ 4.55	\$ 4.63	\$ 4.75	\$ 5.97
Non-GAAP Adjustments:					
Consolidated T. Rowe Price investment products ⁽¹⁾	(.01)	—	(.01)	(.16)	(.24)
Non-operating income, excluding impacts of consolidated T. Rowe Price investment products and investments designated as an economic hedge of supplemental savings plan liability ⁽³⁾	(.13)	(.26)	(.23)	(.25)	(.46)
Nonrecurring charge (insurance recoveries) related to Dell appraisal rights matter ⁽⁴⁾	—	—	—	.15	(.12)
Impact of U.S. tax reform ⁽⁶⁾	—	—	—	—	.28
Adjusted diluted earnings per common share⁽⁷⁾	\$ 3.76	\$ 4.29	\$ 4.39	\$ 4.49	\$ 5.43

⁽¹⁾The non-GAAP adjustments add back the management fees that we earn from the consolidated T. Rowe Price investment products and subtract the investment income and operating expenses of these products that have been included in our U.S. GAAP consolidated statements of income. We believe the consolidated T. Rowe Price investment products may impact the reader's ability to understand our core operating results. The following table details the calculation of net income of consolidated T. Rowe Price investment products, net of redeemable non-controlling interests:

	2013	2014	2015	2016	2017
Net investment income	\$ 4.5	\$ —	\$ 1.5	\$ 121.1	\$ 193.9
Operating expenses	—	—	—	(13.0)	(12.3)
Net income	4.5	—	1.5	108.1	181.6
Less: net income attributable to redeemable noncontrolling interests	—	—	—	39.0	83.4
T. Rowe Price Group's portion of net income	\$ 4.5	\$ —	\$ 1.5	\$ 69.1	\$ 98.2

⁽²⁾This non-GAAP adjustment removes the impact of market movements on the supplemental savings plan liability and related investments designated as economic hedges of the liability beginning July 1, 2017. Amounts deferred under the supplemental savings plan are adjusted for appreciation (depreciation) of hypothetical investments chosen by the employees. Since we economically hedge the exposure to these market movements, we believe it is useful to offset the non-operating investment income earned on the hedges against the related compensation expense to increase comparability period to period. The following table details the supplemental savings plan related items:

	2013	2014	2015	2016	2017
Non-operating income of investments designated as an economic hedge of supplemental savings plan liability	\$ —	\$ —	\$ —	\$ —	12.3
Compensation expense from market valuation changes in supplemental savings plan liability	—	—	—	—	(11.7)
Non-operating income of investments designated as an economic hedge of supplemental savings plan liability less compensation expense	\$ —	\$ —	\$ —	\$ —	.6

⁽³⁾This non-GAAP adjustment removes the non-operating income that remains after eliminating the portion related to the consolidated T. Rowe Price investment products and investments designated as an economic hedge of our supplemental savings plan liability. We believe excluding non-operating income helps the reader's ability to understand our core operating results and increases comparability to prior years. Additionally, we do not emphasize the impact of non-operating income when managing our firm and evaluating our performance. The following table details the calculation of other non-operating income:

	2013	2014	2015	2016	2017
Total non-operating income	\$ 63.0	\$ 112.2	\$ 103.5	\$ 227.1	\$ 396.3
Less: net investment income of consolidated T. Rowe Price investment products	4.5	—	1.5	121.1	193.9
Less: non-operating income from investments designated as an economic hedge of supplemental savings plan liability	—	—	—	—	12.3
Total other non-operating income	\$ 58.5	\$ 112.2	\$ 102.0	\$ 106.0	\$ 190.1

⁽⁴⁾In the second quarter of 2016, we recognized a nonrecurring charge of \$166.2 million related to our decision to compensate certain clients in regard to the Dell appraisal rights matter. We also recognized an offset to this charge during the fourth quarter of 2016 for related insurance recoveries totaling \$100 million. In the first quarter of 2017, we recognized additional insurance recoveries of \$50 million as a reduction in operating expenses from claims that were filed in relation to the matter. We believe it is useful to readers of our consolidated statements of income to adjust for these charges and non-recurring insurance recoveries in arriving at adjusted operating expenses and net income attributable to T. Rowe Price Group and diluted earnings per share.

⁽⁵⁾These were calculated using the effective tax rate applicable to each non-GAAP adjustment before tax reform.

⁽⁶⁾In the fourth quarter of 2017, we recognized a nonrecurring charge of \$71.1 million to reflect the effect of the U.S. tax law changes enacted on December 22, 2017. We believe it is useful to readers of our consolidated statements of income to adjust for this nonrecurring charge in arriving at net income attributable to T. Rowe Price Group and diluted earnings per share.

⁽⁷⁾This non-GAAP measure was calculated by applying the two-class method to adjusted net income attributable to T. Rowe Price Group, divided by the weighted-average common shares outstanding assuming dilution.

CAPITAL RESOURCES AND LIQUIDITY

During 2017, stockholders' equity increased from \$5.0 billion to \$5.8 billion. Tangible book value increased to \$5.2 billion at December 31, 2017. We paid \$2.28 per share in regular dividends in 2017, an increase of 5.6% over the \$2.16 per share paid in 2016. Additionally, we expended \$458.1 million to repurchase 6.6 million shares, or 2.7%, of our outstanding common stock in 2017. These dividends and repurchases were expended using existing cash balances and cash generated from operations. We will generally repurchase our common stock over time to offset the dilution created by our equity-based compensation plans.

As detailed below, we have returned \$4.3 billion to stockholders over the last three years through stock repurchases, our regular quarterly dividends, and a special dividend in 2015.

(in millions)	Recurring dividend		Special dividend		Stock repurchases		Total cash returned to stockholders	
2015	\$	534.5	\$	524.5	\$	987.8	\$	2,046.8
2016		541.2		—		676.9		1,218.1
2017		562.6		—		458.1		1,020.7
Total	\$	1,638.3	\$	524.5	\$	2,122.8	\$	4,285.6

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

(in millions)	2016	2017
Cash and cash equivalents	\$ 1,204.9	\$ 1,902.7
Discretionary investments	700.6	780.3
Total cash and discretionary investments	1,905.5	2,683.0
Redeemable seed capital investments	1,263.8	1,188.9
Investments used to hedge the supplemental savings plan liability	—	268.2
Total cash and investments in T. Rowe Price products	\$ 3,169.3	\$ 4,140.1

Our seed capital investments are redeemable, although we generally expect to be invested for several years until unrelated third-party investors substantially reduce our relative ownership percentage. Cash and discretionary investments in T. Rowe Price products held by our subsidiaries outside the U.S. were \$365.9 million at December 31, 2016, and \$424.5 million at December 31, 2017.

The following table details the line items of the consolidated balance sheet as of December 31, 2017, where our cash and investments are presented. The investment presentation on the consolidated balance sheet is based on the type of investment, as well as how we account for the investment.

(in millions)	Interest Held by T. Rowe Price Group							Redeemable non-controlling interests	As reported on consolidated balance sheet 12/31/2017
	Cash and discretionary investments in T. Rowe Price products	Seed capital investments in T. Rowe Price products	Investments in T. Rowe Price products used to hedge supplemental savings plan	Total cash and investments in T. Rowe Price products	Investment in UTI and other investments	Total	Total		
Cash and cash equivalents	\$ 1,902.7	\$ —	\$ —	\$ 1,902.7	\$ —	\$ 1,902.7	\$ —	\$ 1,902.7	
Investments	669.7	299.8	268.2	1,237.7	239.6	1,477.3	—	1,477.3	
Net assets of consolidated T. Rowe Price investment products	110.6	889.1	—	999.7	—	999.7	992.8	1,992.5	
	\$ 2,683.0	\$ 1,188.9	\$ 268.2	\$ 4,140.1	\$ 239.6	\$ 4,379.7	\$ 992.8	\$ 5,372.5	

Our consolidated balance sheet reflects the cash and cash equivalents, investments, other assets and liabilities of those T. Rowe Price investment products we consolidate, as well as redeemable non-controlling interests for the portion of these T. Rowe Price investment products that are held by unrelated third-party investors. Although we can redeem our net interest in these T. Rowe Price investment products at any time, we cannot directly access or sell the assets held by the portfolios to obtain cash for general operations. Additionally, the assets of these T. Rowe Price investment products are not available to our general creditors. Our interest in these T. Rowe Price investment products was used as initial seed capital and is recategorized

as discretionary when it is determined by management that the seed capital is no longer needed. We assess the discretionary investment portfolio and when we liquidate our interest, we attempt to do so in a way as to not impact the portfolio, and, ultimately the unrelated third-party investors.

We anticipate property and equipment expenditures in 2018 to be up to \$180 million, of which about two-thirds is planned for technology initiatives. Given the availability of our financial resources, we expect to fund our anticipated capital expenditures with operating resources.

The following tables summarize the cash flows (in millions) for 2016 and 2017 that are attributable to T. Rowe Price Group, our consolidated T. Rowe Price investment products, and the related eliminations required in preparing the statement.

