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

FORM 10-Q

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

**For the quarterly period ended September 30, 2021
OR**

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

For the transition period from to

Commission File Number: 000-32191

T. ROWE PRICE GROUP, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of incorporation)

52-2264646
(I.R.S. Employer Identification No.)

100 East Pratt Street, Baltimore, Maryland 21202
(Address, including Zip Code, of principal executive offices)

(410) 345-2000
(Registrant's telephone number, including area code)

Common stock, \$.20 par value per share
(title of security)

TROW
(ticker symbol)

The NASDAQ Stock Market LLC
(Name of exchange on which registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
Non-accelerated filer (do not check if smaller reporting company)	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock (\$.20 par value), as of the latest practicable date, October 25, 2021, is 224,751,344.

The exhibit index is at Item 6 on page 40.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	9/30/2021	12/31/2020
ASSETS		
Cash and cash equivalents	\$ 3,418.5	\$ 2,151.7
Accounts receivable and accrued revenue	941.6	863.1
Investments	3,330.3	3,250.8
Assets of consolidated T. Rowe Price investment products (\$1,837.1 million at September 30, 2021 and \$2,497.4 million at December 31, 2020, related to variable interest entities)	2,026.7	2,695.5
Operating lease assets	106.2	117.6
Property and equipment, net	719.1	695.4
Goodwill	665.7	665.7
Other assets	242.6	219.2
Total assets	\$ 11,450.7	\$ 10,659.0
LIABILITIES		
Accounts payable and accrued expenses	\$ 309.8	\$ 187.7
Liabilities of consolidated T. Rowe Price investment products (\$62.3 million at September 30, 2021 and \$47.7 million at December 31, 2020, related to variable interest entities)	92.1	57.7
Operating lease liabilities	142.1	154.1
Accrued compensation and related costs	697.5	133.6
Income taxes payable	60.7	85.0
Supplemental savings plan liability	799.8	772.2
Total liabilities	2,102.0	1,390.3
Commitments and contingent liabilities		
Redeemable non-controlling interests	1,086.6	1,561.7
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 226,217,000 shares at September 30, 2021 and 227,965,000 at December 31, 2020	45.2	45.6
Additional capital in excess of par value	654.6	654.6
Retained earnings	7,591.7	7,029.8
Accumulated other comprehensive loss	(29.4)	(23.0)
Total permanent stockholders' equity	8,262.1	7,707.0
Total liabilities, redeemable non-controlling interests, and permanent stockholders' equity	\$ 11,450.7	\$ 10,659.0

The accompanying notes are an integral part of these statements.

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

	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Revenues				
Investment advisory fees	\$ 1,813.4	\$ 1,469.3	\$ 5,288.4	\$ 4,090.9
Administrative, distribution, and servicing fees	140.7	126.5	421.8	382.9
Net revenues	1,954.1	1,595.8	5,710.2	4,473.8
Operating expenses				
Compensation and related costs	564.6	552.3	1,751.9	1,542.0
Distribution and servicing	96.0	73.5	274.3	201.2
Advertising and promotion	22.1	14.2	61.4	52.5
Product and recordkeeping related costs	70.3	36.8	154.6	118.0
Technology, occupancy, and facility costs	123.1	115.6	359.7	332.3
General, administrative, and other	81.8	74.5	260.8	238.0
Total operating expenses	957.9	866.9	2,862.7	2,484.0
Net operating income	996.2	728.9	2,847.5	1,989.8
Non-operating income (loss)				
Net gains on investments	8.7	84.6	165.0	100.6
Net gains (losses) on consolidated investment products	(17.1)	101.2	75.7	13.3
Other income (loss)	(3.1)	5.8	(6.2)	(7.5)
Total non-operating income	(11.5)	191.6	234.5	106.4
Income before income taxes	984.7	920.5	3,082.0	2,096.2
Provision for income taxes	227.3	221.9	717.1	502.5
Net income	757.4	698.6	2,364.9	1,593.7
Less: net income (loss) attributable to redeemable non-controlling interests	(19.8)	55.4	22.6	4.4
Net income attributable to T. Rowe Price	\$ 777.2	\$ 643.2	\$ 2,342.3	\$ 1,589.3
Earnings per share on common stock of T. Rowe Price				
Basic	\$ 3.34	\$ 2.75	\$ 10.04	\$ 6.73
Diluted	\$ 3.31	\$ 2.73	\$ 9.94	\$ 6.66