	2016			
	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated T. Rowe Price investment products	Eliminations	As reported
Cash flows from operating activities				
Net income	\$ 1,215.0	\$ 108.1	\$ (69.1)	\$ 1,254.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization of property and equipment	133.4	—	—	133.4
Stock-based compensation expense	161.6	—	—	161.6
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(53.0)	—	—	(53.0)
Gains recognized upon transfer of an available-for-sale T. Rowe Price investment products to T. Rowe Price investment products held as trading	—	—	—	—
Net gains recognized on investments	(100.1)	—	69.1	(31.0)
Investments in T. Rowe Price mutual funds held as trading to economically hedge supplemental savings plan liability	—	—	—	—
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(1,297.9)	—	(1,297.9)
Changes in accounts receivable and accrued revenue	(9.3)	—	—	(9.3)
Changes in payables and accrued liabilities	101.5	37.1	—	138.6
Other changes in assets and liabilities	(105.4)	(13.9)	(6.6)	(125.9)
Net cash provided by (used in) operating activities	1,343.7	(1,166.6)	(6.6)	170.5
Net cash provided by (used in) investing activities	(219.7)	41.4	284.5	106.2
Net cash used in financing activities attributable to T. Rowe Price Group	(1,091.4)	—	—	(1,091.4)
Net subscriptions received from redeemable non-controlling interest holders	—	1,192.9	(277.9)	915.0
Net cash provided by (used in) financing activities	(1,091.4)	1,192.9	(277.9)	(176.4)
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(2.1)	—	(2.1)
Net change in cash and cash equivalents during period	32.6	65.6	—	98.2
Cash and cash equivalents at beginning of year	1,172.3	—	—	1,172.3
Cash and cash equivalents at end of period	\$ 1,204.9	\$ 65.6	\$ —	\$ 1,270.5

	2017			
	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated T. Rowe Price investment products	Eliminations	As reported
Cash flows from operating activities				
Net income	\$ 1,497.8	\$ 181.6	\$ (98.2)	\$ 1,581.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization of property and equipment	143.6	—	—	143.6
Stock-based compensation expense	152.0	—	—	152.0
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(83.1)	—	—	(83.1)
Gains recognized upon transfer of an available-for-sale T. Rowe Price investment products to T. Rowe Price investment products held as trading	(23.6)	—	—	(23.6)
Net gains recognized on investments	(147.9)	—	98.2	(49.7)
Investments in T. Rowe Price mutual funds held as trading to economically hedge supplemental savings plan liability	(218.6)	—	—	(218.6)
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(1,492.9)	—	(1,492.9)
Changes in accounts receivable and accrued revenue	(100.8)	—	—	(100.8)
Changes in payables and accrued liabilities	169.1	154.3	—	323.4
Other changes in assets and liabilities	163.3	(158.3)	(7.0)	(2.0)
Net cash provided by (used in) operating activities	1,551.8	(1,315.3)	(7.0)	229.5
Net cash provided by (used in) investing activities	(33.9)	(64.2)	137.1	39.0
Net cash used in financing activities attributable to T. Rowe Price Group	(820.1)	—	—	(820.1)
Net subscriptions received from redeemable non-controlling interest holders	—	1,411.7	(130.1)	1,281.6
Net cash provided by (used in) financing activities	(820.1)	1,411.7	(130.1)	461.5
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	5.3	—	5.3
Net change in cash and cash equivalents during period	697.8	37.5	—	735.3
Cash and cash equivalents at beginning of year	1,204.9	65.6	—	1,270.5
Cash and cash equivalents at end of period	\$ 1,902.7	\$ 103.1	\$ —	\$ 2,005.8

2017 versus 2016

Operating activities attributable to T. Rowe Price Group during 2017 provided cash flows of \$1,551.8 million, an increase of \$208.1 million from the 2016 period. The increase is largely attributable to higher net income attributable to T. Rowe Price Group as well as the timing differences of cash flows related to the Dell appraisal rights matter. We paid \$166.2 million to certain T. Rowe Price clients during 2016 and received related insurance recoveries of \$150.0 million during 2017 relating to this matter. These changes in cash flows were offset by cash outflows in the 2017 period for new investments made into T. Rowe Price investment products held as trading totaling \$218.6 million in order to economically hedge our supplemental savings plan liability. The net cash provided by operating activities attributable to T. Rowe Price Group was offset in part by the net change in trading securities held in T. Rowe Price consolidated investment products' underlying investment products.

Net cash used in investing activities that are attributable to T. Rowe Price Group totaled \$33.9 million in 2017, an increase of \$185.8 million from the comparable 2016 period. During 2017, we realized \$184.2 million more net proceeds from the purchases and sales of our available-for-sale investments compared with 2016. This net increase in investing cash flows was offset by an \$83.5 million decrease in proceeds from the sales of equity method investments and a \$37.8 million increase in property and equipment expenditures during 2017 compared with the 2016 period. Additionally, the amount of seed capital investments we provided in 2017 decreased by \$147.4 million compared with the 2016 period. Since we consolidate these T. Rowe Price investment products, our investment was eliminated in preparing our consolidated statement of cash flow. The cash flow attributable to consolidated T. Rowe Price investment products of \$64.2 million represents the aggregate net cash removed during 2017 from our balance sheet upon consolidating and deconsolidating products. During the 2016 period, the comparable cash flow activity added \$41.4 million to our balance sheet.

Net cash used in financing activities attributable to T. Rowe Price Group totaled \$820.1 million in 2017 compared with \$1,091.4 million in 2016. The decrease in cash used in financing activities is related in part to a reduction of \$218.8 million expended in common stock repurchases as the sharp increase in our stock price led us to repurchase fewer shares in 2017. This decrease in cash flows was offset by a \$74.8 million increase in proceeds from option exercises, as a greater number of options were exercised due to the sharp increase in our stock price in 2017. The remaining change in reported cash flows from financing activities is primarily attributable to a \$366.6 million increase in net subscriptions received from redeemable noncontrolling interest holders of our consolidated T. Rowe Price investment products during 2017 compared to the 2016 period.

2016 versus 2015

Operating activities attributable to T. Rowe Price Group during 2016 provided cash flows of \$1,343.7 million, a decrease of \$186.8 million from the 2015 period. The decline was primarily related to the payments totaling \$166.2 million we made in 2016 to compensate certain clients in regard to the Dell appraisal rights matter. We entered into an agreement on December 30, 2016, for a \$100 million insurance recovery that we received in January 2017. The net cash provided by operating activities attributable to T. Rowe Price Group was offset in part by the net change in trading securities held in T. Rowe Price consolidated investment products' underlying investment products.

Net cash used in investing activities that are attributable to T. Rowe Price Group totaled \$219.7 million in 2016. In 2016, we provided \$284.5 million in seed capital to new and existing T. Rowe Price investment products. We utilized a portion of the \$219.5 million in proceeds from the sale of certain available-for-sale investments and equity method investments in 2016 to fund these seed capital investments. Since we consolidate these T. Rowe Price investment products, the seed capital that we provided was eliminated in preparing our consolidated statement of cash flow. In 2015, cash proceeds from the sale of certain T. Rowe Price U.S. mutual funds holdings, net of new investments, resulted in investing cash flows of \$269.7 million. Additionally, our net property and equipment additions were \$148.3 million in 2016 compared to \$151.3 million in the 2015 period. The cash flow attributable to consolidated T. Rowe Price investment products of \$41.4 million represents the net cash added to our consolidated balance sheet from consolidating and deconsolidating products in 2016.

Net cash used in financing activities attributable to T. Rowe Price Group was \$1,091.4 million in 2016 compared with \$1,973.3 million in the 2015 period. The decline in cash used in financing activities is largely related to the \$2.00 per share, or \$524 million, special dividend we paid in April 2015. We also expended \$310.9 million less in common stock purchases in 2016 compared to the 2015 period. The cash proceeds received from stock option exercises were higher in 2016 by \$52.8 million compared with the 2015 period. The net cash used in financing activities attributable to T. Rowe Price Group was largely offset by the \$915.0 million of net subscriptions into the consolidated T. Rowe Price investment products.

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, 2017. 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 2018 and future years. The information also excludes the \$7.6 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	2018	2019-2020	2021-2022	Later
Noncancelable operating leases	\$ 263	\$ 38	\$ 70	\$ 54	\$ 101
Other purchase commitments	252	212	35	4	1
Total	\$ 515	\$ 250	\$ 105	\$ 58	\$ 102

We also have outstanding commitments to fund additional contributions to investment partnerships totaling \$38.8 million at December 31, 2017. 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 2017 Annual Report. In the following discussion, we highlight and explain further certain of those policies that are most critical to the preparation and understanding of our financial statements.

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

We are the primary beneficiary if we have the power to direct the activities of the VIE that most significantly impact its economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the VIE that could potentially be significant. Our SICAV funds and other T. Rowe Price investment products regulated outside the U.S. are determined to be VIEs. At December 31, 2017, we consolidated VIEs with net assets of \$1,800.1 million.

Other-than-temporary impairments of available-for-sale securities. We generally classify our investment holdings in T. Rowe Price investment products 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 to fair value and recognize an unrealized gain or loss as a component of comprehensive income within the consolidated statements of comprehensive income. We 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 and certain investments in T. Rowe Price investment products, for impairment when events or changes in circumstances indicate that the carrying value of the investment exceeds its fair value, and the decline in fair value is other than temporary.

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

We evaluate the carrying amount of goodwill in our consolidated balance sheets for possible impairment on an annual basis in the third quarter of each year using a fair value approach. Goodwill would be considered impaired whenever our historical carrying amount exceeds the fair value of our investment advisory business. Our annual testing has demonstrated that the fair value of our investment advisory business (our market capitalization) exceeds our carrying amount (our stockholders'

equity) and, therefore, no impairment exists. Should we reach a different conclusion in the future, additional work would be performed to ascertain the amount of the noncash impairment charge to be recognized. We must also perform impairment testing at other times if an event or circumstance occurs indicating that it is more likely than not that an impairment has been incurred. The maximum future impairment of goodwill that we could incur is the amount recognized in our consolidated balance sheets, \$665.7 million.

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

See the summary of significant accounting policies within Item 8, *Financial Statements and Supplementary Data* for a discussion of newly issued but not yet adopted accounting guidance.

FORWARD-LOOKING INFORMATION

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this report, may contain certain forward-looking information, including information or anticipated information relating to: our revenues, net income, and earnings per share on common stock; changes in the amount and composition of our assets under management; our expense levels; the impact of U.S. tax reform enacted in December 2017, including on 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 U.S. mutual funds and other investment products, fluctuations in global financial markets that result in appreciation or depreciation of the assets under our management, our introduction of new mutual funds and investment products, and changes in retirement savings trends relative to participant-directed investments and defined contribution plans. The ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the Price mutual funds and other managed investment

products 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 investees' net income.

Our future results are also dependent upon the level of our expenses, which are subject to fluctuation for the following or other reasons: changes in the level of our advertising and promotion expenses in response to market conditions, including our efforts to expand our investment advisory business to investors outside the U.S. and to further penetrate our distribution channels within the U.S.; the pace and level of spending to support key strategic priorities; variations in the level of total compensation expense due to, among other things, bonuses, restricted stock units and other equity grants, other incentive awards, 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 fund and product recordkeeping, facilities, communications, power, and the mutual fund transfer agent and accounting systems.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table presents the equity price risk from our investments in T. Rowe Price investment products as they are carried at fair value. Investments in these products generally moderate market risk as they are diversified and invest in a number of different financial instruments. T. Rowe Price further manages its exposure to market risk by diversifying its investments among many domestic and international products as well as diversification among equity and fixed income portfolios. In addition, investment holdings may be altered from time to time in response to changes in market risks and other factors, as management deems appropriate.

We have chosen to use a variant of each product's net asset value to quantify the equity price risk, as we believe the volatility in each product's net asset value best reflects the underlying risk potential as well as the market trends surrounding each of its investment objectives. The potential future loss of value, before any income tax benefits, of these investments at year-end was determined by using the lower of each product's lowest net asset value per share during 2017 or its net asset value per share at December 31, 2017, reduced by 10%. In considering this presentation, it is important to note that: Not all products experienced their lowest net asset value per share on the same day; it is likely that the composition of the investment portfolio would be changed if adverse market conditions persisted; and we could experience future losses in excess of those presented below.

(in millions)	Fair value 12/31/2017	Potential lower value	Potential loss	
Investments—available-for-sale	\$ 597.1	\$ 531.1	\$ 66.0	11%
Investments—trading	\$ 363.2	\$ 311.7	\$ 51.5	14%
Direct investment in consolidated T. Rowe Price investment products	\$ 999.7	\$ 844.3	\$ 155.4	16%

For available-for-sale investments, any losses arising from changes in fair value are recognized in other comprehensive income, net of tax, until the investment is disposed of, or if the investment is determined to be other-than-temporarily impaired. We review the carrying amount of each investment on a quarterly basis and recognize an impairment charge in non-operating income (loss) whenever an unrealized loss is considered other than temporary.

The direct investment in consolidated T. Rowe Price investment products represents our portion of the net assets of the product. Upon consolidation of these products, our direct investment is eliminated and the net assets of the products are

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

Certain of our investments, including a few consolidated T. Rowe Price investment products, expose us to foreign currency translation risk when their foreign denominated financial statements are translated into U.S. dollars (USD). Our most significant exposure relates to the translation of the financial statements of our equity method investment in UTI (\$155.8 million at December 31, 2017). UTI's financial statements are denominated in Indian rupees (INR) and are translated to USD each reporting period. We do not use derivative financial instruments to manage this 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 \$30.6 million at December 31, 2017, 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, although 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,	2016	2017
Assets			
Cash and cash equivalents	\$	1,204.9	\$ 1,902.7
Accounts receivable and accrued revenue		455.1	556.7
Investments		1,257.5	1,477.3
Assets of consolidated T. Rowe Price investment products (\$1,446.1 million at December 31, 2016, and \$1,839.6 million at December 31, 2017, related to variable interest entities)		1,680.5	2,048.4
Property and equipment, net		615.1	652.0
Goodwill		665.7	665.7
Other assets		346.2	231.9
Total assets	\$	6,225.0	\$ 7,534.7
Liabilities			
Accounts payable and accrued expenses	\$	180.8	\$ 215.5
Liabilities of consolidated T. Rowe Price investment products (\$56.8 million at December 31, 2016, and \$39.5 million at December 31, 2017, related to variable interest entities)		65.6	55.9
Accrued compensation and related costs		92.6	108.5
Supplemental savings plan liability		150.9	269.3
Income taxes payable		39.3	68.3
Total liabilities		529.2	717.5
Commitments and contingent liabilities			
Redeemable non-controlling interests		687.2	992.8
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 244,784,000 shares at December 31, 2016, and 245,111,000 at December 31, 2017		49.0	49.0
Additional capital in excess of par value		654.5	846.1
Retained earnings		4,293.6	4,932.9
Accumulated other comprehensive income (loss)		11.5	(3.6)
Total permanent stockholders' equity		5,008.6	5,824.4
Total liabilities, redeemable non-controlling interests and permanent stockholders' equity	\$	6,225.0	\$ 7,534.7

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)

	2015	2016	2017
Revenues			
Investment advisory fees	\$ 3,687.3	\$ 3,728.7	\$ 4,287.7
Administrative fees	361.8	352.5	358.3
Distribution and servicing fees	151.5	141.7	147.0
Net revenues	4,200.6	4,222.9	4,793.0
Operating Expenses			
Compensation and related costs	1,443.6	1,494.0	1,664.9
Advertising and promotion	79.7	79.9	92.0
Distribution and servicing costs	151.5	141.7	147.0
Depreciation and amortization of property and equipment	126.3	133.4	143.6
Occupancy and facility costs	159.2	172.8	194.9
Other operating expenses	341.4	401.5	491.8
Nonrecurring charge (insurance recoveries) related to Dell appraisal rights matter	—	66.2	(50.0)
Total operating expenses	2,301.7	2,489.5	2,684.2
Net Operating Income	1,898.9	1,733.4	2,108.8
Non-operating Income			
Net investment income on investments not consolidated	105.3	108.0	198.3
Net investment income on consolidated T. Rowe Price investment products	1.5	121.1	193.9
Other income (expense)	(3.3)	(2.0)	4.1
Total non-operating income	103.5	227.1	396.3
Income before income taxes	2,002.4	1,960.5	2,505.1
Provision for income taxes	779.4	706.5	923.9
Net income	\$ 1,223.0	\$ 1,254.0	\$ 1,581.2
Less: net income attributable to redeemable non-controlling interests	—	39.0	83.4
Net income attributable to T. Rowe Price Group	\$ 1,223.0	\$ 1,215.0	\$ 1,497.8
Earnings Per Share On Common Stock of T. Rowe Price Group			
Basic	\$ 4.74	\$ 4.85	\$ 6.07
Diluted	\$ 4.63	\$ 4.75	\$ 5.97

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)

	2015	2016	2017
Net income	\$ 1,223.0	\$ 1,254.0	\$ 1,581.2
Other Comprehensive Income (Loss)			
Net unrealized holding gains (losses) on available-for-sale investments	(4.5)	(1.0)	37.4
Reclassification of (gains) and losses in accumulated other comprehensive income to non-operating investment income:			
Capital gain distributions	(20.8)	(6.0)	(3.5)
Net gains realized on dispositions determined using average cost	(56.5)	(53.0)	(83.1)
Net unrealized gains recognized upon the transfer to trading investments	—	—	(23.6)
Other-than-temporary impairments	4.8	—	—
Total reclassification adjustments	(72.5)	(59.0)	(110.2)
Total net unrealized holding losses recognized in other comprehensive income	(77.0)	(60.0)	(72.8)
Currency translation adjustments			
Consolidated T. Rowe Price investment products—variable interest entities	(4.9)	(9.5)	66.4
Reclassification losses (gains) recognized in non-operating investment income upon deconsolidation of certain T. Rowe Price investment products	5.8	(2.2)	(.1)
Total currency translation adjustments of consolidated T. Rowe Price investment products—variable interest entities	.9	(11.7)	66.3
Equity method investments	(8.1)	(1.6)	2.6
Total currency translation adjustments	(7.2)	(13.3)	68.9
Other comprehensive loss before income taxes	(84.2)	(73.3)	(3.9)
Net deferred tax benefits	34.4	28.2	10.0
Total other comprehensive income (loss)	(49.8)	(45.1)	6.1
Total comprehensive income	1,173.2	1,208.9	1,587.3
Less: comprehensive income attributable to redeemable non-controlling interests	—	36.5	104.6
Comprehensive income attributable to T. Rowe Price Group	\$ 1,173.2	\$ 1,172.4	\$ 1,482.7

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⁽¹⁾

(in millions)