The accompanying notes are an integral part of these statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net income	\$ 757.4	\$ 698.6	\$ 2,364.9	\$ 1,593.7
Other comprehensive income (loss)				
Currency translation adjustments				
Consolidated T. Rowe Price investment products - variable interest entities	(17.2)	33.4	(30.0)	24.2
Reclassification gains recognized in non-operating income upon deconsolidation of certain T. Rowe Price investment products	—	—	(2.6)	(.1)
Total currency translation adjustments of consolidated T. Rowe Price investment products - variable interest entities	(17.2)	33.4	(32.6)	24.1
Equity method investments	3.5	.1	2.4	(9.4)
Other comprehensive income (loss) before income taxes	(13.7)	33.5	(30.2)	14.7
Net deferred tax (expense) benefits	.8	(3.2)	3.6	(.5)
Total other comprehensive income (loss)	(12.9)	30.3	(26.6)	14.2
Total comprehensive income	744.5	728.9	2,338.3	1,607.9
Less: comprehensive income (loss) attributable to redeemable non-controlling interests	(32.0)	76.2	2.4	18.3
Total comprehensive income attributable to T. Rowe Price	\$ 776.5	\$ 652.7	\$ 2,335.9	\$ 1,589.6

The accompanying notes are an integral part of these statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Nine months ended	
	9/30/2021	9/30/2020
Cash flows from operating activities		
Net income	\$ 2,364.9	\$ 1,593.7
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	151.1	144.0
Stock-based compensation expense	166.3	164.5
Net gains recognized on investments	(144.4)	(75.3)
Net (investments) redemptions in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	28.1	(19.1)
Net change in securities held by consolidated T. Rowe Price investment products	(5.3)	(350.8)
Other changes in assets and liabilities	530.0	459.9
Net cash provided by operating activities	<u>3,090.7</u>	<u>1,916.9</u>
Cash flows from investing activities		
Purchases of T. Rowe Price investment products	(47.3)	(240.3)
Dispositions of T. Rowe Price investment products	285.4	381.9
Net cash of T. Rowe Price investment products on deconsolidation	(15.6)	(49.1)
Additions to property and equipment	(178.7)	(155.4)
Other investing activity	13.8	9.8
Net cash provided by (used in) investing activities	<u>57.6</u>	<u>(53.1)</u>
Cash flows from financing activities		
Repurchases of common stock	(493.1)	(1,158.5)
Common share issuances under stock-based compensation plans	33.3	76.2
Dividends paid to common stockholders of T. Rowe Price	(1,454.0)	(635.7)
Net subscriptions received from redeemable non-controlling interest holders	22.7	298.7
Net cash used in financing activities	<u>(1,891.1)</u>	<u>(1,419.3)</u>
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	(3.6)	3.4
Net change in cash and cash equivalents during period	1,253.6	447.9
Cash and cash equivalents at beginning of period, including \$104.8 million at December 31, 2020, and \$76.5 million at December 31, 2019, held by consolidated T. Rowe Price investment products	2,256.5	1,858.3
Cash and cash equivalents at end of period, including \$91.6 million at September 30, 2021, and \$78.0 million at September 30, 2020, held by consolidated T. Rowe Price investment products	<u>\$ 3,510.1</u>	<u>\$ 2,306.2</u>

The accompanying notes are an integral part of these statements.

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

	Three months ended 9/30/2021						
	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non-controlling interests
Balances at June 30, 2021	226,925	\$ 45.4	\$ 673.7	\$7,202.6	\$ (28.7)	\$ 7,893.0	\$ 880.4
Net income	—	—	—	777.2	—	777.2	(19.8)
Other comprehensive income (loss), net of tax	—	—	—	—	(.7)	(.7)	(12.2)
Dividends declared (\$1.08 per share)	—	—	—	(250.7)	—	(250.7)	—
Shares issued upon option exercises	321	—	9.0	—	—	9.0	—
Net shares issued upon vesting of restricted stock units	5	—	(.5)	—	—	(.5)	—
Stock-based compensation expense	—	—	52.3	—	—	52.3	—
Restricted stock units issued as dividend equivalents	—	—	.4	(.2)	—	.2	—
Common shares repurchased	(1,034)	(.2)	(80.3)	(137.2)	—	(217.7)	—
Net redemptions from T. Rowe Price investment products	—	—	—	—	—	—	(292.8)
Net consolidations of T. Rowe Price investment products	—	—	—	—	—	—	531.0
Balances at September 30, 2021	<u>226,217</u>	<u>\$ 45.2</u>	<u>\$ 654.6</u>	<u>\$7,591.7</u>	<u>\$ (29.4)</u>	<u>\$ 8,262.1</u>	<u>\$ 1,086.6</u>

	Three months ended 9/30/2020						
	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non-controlling interests
Balances at June 30, 2020	226,990	\$ 45.4	\$ 654.6	\$6,102.9	\$ (52.2)	\$ 6,750.7	\$ 1,090.1
Net income	—	—	—	643.2	—	643.2	55.4
Other comprehensive income (loss), net of tax	—	—	—	—	9.5	9.5	20.8
Dividends declared (\$0.90 per share)	—	—	—	(210.2)	—	(210.2)	—
Shares issued upon option exercises	492	.1	25.9	—	—	26.0	—
Net shares issued upon vesting of restricted stock units	17	—	(1.6)	—	—	(1.6)	—
Stock-based compensation expense	—	—	52.8	—	—	52.8	—
Restricted stock units issued as dividend equivalents	—	—	.1	(.1)	—	—	—
Common shares repurchased	(1,124)	(.2)	(77.2)	(64.5)	—	(141.9)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	217.9
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(44.0)
Balances at September 30, 2020	<u>226,375</u>	<u>\$ 45.3</u>	<u>\$ 654.6</u>	<u>\$6,471.3</u>	<u>\$ (42.7)</u>	<u>\$ 7,128.5</u>	<u>\$ 1,340.2</u>

⁽¹⁾ Accumulated other comprehensive income.

The accompanying notes are an integral part of these statements.

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

	Nine months ended 9/30/2021						
	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non-controlling interests
Balances at December 31, 2020	227,965	\$ 45.6	\$ 654.6	\$ 7,029.8	\$ (23.0)	\$ 7,707.0	\$ 1,561.7
Net income	—	—	—	2,342.3	—	2,342.3	22.6
Other comprehensive income (loss), net of tax	—	—	—	—	(6.4)	(6.4)	(20.2)
Dividends declared (\$3.24 per share)	—	—	—	(754.8)	—	(754.8)	—
Special cash dividend declared (\$3.00 per share)	—	—	—	(699.5)	—	(699.5)	—
Shares issued upon option exercises	1,083	.2	38.6	—	—	38.8	—
Restricted shares issued, net of shares withheld for taxes	4	—	—	—	—	—	—
Net shares issued upon vesting of restricted stock units	54	—	(4.8)	—	—	(4.8)	—
Stock-based compensation expense	—	—	166.2	—	—	166.2	—
Restricted stock units issued as dividend equivalents	—	—	.6	(.7)	—	(.1)	—
Common shares repurchased	(2,889)	(.6)	(200.6)	(325.4)	—	(526.6)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	6.1
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(483.6)
Balances at September 30, 2021	<u>226,217</u>	<u>\$ 45.2</u>	<u>\$ 654.6</u>	<u>\$ 7,591.7</u>	<u>\$ (29.4)</u>	<u>\$ 8,262.1</u>	<u>\$ 1,086.6</u>

	Nine months ended 9/30/2020						
	Common shares outstanding	Common stock	Additional capital in excess of par value	Retained earnings	AOCI ⁽¹⁾	Total stockholders' equity	Redeemable non-controlling interests
Balances at December 31, 2019	235,214	\$ 47.0	\$ 654.6	\$ 6,443.5	\$ (43.0)	\$ 7,102.1	\$ 1,121.0
Net income	—	—	—	1,589.3	—	1,589.3	4.4
Other comprehensive income (loss), net of tax	—	—	—	—	.3	.3	13.9
Dividends declared (\$2.70 per share)	—	—	—	(635.3)	—	(635.3)	—
Shares issued upon option exercises	1,856	.4	82.8	—	—	83.2	—
Restricted shares issued, net of shares withheld for taxes	8	—	—	—	—	—	—
Net shares issued upon vesting of restricted stock units	60	—	(4.8)	—	—	(4.8)	—
Forfeiture of restricted awards	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	164.3	—	—	164.3	—
Restricted stock units issued as dividend equivalents	—	—	.2	(.2)	—	—	—
Common shares repurchased	(10,763)	(2.1)	(242.5)	(926.0)	—	(1,170.6)	—
Net subscriptions into T. Rowe Price investment products	—	—	—	—	—	—	307.8
Net deconsolidations of T. Rowe Price investment products	—	—	—	—	—	—	(106.9)
Balances at September 30, 2020	<u>226,375</u>	<u>\$ 45.3</u>	<u>\$ 654.6</u>	<u>\$ 6,471.3</u>	<u>\$ (42.7)</u>	<u>\$ 7,128.5</u>	<u>\$ 1,340.2</u>

⁽¹⁾ Accumulated other comprehensive income.