	2015	2016	2017
Cash Flows From Operating Activities			
Net income	\$ 1,223.0	\$ 1,254.0	\$ 1,581.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization of property and equipment	126.3	133.4	143.6
Stock-based compensation expense	149.0	161.6	152.0
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(56.5)	(53.0)	(83.1)
Gains recognized upon transfer of an investment in a T. Rowe Price mutual fund from available-for-sale to held as trading	—	—	(23.6)
Net gains recognized on other investments	(5.9)	(31.0)	(49.7)
Investments in T. Rowe Price mutual funds held as trading to economically hedge supplemental savings plan liability	—	—	(218.6)
Net change in trading securities held by consolidated T. Rowe Price investment products	(7.5)	(1,297.9)	(1,492.9)
Changes in accounts receivable and accrued revenue	(3.2)	(9.3)	(100.8)
Changes in payables and accrued liabilities	98.2	138.6	323.4
Other changes in assets and liabilities	7.1	(125.9)	(2.0)
Net cash provided by (used in) operating activities	1,530.5	170.5	229.5
Cash Flows From Investing Activities			
Purchases of available-for-sale T. Rowe Price investment products	(164.8)	(.1)	(16.9)
Dispositions of available-for-sale T. Rowe Price investment products	434.5	133.7	334.7
Net cash of T. Rowe Price investment products on consolidation (deconsolation)	—	41.4	(64.2)
Additions to property and equipment	(151.3)	(148.3)	(186.1)
Other investing activity	(9.4)	79.5	(28.5)
Net cash provided by (used in) investing activities	109.0	106.2	39.0
Cash Flows From Financing Activities			
Repurchases of common stock	(987.8)	(676.9)	(458.1)
Common share issuances under stock-based compensation plans	73.5	126.3	201.1
Dividends paid to common stock and equity-award holders	(1,059.0)	(540.8)	(563.1)
Net subscriptions received from redeemable non-controlling interest holders	—	915.0	1,281.6
Net cash (used in) provided by financing activities	(1,973.3)	(176.4)	461.5
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(2.1)	5.3
Net change in cash and cash equivalents during period	(333.8)	98.2	735.3
Cash and cash equivalents at beginning of year	1,506.1	1,172.3	1,270.5
Cash and cash equivalents at end of period, including \$65.6 million at December 31, 2016, and \$103.1 million at December 31, 2017, held by consolidated T. Rowe Price investment products	\$ 1,172.3	\$ 1,270.5	\$ 2,005.8

⁽¹⁾See note 15 for a supplemental consolidating cash flow schedule.

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	Redeemable non-controlling interests
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 income (loss), net of tax	—	—	—	—	(49.8)	(49.8)	—
Dividends declared	—	—	—	(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 issued, net of shares withheld for taxes	(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	—
Reclassification of T. Rowe Price investment products upon adoption of new accounting guidance on January 1, 2016	—	—	—	32.5	(32.5)	—	672.7
Cumulative effect adjustment upon adoption of new stock-based compensation guidance on January 1, 2016	—	—	12.9	(9.0)	—	3.9	—
Balances at January 1, 2016	250,469	50.1	667.5	3,994.2	54.1	4,765.9	672.7
Net income	—	—	—	1,215.0	—	1,215.0	39.0
Other comprehensive income (loss), net of tax	—	—	—	—	(42.6)	(42.6)	(2.5)
Dividends declared	—	—	—	(541.2)	—	(541.2)	—
Common stock-based compensation plans activity							
Shares issued upon option exercises	4,140	.8	148.7	—	—	149.5	—
Restricted shares withheld for taxes, net of shares issued	(178)	—	(14.0)	—	—	(14.0)	—
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	409	.1	(8.8)	—	—	(8.7)	—
Forfeiture of restricted awards	(61)	—	—	—	—	—	—
Stock-based compensation expense	—	—	161.6	—	—	161.6	—
Restricted stock units issued as dividend equivalents	—	—	.1	(.1)	—	—	—
Common shares repurchased	(9,995)	(2.0)	(300.6)	(374.3)	—	(676.9)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	945.3
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(967.3)
Balances at December 31, 2016	244,784	49.0	654.5	4,293.6	11.5	5,008.6	687.2
Net income	—	—	—	1,497.8	—	1,497.8	83.4
Other comprehensive income (loss), net of tax	—	—	—	—	(15.1)	(15.1)	21.2
Dividends declared	—	—	—	(562.6)	—	(562.6)	—
Common stock-based compensation plans activity							
Shares issued upon option exercises	6,339	1.2	251.0	—	—	252.2	—
Restricted shares withheld for taxes, net of shares issued	(170)	—	(19.2)	—	—	(19.2)	—
Shares issued upon vesting of restricted stock units, net of shares withheld for taxes	789	.1	(31.3)	—	—	(31.2)	—
Forfeiture of restricted awards	(19)	—	—	—	—	—	—
Stock-based compensation expense	—	—	152.0	—	—	152.0	—
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—	—
Common shares repurchased	(6,612)	(1.3)	(161.1)	(295.7)	—	(458.1)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	1,243.7
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(1,042.7)
Balances at December 31, 2017	245,111	\$ 49.0	\$ 846.1	\$ 4,932.9	\$ (3.6)	\$ 5,824.4	\$ 992.8

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, Inc. derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the T. Rowe Price U.S. mutual funds and other investment products, including separately managed accounts, subadvised funds, and other T. Rowe Price products. 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 United States. These principles require that we make certain estimates and assumptions. Actual results may vary from our estimates.

In 2017, we recognized in our income tax provision a non-recurring charge of \$71.1 million to reflect the estimated effect of the U.S. tax law changes enacted on December 22, 2017. The charge is a reasonable estimate based on current interpretation of the tax law changes and includes \$18.9 million for the remeasurement of our deferred tax assets and liabilities, and a \$52.2 million tax liability for the mandatory deemed repatriation of foreign sourced net earnings. We will continue to evaluate the impact of the tax law changes on our estimates and expectations due to changes in our interpretations of the law, assumptions used in applying the law, and additional guidance concerning the law that may be issued. We will report any applicable adjustments to these estimates in 2018 after our estimates are finalized. Refer to Note 7 for more information on the impact of tax reform on our 2017 financial statements and effective tax rate.

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, and subsequently has issued several related accounting standard updates clarifying several aspects of ASU 2014-09, including technical corrections and improvements (ASC 606). The standard update provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles to apply to determine the measurement of revenue and the timing of when it is recognized. We will adopt the new standard on its effective date, January 1, 2018, using the retrospective approach with adjustments to each prior period. We concluded that the new standards do not materially change the timing of revenue recognition. However, the presentation of certain revenue-related expenses totaling about \$60 million in 2016 and 2017 will change from being recognized net against the related revenues to being reported within operating expenses. Additionally, we plan to enhance disclosures in accordance with the standard's disclosure requirements in 2018.

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. This standard update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We will adopt the new standard on its effective date, January 1, 2018. Upon adoption, we will reclassify net unrealized holding gains recognized on investments in T. Rowe Price products totaling \$7.9 million from accumulated other comprehensive income to retained earnings. After January 1, 2018, the change in the fair value of investments in T. Rowe Price investment products previously accounted for as available-for-sale investments will be recognized in our consolidated income statement rather than our consolidated statement of comprehensive income. The impact upon implementation of the standard on our investments without a readily determinable fair value is not material.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02—Leases (Topic 842). The standard update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standards update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact this standard will have on our financial position and results of operations.

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our consolidated financial statements, including guidance 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.

CONSOLIDATION

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

Variable interest entities

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

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

Redeemable non-controlling interests

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

Investments in T. Rowe Price money market mutual funds

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

CASH EQUIVALENTS

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

INVESTMENTS

T. Rowe Price investment products that are accounted for as available-for-sale investments have been made for both general corporate investment purposes and to provide seed capital for newly formed products. These investments are carried at fair value using the quoted closing net asset value (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 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 investment for a period of time sufficient for an anticipated recovery in fair value. Subject to the other considerations noted above, we believe a 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.

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

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

T. Rowe Price investment products held as trading include seed and discretionary investments in mutual funds and separately managed account products that are carried at fair value. These investments are valued in accordance with the valuation and pricing policy used to value our assets under management and as further described in the Revenue Recognition section below.

Investments held by consolidated T. Rowe Price investment products are considered trading securities that are carried at fair value with corresponding changes in the investments' fair values reflected in non-operating income in our consolidated statements of income. These investments are valued in accordance with the valuation and pricing policy used to value our assets under management and further described in the Revenue Recognition section below.

CONCENTRATION OF RISK

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

Our 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. The underlying holdings of our assets under management are also subject to market risk, which may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost net of accumulated depreciation and amortization computed using the straight-line method. Provisions for depreciation and amortization are based on the following weighted-average estimated useful lives: computer and communications software and equipment, 3 years; buildings and improvements, 32 years; leasehold improvements, 8 years; furniture and other equipment, 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 the T. Rowe Price U.S. mutual funds and other investment products, 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 T. Rowe Price U.S. mutual funds and other investment products. 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 certain T. Rowe Price U.S. mutual funds are recognized in the period that they are earned, which is the same period that the related products 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 T. Rowe Price 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 2017 Non-Employee Director Equity Plan, collectively the Director Plans). We believe that our stock-based compensation programs align the interests of our employees and directors with those of our common stockholders. As of December 31, 2017, a total of 18,445,397 shares were available for future grant under the 2012 Long-Term Incentive Plan and the 2017 Non-Employee Director Equity Plan (2017 Plan).

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

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

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

We recognize the grant-date fair value of these awards as compensation expense ratably over the awards' requisite service period. Compensation expense recognized for performance-based restricted shares and units includes an estimate regarding the probability of the performance thresholds being met. Both time-based and performance-based units are valued on the grant-date using the closing market price of our common stock. The expense recognized prior to 2016 includes an estimate of awards that will be forfeited. Upon implementation of the new stock-based compensation accounting guidance in 2016, we elected to account for forfeitures as they occur.

We used the following inputs to the Black-Scholes option-pricing model to estimate the fair value of each option granted in 2015 and 2016.

	Weighted-average	
	2015	2016
Grant-date fair value per option awarded	\$ 17.35	\$ 10.62
Assumptions used:		
Expected life in years	7.0	6.8
Expected volatility	27%	20%
Dividend yield	2.4%	2.5%
Risk-free interest rate	1.9%	1.6%

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 T. Rowe Price investment products into U.S. dollars. Assets and liabilities are translated into U.S. dollars using year-end exchange rates, and revenues and expenses are translated using weighted-average exchange rates for the period.