The accompanying notes are an integral part of these statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – THE COMPANY AND BASIS OF PREPARATION.

T. Rowe Price Group Inc. derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the T. Rowe Price U.S. mutual funds (“U.S. mutual funds”), subadvised funds, separately managed accounts, collective investment trusts, and other

T. Rowe Price products. The other T. Rowe Price products include open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S. We also provide certain investment advisory clients with related administrative services, including distribution, mutual fund transfer agent, accounting, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage; trust services; and non-discretionary advisory services through model delivery and other multi-asset solutions for providers to implement.

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 PRESENTATION.

These unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. These principles require the use of estimates and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of our results for the interim periods presented. All such adjustments are of a normal recurring nature. Actual results may vary from our estimates.

The unaudited interim financial information contained in these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in our 2020 Annual Report.

NEWLY ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE.

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

NOTE 2 – INFORMATION ABOUT RECEIVABLES, REVENUES, AND SERVICES.

Revenues earned under agreements with clients include:

(in millions)	Three months ended 9/30/2021				Three months ended 9/30/2020			
	Investment advisory fees	Administrative, distribution, and servicing fees		Net revenues	Investment advisory fees	Administrative, distribution, and servicing fees		Net revenues
		Administrative fees	Distribution and servicing fees			Administrative fees	Distribution and servicing fees	
U.S. mutual funds	\$ 1,125.5	\$ 82.6	\$ 30.9	\$ 1,239.0	\$ 939.5	\$ 72.4	\$ 28.5	\$ 1,040.4
Subadvised funds, separate accounts, collective investment trusts, and other investment products	687.9	—	—	687.9	529.8	—	—	529.8
Other clients ⁽¹⁾	—	27.2	—	27.2	—	25.6	—	25.6
	<u>\$ 1,813.4</u>	<u>\$ 109.8</u>	<u>\$ 30.9</u>	<u>\$ 1,954.1</u>	<u>\$ 1,469.3</u>	<u>\$ 98.0</u>	<u>\$ 28.5</u>	<u>\$ 1,595.8</u>

(in millions)	Nine months ended 9/30/2021				Nine months ended 9/30/2020			
	Investment advisory fees	Administrative, distribution, and servicing fees		Net revenues	Investment advisory fees	Administrative, distribution, and servicing fees		Net revenues
		Administrative fees	Distribution and servicing fees			Administrative fees	Distribution and servicing fees	
U.S. mutual funds	\$ 3,273.2	\$ 243.1	\$ 90.0	\$ 3,606.3	\$ 2,638.8	\$ 219.0	\$ 82.1	\$ 2,939.9
Subadvised funds, separate accounts, collective investment trusts, and other investment products	2,015.2	—	—	2,015.2	1,452.1	—	—	1,452.1
Other clients ⁽¹⁾	—	88.7	—	88.7	—	81.8	—	81.8
	<u>\$ 5,288.4</u>	<u>\$ 331.8</u>	<u>\$ 90.0</u>	<u>\$ 5,710.2</u>	<u>\$ 4,090.9</u>	<u>\$ 300.8</u>	<u>\$ 82.1</u>	<u>\$ 4,473.8</u>

⁽¹⁾ Other clients primarily include individuals, defined contribution plans, college savings plans, and institutions related to our non-discretionary advisory services.

Total net revenues earned from our related parties, specifically T. Rowe Price investment products, aggregate \$1,599.5 million and \$1,302.3 million for the three months ended September 30, 2021 and 2020, respectively. Total net revenues earned from these products during the nine months ended September 30, 2021 and 2020 aggregate \$4,653.7 million and \$3,652.8 million, respectively. Accounts receivable from these products aggregate to \$581.6 million at September 30, 2021 and \$523.4 million at December 31, 2020.