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

Notes to Consolidated Financial Statements

NOTE 1—CASH EQUIVALENTS

Cash equivalent investments in the T. Rowe Price money market mutual funds aggregate \$1,052.3 million at December 31, 2016, and \$1,726.4 million at December 31, 2017. Dividends earned on these investments totaled \$.2 million in 2015, \$.3 million in 2016, and \$.9 million in 2017.

NOTE 2—INFORMATION ABOUT RECEIVABLES, REVENUES, AND SERVICES

Accounts receivable from T. Rowe Price investment products, including the T. Rowe Price U.S. mutual funds, for advisory fees and advisory-related administrative services aggregate \$303.1 million at December 31, 2016, and \$365.3 million at December 31, 2017.

Revenues from advisory services provided under agreements with the T. Rowe Price U.S. mutual funds and other investment products include:

(in millions)	2015	2016	2017
T. Rowe Price U.S. mutual funds			
Stock and blended asset	\$ 2,241.9	\$ 2,228.1	\$ 2,570.9
Bond and money market	426.0	477.3	501.0
	2,667.9	2,705.4	3,071.9
Other investment products			
Stock and blended asset	862.2	850.3	1,009.4
Bond, money market, and stable value	157.2	173.0	206.4
	1,019.4	1,023.3	1,215.8
Total	\$ 3,687.3	\$ 3,728.7	\$ 4,287.7

Other investment products include advisory revenues of \$367.8 million, \$386.0 million, and \$478.2 million for the year ended December 31, 2015, 2016, and 2017, respectively, that were earned on other T. Rowe Price products.

During 2015 and 2016, we voluntarily waived \$47.6 million and \$10.5 million, respectively, in money market related fees, including advisory fees and fund expenses in order to maintain a positive yield for investors. Money market related fee waivers were immaterial in 2017.

The following table summarizes the assets under management on which we earned advisory fees.

(in billions)	Average during			As of December 31,	
	2015	2016	2017	2016	2017
T. Rowe Price U.S. mutual funds					
Stock and blended asset	\$ 387.8	\$ 386.1	\$ 447.5	\$ 401.3	\$ 480.5
Bond and money market	105.8	109.4	121.0	112.9	125.8
	493.6	495.5	568.5	514.2	606.3
Other investment products					
Stock and blended asset	210.3	211.1	256.4	220.8	291.9
Bond, money market, and stable value	64.0	71.6	84.1	75.8	92.9
	274.3	282.7	340.5	296.6	384.8
Total	\$ 767.9	\$ 778.2	\$ 909.0	\$ 810.8	\$ 991.1

Investors that we serve are primarily domiciled in the U.S.; investment advisory clients outside the U.S. account for 4.7% and 5.8% of our assets under management at December 31, 2016 and 2017, respectively.

The following table summarizes the other fees we earned from the T. Rowe Price U.S. mutual funds.

(in millions)	2015	2016	2017
Administrative fees	\$ 292.8	\$ 277.3	\$ 283.1
Distribution and servicing fees	\$ 151.5	\$ 141.7	\$ 147.0

NOTE 3—INVESTMENTS

The carrying values of investments we do not consolidate at December 31 are as follows:

(in millions)	2016	2017
T. Rowe Price investment products held as available-for-sale	\$ 709.0	\$ 597.1
Equity method investments		
T. Rowe Price investment products	252.3	277.4
26% interest in UTI Asset Management Company Limited (India)	140.9	155.8
Investment partnerships	5.3	4.8
Trading investments		
T. Rowe Price investment products designated as an economic hedge of supplemental savings plan liability	—	268.2
T. Rowe Price investment products	75.4	95.0
Cost method investments	73.6	78.0
U.S. Treasury note	1.0	1.0
Total	\$ 1,257.5	\$ 1,477.3

At the end of the second quarter of 2017, we made the decision to economically hedge the market exposure associated with our supplemental savings plan liability with certain T. Rowe Price investment products. In order to fund the hedge portfolio, we used the proceeds from the sale of certain T. Rowe Price investment products held as available-for-sale as well as designated a T. Rowe Price U.S. mutual fund that was held as available-for-sale.

During the last three years, certain T. Rowe Price investment products in which we provided initial seed capital at the time of formation were deconsolidated, as we no longer had a controlling interest. Depending on our ownership interest, we are now reporting our residual interests in these T. Rowe Price investment products as either equity method or available-for-sale investments. Additionally, during 2016 and 2017, certain T. Rowe Price investment products that were being accounted for as equity method investments were consolidated, as we regained a controlling interest. The net impact of these changes on our consolidated balance sheets and income statements as of the dates the portfolios were deconsolidated or reconsolidated is detailed below.

(in millions)	2015	2016	2017
Net increase (decrease) in assets of consolidated T. Rowe Price investment products	\$ (20.3)	\$ (1,342.8)	\$ (1,397.2)
Net increase (decrease) in liabilities of consolidated T. Rowe Price investment products	\$ —	\$ (37.3)	\$ (153.1)
Net increase (decrease) in redeemable non-controlling interests	\$ —	\$ (967.3)	\$ (1,042.6)
Gains (losses) recognized upon deconsolidation	\$ (5.8)	\$ 2.2	\$.1

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

T. Rowe Price investment products—available-for-sale

These investments include:

(in millions)	Aggregate cost	Unrealized holding		Aggregate fair value
		gains	losses	
December 31, 2016				
Stock and blended asset funds	\$ 162.9	\$ 88.0	\$ (1.9)	\$ 249.0
Bond funds	463.3	1.7	(5.0)	460.0
Total	\$ 626.2	\$ 89.7	\$ (6.9)	\$ 709.0
December 31, 2017				
Stock and blended asset funds	\$ 106.7	\$ 14.1	\$ —	\$ 120.8
Bond funds	480.5	.3	(4.5)	476.3
Total	\$ 587.2	\$ 14.4	\$ (4.5)	\$ 597.1

The following table details the number of holdings, the unrealized holding losses, and the aggregate fair value of T. Rowe Price investment products held as available-for-sale with unrealized losses categorized by the length of time they have been in a continuous unrealized loss position:

(in millions)	Number of holdings	Unrealized holding losses		Aggregate fair value
December 31, 2016				
Less than 12 months	8	\$	(4.2)	\$ 328.1
12 months or more	2		(2.7)	169.5
Total	10	\$	(6.9)	\$ 497.6
December 31, 2017				
Less than 12 months	2	\$	(.4)	\$ 213.2
12 months or more	2		(4.1)	191.5
Total	4	\$	(4.5)	\$ 404.7

In addition to the duration of the impairments, we reviewed the severity of the impairment as well as our intent and ability to hold the investments for a period of time sufficient for an anticipated recovery in fair value. Accordingly, impairment of these investment holdings was considered temporary at December 31, 2016 and 2017.

Dividends, excluding capital gain distributions, earned on these investments totaled \$18.1 million in 2015, \$8.7 million in 2016, and \$8.2 million in 2017.

Variable interest entities

Our investments at December 31, 2016 and 2017, include interests in variable interest entities that we do not consolidate as we are not deemed the primary beneficiary. Our maximum risk of loss related to our involvement with these entities is as follows:

(in millions)	2016		2017	
Investment carrying values	\$	149.2	\$	129.2
Unfunded capital commitments		46.4		38.8
Uncollected investment advisory and administrative fees		5.9		7.7
	\$	201.5	\$	175.7

The unfunded capital commitments totaling \$46.4 million and \$38.8 million at December 31, 2016 and 2017, respectively, relate primarily to investment partnerships in which we have an existing investment. In addition to such amounts, a percentage of prior distributions may be called under certain circumstances.

NOTE 4—FAIR VALUE MEASUREMENTS

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

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

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

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

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

(in millions)	Level 1	Level 2
December 31, 2016		
Cash equivalents	\$ 1,052.3	\$ —
T. Rowe Price investment products held as available-for-sale	709.0	—
T. Rowe Price investment products held as trading	60.3	15.1
Total	\$ 1,821.6	\$ 15.1
December 31, 2017		
Cash equivalents	\$ 1,726.4	\$ —
T. Rowe Price investment products held as available-for-sale	597.1	—
T. Rowe Price investment products held as trading	345.8	17.4
Total	\$ 2,669.3	\$ 17.4

NOTE 5—CONSOLIDATED T. ROWE PRICE INVESTMENT PRODUCTS

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

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

(in millions)	December 31, 2016			December 31, 2017		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Cash and cash equivalents ⁽¹⁾	\$ 10.3	\$ 55.3	\$ 65.6	\$ 7.1	\$ 96.0	\$ 103.1
Investments ⁽²⁾	219.3	1,340.6	1,559.9	188.8	1,725.7	1,914.5
Other assets	4.8	50.2	55.0	12.9	17.9	30.8
Total assets	234.4	1,446.1	1,680.5	208.8	1,839.6	2,048.4
Liabilities	8.8	56.8	65.6	16.4	39.5	55.9
Net assets	\$ 225.6	\$ 1,389.3	\$ 1,614.9	\$ 192.4	\$ 1,800.1	\$ 1,992.5
Attributable to T. Rowe Price Group	\$ 156.1	\$ 771.6	\$ 927.7	\$ 131.6	\$ 868.1	\$ 999.7
Attributable to redeemable non-controlling interests	69.5	617.7	687.2	60.8	932.0	992.8
	\$ 225.6	\$ 1,389.3	\$ 1,614.9	\$ 192.4	\$ 1,800.1	\$ 1,992.5

⁽¹⁾Cash and cash equivalents includes \$8.8 million and \$6.2 million at December 31, 2016 and 2017, respectively, of investments in T. Rowe Price money market mutual funds.

⁽²⁾Investments include \$4.2 million and \$15.0 million at December 31, 2016 and 2017, respectively, of T. Rowe Price investment products.

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

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

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

(in millions)	2016			2017		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Operating expenses reflected in net operating income	\$ (1.6)	\$ (11.4)	\$ (13.0)	\$ (1.1)	\$ (11.2)	\$ (12.3)
Net investment income reflected in non-operating income	22.5	98.6	121.1	18.8	175.1	193.9
Impact on income before taxes	\$ 20.9	\$ 87.2	\$ 108.1	\$ 17.7	\$ 163.9	\$ 181.6
Net income attributable to T. Rowe Price Group	\$ 15.0	\$ 54.1	\$ 69.1	\$ 13.3	\$ 84.9	\$ 98.2
Net income attributable to redeemable non-controlling interests	5.9	33.1	39.0	4.4	79.0	83.4
	\$ 20.9	\$ 87.2	\$ 108.1	\$ 17.7	\$ 163.9	\$ 181.6

The operating expenses of these consolidated products are reflected in other operating expenses. In preparing our consolidated financial statements, we eliminated operating expenses of \$6.5 million and \$5.6 million in 2016 and 2017, respectively, against the investment advisory and administrative fees earned from these products. The net investment income reflected in nonoperating income includes dividend and interest income and realized and unrealized gains and losses on the underlying securities held by the consolidated T. Rowe Price investment products.

The table below details the impact of these consolidated investment products on the individual lines of our consolidated statements of cash flows as follows:

(in millions)	2016			2017		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Net cash provided by (used in) operating activities	\$ (80.1)	\$ (1,086.5)	\$ (1,166.6)	\$ (33.0)	\$ (1,282.3)	\$ (1,315.3)
Net cash provided by (used in) investing activities	21.6	19.8	41.4	(9.0)	(55.2)	(64.2)
Net cash provided by (used in) financing activities	68.8	1,124.1	1,192.9	38.8	1,372.9	1,411.7
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(2.1)	(2.1)	—	5.3	5.3
Net change in cash and cash equivalents during period	10.3	55.3	65.6	(3.2)	40.7	37.5
Cash and cash equivalents at beginning of year	—	—	—	10.3	55.3	65.6
Cash and cash equivalents at end of year	\$ 10.3	\$ 55.3	\$ 65.6	\$ 7.1	\$ 96.0	\$ 103.1

The net cash provided by financing activities during 2016 and 2017, includes \$277.9 million and \$130.1 million, respectively, of net subscriptions we made into the consolidated T. Rowe Price investment products, net of dividends received. These cash flows were eliminated in consolidation.

Fair value measurements

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

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

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

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

These levels are not necessarily an indication of the risk or liquidity associated with these investment holdings. There have been no material transfers between the levels during 2016 and 2017. The following table summarizes the investment holdings held by our consolidated T. Rowe Price investment products using fair value measurements determined based on the differing levels of inputs.

(in millions)	Level 1	Level 2
December 31, 2016		
Assets		
Cash equivalents	\$ 8.8	\$.8
Equity securities	281.8	325.3
Fixed income securities	—	918.1
Other investments	.4	34.3
	\$ 291.0	\$ 1,278.5
Liabilities	\$ (.6)	\$ (13.6)
December 31, 2017		
Assets		
Cash equivalents	\$ 6.2	\$.7
Equity securities	536.0	667.5
Fixed income securities	—	687.4
Other investments	1.3	22.3
	\$ 543.5	\$ 1,377.9
Liabilities	\$ (.1)	\$ (13.7)

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

(in millions)	2016	2017
Computer and communications software and equipment	\$ 704.0	\$ 824.4
Buildings and improvements	422.0	442.5
Leasehold improvements	108.2	121.0
Furniture and other equipment	158.3	168.9
Land	40.3	37.4
Leased land	2.7	2.7
	1,435.5	1,596.9
Less accumulated depreciation and amortization	820.4	944.9
Total	\$ 615.1	\$ 652.0

Compensation and related costs attributable to the development of computer software for internal use totaling \$22.3 million in 2015, \$28.9 million in 2016, and \$62.3 million in 2017 have been capitalized. We occupy certain office facilities and lease computer and other equipment under noncancelable operating leases. Related rental expense was \$31.1 million in 2015, \$32.8 million in 2016, and \$36.0 million in 2017. Future minimum payments under these leases aggregate \$37.8 million in 2018, \$37.2 million in 2019, \$32.9 million in 2020, \$29.6 million in 2021, \$24.6 million in 2022, and \$100.5 million in later years.

NOTE 7—INCOME TAXES

The provision for income taxes consists of:

(in millions)	2015	2016	2017
Current income taxes			
U.S. federal	\$ 669.5	\$ 573.7	\$ 708.1
State and local	134.3	105.8	131.0
Foreign	18.9	13.5	13.1
Deferred income taxes (tax benefits)	(43.3)	13.5	71.7
Total	\$ 779.4	\$ 706.5	\$ 923.9

Our income tax provision for 2017 includes a non-recurring charge of \$71.1 million to reflect the effect of the U.S. tax law changes enacted on December 22, 2017. The recognized charge is our reasonable estimate based on current interpretation of the tax law changes and includes \$18.9 million for the remeasurement of our deferred tax assets and liabilities, and a \$52.2 million U.S. federal and state tax charge for the mandatory deemed repatriation of foreign sourced net earnings. The federal tax portion will be payable over the next 8 years. We will continue to evaluate the impact of the tax law changes on our estimates and expectations due to changes in our interpretations of the law, assumptions used in applying the law, and additional guidance concerning the law that may be issued. We will report any applicable adjustments to these estimates in 2018 after our estimates are finalized.

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:

(in millions)	2015	2016	2017
Property and equipment	\$ (2.3)	\$ 3.2	\$ (3.9)
Stock-based compensation	(14.6)	1.3	72.4
Accrued compensation	(.9)	(1.7)	1.2
Supplemental savings plan liability	(27.4)	(30.9)	(8.3)
Other-than-temporary impairments of available-for-sale investments	(.4)	10.0	7.3
Unrealized holding gains recognized in non-operating income	(2.4)	31.6	10.7
Other	4.7	—	(7.7)
Total deferred income taxes (tax benefits)	\$ (43.3)	\$ 13.5	\$ 71.7

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

	2015	2016	2017
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Impact of U.S. tax reform	—	—	2.9
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	4.3	3.8	3.9
Net income attributable to redeemable non-controlling interests	—	(.7)	(1.3)
Net excess tax benefits from stock-based compensation plans activity	—	(1.7)	(3.0)
Other items	(.4)	(.4)	(.6)
Effective income tax rate	38.9%	36.0%	36.9%

⁽¹⁾In 2017, state income benefits totaling (.4)% are reflected in the total benefits for net income attributable to redeemable non-controlling interests and stock-based compensation plans activity. The amounts were not material in 2015 and 2016.

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

(in millions)	2016	2017
Deferred tax liabilities		
Property and equipment	\$ (39.2)	\$ (35.3)
Net unrealized holding gains recognized in income	(43.2)	(53.9)
Net unrealized holding gains on investments held as available-for-sale	(33.4)	(3.1)
Other	(27.5)	(18.9)
	(143.3)	(111.2)
Deferred tax assets		
Stock-based compensation	165.1	92.7
Asset impairments	16.1	8.8
Accrued compensation	5.6	4.4
Supplemental savings plan	58.3	66.6
Currency translation adjustment	23.0	2.2
Other	7.7	6.8
	275.8	181.5
Net deferred tax asset	\$ 132.5	\$ 70.3

We have not recognized a state deferred tax liability for unremitted earnings of our foreign subsidiaries as T. Rowe Price intends to indefinitely reinvest these earnings outside the U.S. The unremitted earnings of these subsidiaries are estimated to be approximately \$604 million at December 31, 2017. 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 state and local income taxes. Determination of the amount of the unrecognized deferred state liability related to these earnings is not practicable.

Other assets include tax refund receivables of \$8.1 million at December 31, 2016, and \$43.2 million at December 31, 2017.

Cash outflows from operating activities include net income taxes paid of \$778.6 million in 2015, \$680.6 million in 2016, and \$857.7 million in 2017.

Additional income tax benefit arising from stock-based compensation plans activity totaling \$23.2 million in 2015, \$31.6 million in 2016, and \$75.5 million in 2017 reduced the amount of income taxes that would have otherwise been payable. The income tax benefits for 2016 and 2017 were recognized in the income tax provision compared with additional paid in capital in 2015.

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

(in millions)	2015	2016	2017
Balance at beginning of year	\$ 5.6	\$ 5.8	\$ 6.2
Changes in tax positions related to			
Current year	.7	.6	1.5
Prior years	1.8	—	.1
Expired statute of limitations	(2.3)	(.2)	(.2)
Balance at end of year	\$ 5.8	\$ 6.2	\$ 7.6

If recognized, these tax benefits would affect our effective tax rate; however, we do not expect that unrecognized tax benefits for tax positions taken with respect to 2017 and prior years will significantly change in 2018. The U.S. has concluded examinations related to federal tax obligations through the year 2015. A net interest payable related to our unrecognized tax benefits of \$1.2 million at December 31, 2016, and \$1.5 million at December 31, 2017, 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 15,183,779 common shares as of December 31, 2017.

Dividends

Regular cash dividends declared per share were \$2.08 in 2015, \$2.16 in 2016, and \$2.28 in 2017. A \$2.00 per share special dividend was also declared and paid during 2015.

Restricted capital

Our consolidated stockholders' equity at December 31, 2017, includes about \$142 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

Shares authorized for stock-based compensation programs

At December 31, 2017, a total of 39,301,717 shares of unissued common stock were authorized for issuance under our stockbased compensation plans. Additionally, a total of 2,693,679 shares are authorized for issuance under a plan whereby substantially all employees may acquire common stock through payroll deductions at prevailing market prices.

Stock options

The following table summarizes the status of, and changes in, our stock options during 2017.

	Options	Weighted-average exercise price	Weighted-average remaining contractual term in years
Outstanding at December 31, 2016	24,364,322	\$ 61.90	
Exercised	(8,977,164)	\$ 53.04	
Forfeited	(126,404)	\$ 75.16	
Expired	(39,631)	\$ 76.06	
Outstanding at December 31, 2017	15,221,123	\$ 66.98	5.1
Exercisable at December 31, 2017	11,140,190	\$ 63.79	4.5

Compensation and related costs includes a charge for stock option-based compensation expense of \$63.7 million in 2015, \$44.9 million in 2016, and \$28.1 million in 2017.

The total intrinsic value of options exercised was \$108.1 million in 2015, \$150.5 million in 2016, and \$293.0 million in 2017. At December 31, 2017, the aggregate intrinsic value of in-the-money options outstanding was \$577.6 million, including \$458.3 million related to options exercisable.

Restricted shares and stock units

The following table summarizes the status of, and changes in, our nonvested restricted shares and restricted stock units during 2017.

	Restricted shares	Restricted stock units	Weighted-average fair value
Nonvested at December 31, 2016	931,508	4,634,461	\$ 72.19
Time-based grants	17,022	2,026,176	\$ 100.24
Performance-based grants	—	114,454	\$ 101.79
Vested (value at vest date was \$164.5 million)	(455,958)	(1,111,857)	\$ 71.77
Forfeited	(19,457)	(106,323)	\$ 72.32
Nonvested at December 31, 2017	473,115	5,556,911	\$ 82.37

Nonvested at December 31, 2017, includes 7,200 performance-based restricted shares and 407,808 performance-based restricted stock units. These nonvested performance-based restricted shares and units include 7,200 shares and 293,354 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 \$85.3 million in 2015, \$116.7 million in 2016, and \$124.0 million in 2017.

At December 31, 2017, non-employee directors held 78,286 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 awards outstanding at December 31, 2017. Estimated future compensation expense will change to reflect future grants changes in the probability of performance thresholds being met, and adjustments for actual forfeitures.

First quarter 2018	\$ 47.3
Second quarter 2018	46.7
Third quarter 2018	46.0
Fourth quarter 2018	40.3
Total 2018	180.3
2019 through 2023	176.1
Total	\$ 356.4

NOTE 10—EARNINGS PER SHARE CALCULATIONS

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

(in millions)	2015	2016	2017
Net income attributable to T. Rowe Price Group	\$ 1,223.0	\$ 1,215.0	\$ 1,497.8
Less: net income allocated to outstanding restricted stock and stock unit holders	16.1	25.5	33.9
Net income allocated to common stockholders	\$ 1,206.9	\$ 1,189.5	\$ 1,463.9
Weighted-average common shares			
Outstanding	254.6	245.5	241.2
Outstanding assuming dilution	260.9	250.3	245.1

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

(in millions)	2015	2016	2017
Weighted-average outstanding stock options excluded	6.4	9.9	5.0

NOTE 11—OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(in millions)	2015	2016	2017
Net deferred tax benefits (income taxes) on:			
Net unrealized holding gains or losses	\$ 5.1	\$.6	\$ (14.6)
Reclassification adjustments recognized in the provision for income taxes:			
Capital gain distributions	7.9	2.4	1.4
Net gains realized on dispositions	20.7	20.9	32.5
Net gains recognized upon transfer to trading investments	—	—	9.2
Other-than-temporary impairments	(1.9)	—	—
Net deferred tax benefits (income taxes) on net unrealized holding gains or losses	31.8	23.9	28.5
Currency translation adjustments	3.8	3.5	(18.5)
Reclassification adjustment recognized in the provision for income taxes upon deconsolidation of T. Rowe Price investment product	(1.2)	.8	—
Total deferred tax benefits (income taxes) on currency translation adjustments	2.6	4.3	(18.5)
Total net deferred tax benefits (income taxes)	\$ 34.4	\$ 28.2	\$ 10.0

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

(in millions)	Currency translation adjustments					Total
	Net unrealized holding gains	Equity method investments	Consolidated T. Rowe Price investment products—variable interest entities	Total currency translation adjustments		
Balances at December 31, 2014	\$ 165.5	\$ (25.7)	\$ (3.4)	\$ (29.1)	\$	136.4
Other comprehensive income (loss) before reclassifications and income taxes	(4.5)	(8.1)	(4.9)	(13.0)		(17.5)
Reclassification adjustments recognized in non-operating income	(72.5)	—	5.8	5.8		(66.7)
	(77.0)	(8.1)	.9	(7.2)		(84.2)
Net deferred tax benefits (income taxes)	31.8	2.9	(.3)	2.6		34.4
Other comprehensive income (loss)	(45.2)	(5.2)	.6	(4.6)		(49.8)
Balances at December 31, 2015	120.3	(30.9)	(2.8)	(33.7)		86.6
Reclassification of accumulated other comprehensive income to retained earnings upon adoption of the new consolidation accounting guidance	(32.0)	(.5)	—	(.5)		(32.5)
Balance at January 1, 2016	88.3	(31.4)	(2.8)	(34.2)		54.1
Other comprehensive income (loss) before reclassifications and income taxes	(7.0)	(1.6)	(7.0)	(8.6)		(15.6)
Reclassification adjustments recognized in non-operating income	(53.0)	—	(2.2)	(2.2)		(55.2)
	(60.0)	(1.6)	(9.2)	(10.8)		(70.8)
Net deferred tax benefits (income taxes)	23.9	.7	3.6	4.3		28.2
Other comprehensive income (loss)	(36.1)	(.9)	(5.6)	(6.5)		(42.6)
Balances at December 31, 2016	52.2	(32.3)	(8.4)	(40.7)		11.5
Other comprehensive income (loss) before reclassifications and income taxes	37.4	2.6	45.2	47.8		85.2
Reclassification adjustments recognized in non-operating income	(110.2)	—	(.1)	(.1)		(110.3)
	(72.8)	2.6	45.1	47.7		(25.1)
Net deferred tax benefits (income taxes)	28.5	(.9)	(17.6)	(18.5)		10.0
Other comprehensive income (loss)	(44.3)	1.7	27.5	29.2		(15.1)
Balances at December 31, 2017	\$ 7.9	\$ (30.6)	\$ 19.1	\$ (11.5)	\$	(3.6)

NOTE 12—DELL APPRAISAL RIGHTS MATTER

In 2016, we paid \$166.2 million to compensate certain T. Rowe Price mutual funds, trusts, separately managed accounts, and subadvised clients (collectively, Clients) for the denial of their appraisal rights by the Delaware Chancery Court (Court) in connection with the 2013 leveraged buyout of Dell, Inc. (Dell).

The Court ruled on May 11, 2016, that the Clients could not pursue an appraisal of any shares they held that were voted in favor of the Dell merger. The appraisal statute governing the transaction required the record holder to vote against or abstain from voting on the transaction in order to assert appraisal rights. After previously voting against prior transaction proposals, the voting instructions submitted on behalf of the Clients in connection with voting on the final proposed transaction were incorrectly submitted in favor of the transaction. On May 31, 2016, the Court determined that the fair value of Dell at the time of the merger was \$17.62 per share, as opposed to the \$13.75 price offered in the transaction. As a result, any shareholder perfecting appraisal rights is entitled to a payment at \$17.62 per share plus statutory interest from the date the Dell transaction closed subject to possible appeal of the Court's decision. The compensation to Clients was intended to make them whole for the voting discrepancy that resulted in the denial of their appraisal rights.

On December 30, 2016, we entered into a settlement agreement for \$100.0 million with our insurance carrier for insurance proceeds related to this matter. We recognized the proceeds as a reduction to the \$166.2 million nonrecurring charge that we recognized earlier in 2016 and received the proceeds in January 2017. We received an additional \$50 million in insurance proceeds from other insurance carriers in early 2017 and recognized a related reduction in operating expenses.

In accordance with the compensation payment, the Clients agreed that in the event the findings made by the Court regarding the fair value of Dell or the amount of interest to be applied were modified by a final, non-appealable judgment, T. Rowe Price and the Clients would make an appropriate adjustment between themselves, calculated in a manner that is consistent with the methodology used to compensate Clients. In December 2016, several parties, including Dell and the successful appraisal petitioners, filed appeals to the Delaware Supreme Court to challenge the Court's valuation ruling. On December 14, 2017, the Delaware Supreme Court reversed the Court's judgment and remanded the case for further proceedings. It is not clear how the Court will eventually rule and what the ultimate valuation will be, although the Supreme Court's opinion suggests that the deal price of \$13.75 may be the ultimate outcome.

Once the Court enters a final, non-appealable judgment, Clients will be required to repay any overpayment using the methodology used to calculate the original payment. We estimate that the first \$15.2 million reclaimed from our Clients would be paid back to T. Rowe Price Group. We would then be required to repay any additional reclaimed funds to our insurers in a specific order.

NOTE 13—COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 14—OTHER DISCLOSURES

Retirement plans

Compensation and related costs includes expense recognized for our defined contribution retirement plans of \$74.9 million in 2015, \$80.7 million in 2016, and \$89.4 million in 2017.

Supplemental savings plan

The Supplemental Savings Plan provides certain senior officers the opportunity to defer receipt of up to 100% of their cash incentive compensation earned for a respective calendar year during which services are provided. The amounts deferred are adjusted in accordance with the hypothetical investments chosen by the officer from a list of mutual funds. The officer can initially defer these amounts for a period of two to 15 years. For 2015, 2016 and 2017, senior officers elected to defer \$72.8 million, \$83.4 million, and \$95.5 million, respectively.

NOTE 15—SUPPLEMENTARY CONSOLIDATING CASH FLOW STATEMENT

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

	2016			
	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated T. Rowe Price investment products	Eliminations	As reported
Cash flows from operating activities				
Net income	\$ 1,215.0	\$ 108.1	\$ (69.1)	\$ 1,254.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization of property and equipment	133.4	—	—	133.4
Stock-based compensation expense	161.6	—	—	161.6
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(53.0)	—	—	(53.0)
Gains recognized upon transfer of an available-for-sale T. Rowe Price investment products to T. Rowe Price investment products held as trading	—	—	—	—
Net gains recognized on investments	(100.1)	—	69.1	(31.0)
Investments in T. Rowe Price mutual funds held as trading to economically hedge supplemental savings plan liability	—	—	—	—
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(1,297.9)	—	(1,297.9)
Changes in accounts receivable and accrued revenue	(9.3)	—	—	(9.3)
Changes in payables and accrued liabilities	101.5	37.1	—	138.6
Other changes in assets and liabilities	(105.4)	(13.9)	(6.6)	(125.9)
Net cash provided by (used in) operating activities	1,343.7	(1,166.6)	(6.6)	170.5
Net cash provided by (used in) investing activities	(219.7)	41.4	284.5	106.2
Net cash used in financing activities attributable to T. Rowe Price Group	(1,091.4)	—	—	(1,091.4)
Net subscriptions received from redeemable non-controlling interest holders	—	1,192.9	(277.9)	915.0
Net cash provided by (used in) financing activities	(1,091.4)	1,192.9	(277.9)	(176.4)
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(2.1)	—	(2.1)
Net change in cash and cash equivalents during period	32.6	65.6	—	98.2
Cash and cash equivalents at beginning of year	1,172.3	—	—	1,172.3
Cash and cash equivalents at end of period	\$ 1,204.9	\$ 65.6	\$ —	\$ 1,270.5

2017

	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated T. Rowe Price investment products	Eliminations	As reported
Cash flows from operating activities				
Net income	\$ 1,497.8	\$ 181.6	\$ (98.2)	\$ 1,581.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization of property and equipment	143.6	—	—	143.6
Stock-based compensation expense	152.0	—	—	152.0
Realized gains on dispositions of available-for-sale T. Rowe Price investment products	(83.1)	—	—	(83.1)
Gains recognized upon transfer of an available-for-sale T. Rowe Price investment products to T. Rowe Price investment products held as trading	(23.6)	—	—	(23.6)
Net gains recognized on investments	(147.9)	—	98.2	(49.7)
Investments in T. Rowe Price mutual funds held as trading to economically hedge supplemental savings plan liability	(218.6)	—	—	(218.6)
Net change in trading securities held by consolidated T. Rowe Price investment products	—	(1,492.9)	—	(1,492.9)
Changes in accounts receivable and accrued revenue	(100.8)	—	—	(100.8)
Changes in payables and accrued liabilities	169.1	154.3	—	323.4
Other changes in assets and liabilities	163.3	(158.3)	(7.0)	(2.0)
Net cash provided by (used in) operating activities	1,551.8	(1,315.3)	(7.0)	229.5
Net cash provided by (used in) investing activities	(33.9)	(64.2)	137.1	39.0
Net cash used in financing activities attributable to T. Rowe Price Group	(820.1)	—	—	(820.1)
Net subscriptions received from redeemable non-controlling interest holders	—	1,411.7	(130.1)	1,281.6
Net cash provided by (used in) financing activities	(820.1)	1,411.7	(130.1)	461.5
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	5.3	—	5.3
Net change in cash and cash equivalents during period	697.8	37.5	—	735.3
Cash and cash equivalents at beginning of year	1,204.9	65.6	—	1,270.5
Cash and cash equivalents at end of period	\$ 1,902.7	\$ 103.1	\$ —	\$ 2,005.8

NOTE 16—SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)

	Net revenues	Net income ⁽²⁾	Net income attributable to T. Rowe Price Group ⁽²⁾	Basic earnings on common stock ⁽¹⁾	Diluted earnings on common stock ^{(1),(2)}
	(in millions)			(per share)	
2016					
1st quarter	\$ 994.1	\$ 313.3	\$ 304.1	\$ 1.21	\$ 1.18
2nd quarter	\$ 1,044.7	\$ 211.2	\$ 203.3	\$.81	\$.79
3rd quarter	\$ 1,092.9	\$ 362.7	\$ 327.8	\$ 1.30	\$ 1.28
4th quarter	\$ 1,091.2	\$ 366.8	\$ 379.8	\$ 1.53	\$ 1.50
2017					
1st quarter	\$ 1,113.6	\$ 400.4	\$ 385.9	\$ 1.56	\$ 1.54
2nd quarter	\$ 1,171.6	\$ 390.0	\$ 373.9	\$ 1.52	\$ 1.50
3rd quarter	\$ 1,221.7	\$ 404.2	\$ 390.9	\$ 1.59	\$ 1.56
4th quarter	\$ 1,286.1	\$ 386.6	\$ 347.1	\$ 1.40	\$ 1.37

⁽¹⁾The sums of quarterly earnings per share may not equal annual earnings per share because the computations are done independently.

⁽²⁾The second quarter of 2016 includes a nonrecurring operating charge of \$166.2 million, or \$.39 in diluted earnings per share, related to our decision to compensate certain clients in regard to the Dell appraisal rights matter. In the fourth quarter of 2016, we recognized an offset to this charge for a related insurance recovery of \$100 million, or \$.24 in diluted earnings per share. During the first quarter of 2017, we recognized an additional \$50 million in insurance recoveries, or \$.12 in diluted earnings per share relating to the Dell matter. For more details related to the Dell appraisal rights matter, see Note 12 to the consolidated financial statements. During the fourth quarter of 2017, we recognized a nonrecurring charge of \$71.1 million related to the U.S. tax law changes that were enacted on December 22, 2017. See Note 7 to the consolidated financial statements for further details.

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.

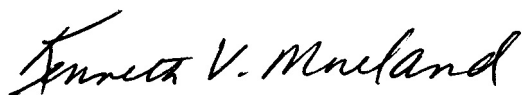
Management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2017, in relation to criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, we believe that the company's internal control over financial reporting was effective as of December 31, 2017.

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, 2017.

February 16, 2018



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

To the Stockholders and Board of Directors

T. Rowe Price Group, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries (the “Company”) as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 16, 2018, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

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

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

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

KPMG LLP

Baltimore, Maryland

February 16, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

T. Rowe Price Group, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited T. Rowe Price Group, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated February 16, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

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 16, 2018

CORPORATE HEADQUARTERS

100 East Pratt Street
Baltimore, Maryland 21202
United States
(410) 345-2000

OFFICE LOCATIONS

Melbourne, Australia
Sydney, Australia
Toronto, Canada
Copenhagen, Denmark
Frankfurt, Germany
Hong Kong
Milan, Italy
Tokyo, Japan
Luxembourg
Amsterdam, Netherlands
Singapore
Madrid, Spain
Stockholm, Sweden
Zurich, Switzerland
Dubai, United Arab Emirates
London, United Kingdom

United States:

San Francisco, California
Colorado Springs, Colorado
Tampa, Florida
Baltimore, Maryland
Owings Mills, Maryland
New York, New York
Philadelphia, Pennsylvania

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

TRANSFER AGENT AND REGISTRAR

EQ Shareowner Services
1110 Centre Pointe Curve
Mendota Heights, MN 55120
(888) 648-8155
www.shareowneronline.com

SEND STOCKHOLDER INQUIRIES TO:

EQ Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Baltimore, MD

ANNUAL MEETING

April 26, 2018, 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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Executive Advisor,
Aquiline Capital Partners

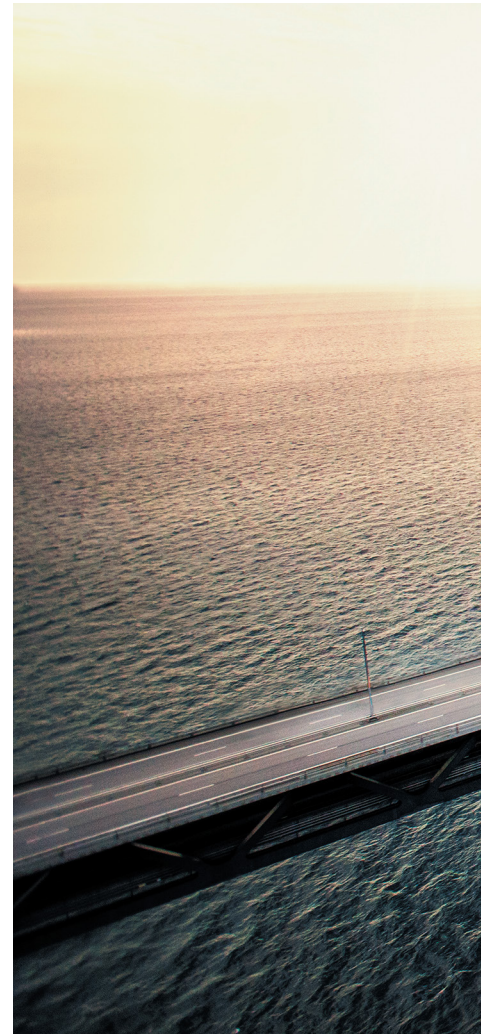
ALAN D. WILSON

Retired Executive Chairman,
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ON THE COVER

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