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

(in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
U.S. mutual funds				
Equity	\$ 813.0	\$ 636.3	\$ 2,310.8	\$ 1,750.6
Fixed income, including money market	64.8	66.6	183.7	205.1
Multi-asset	247.7	236.6	778.7	683.1
	<u>1,125.5</u>	<u>939.5</u>	<u>3,273.2</u>	<u>2,638.8</u>
Subadvised funds, separate accounts, collective investment trusts, and other investment products				
Equity	458.8	339.6	1,329.0	924.7
Fixed income, including money market	41.3	38.4	119.6	110.3
Multi-asset	187.8	151.8	566.6	417.1
	<u>687.9</u>	<u>529.8</u>	<u>2,015.2</u>	<u>1,452.1</u>
Total	<u>\$ 1,813.4</u>	<u>\$ 1,469.3</u>	<u>\$ 5,288.4</u>	<u>\$ 4,090.9</u>

The following table summarizes the assets under management on which we earn investment advisory revenues.

(in billions)	Average during					
	Three months ended		Nine months ended		As of	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020	9/30/2021	12/31/2020
U.S. mutual funds						
Equity	\$ 559.8	\$ 433.4	\$ 534.0	\$ 398.9	\$ 546.1	\$ 498.6
Fixed income, including money market	88.4	78.1	85.6	76.0	87.7	79.4
Multi-asset	232.8	197.3	228.5	189.1	227.2	216.6
	881.0	708.8	848.1	664.0	861.0	794.6
Subadvised funds, separate accounts, collective investment trusts, and other investment products						
Equity	445.7	338.8	427.3	303.3	428.6	397.2
Fixed income, including money market	94.3	82.4	92.1	80.3	93.0	89.3
Multi-asset	227.7	162.9	213.8	151.3	229.7	189.4
	767.7	584.1	733.2	534.9	751.3	675.9
Total	\$ 1,648.7	\$ 1,292.9	\$ 1,581.3	\$ 1,198.9	\$ 1,612.3	\$ 1,470.5

Investors that we serve are primarily domiciled in the U.S.; investment advisory clients outside the U.S. account for 8.8%, 9.0% and 9.3% of our assets under management at September 30, 2021, June 30, 2021 and December 31, 2020, respectively.

NOTE 3 – INVESTMENTS.

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

(in millions)	9/30/2021	12/31/2020
Investments held at fair value		
T. Rowe Price investment products		
Discretionary investments	\$ 1,610.2	\$ 1,647.7
Seed capital	236.6	169.5
Supplemental savings plan liability economic hedges	795.5	768.1
Investment partnerships and other investments	108.6	95.1
Equity method investments		
T. Rowe Price investment products		
Discretionary investments	254.1	242.9
Seed capital	164.9	178.6
23% investment in UTI Asset Management Company Limited (India)	156.6	145.5
Investment partnerships and other investments	2.8	2.4
U.S. Treasury note	1.0	1.0
Total	\$ 3,330.3	\$ 3,250.8

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

During the three months ended September 30, 2021, net losses on investments included \$4.6 million of net unrealized losses related to investments held at fair value that were still held at September 30, 2021. During the nine months ended September 30, 2021, net gains on investments included \$83.7 million of net unrealized gains

related to investments held at fair value that were still held at September 30, 2021. For the three and nine months ended September 30, 2020, net gains on investments included \$75.5 million and \$53.6 million, respectively, of net unrealized gains related to investments held at fair value that were still held at September 30, 2020.

During the nine months ended September 30, 2021 and 2020, certain T. Rowe Price investment products in which we provided initial seed capital at the time of formation were deconsolidated, as we no longer had a controlling interest. Depending on our ownership interest, we are now reporting our residual interests in these T. Rowe Price investment products as either an equity method investment or an investment held at fair value. Additionally, during the nine months ended September 30, 2021 and September 30, 2020, certain T. Rowe Price investment products were consolidated, as we regained a controlling interest. The net impact of these changes on our unaudited condensed consolidated balance sheets and statements of income as of the dates the portfolios were deconsolidated or reconsolidated is detailed below.

(in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net increase (decrease) in assets of consolidated T. Rowe Price investment products	\$ 589.7	\$ (132.2)	\$ (727.6)	\$ (278.4)
Net increase (decrease) in liabilities of consolidated T. Rowe Price investment products	\$ 7.1	\$ (4.0)	\$ (17.1)	\$ (7.6)
Net increase (decrease) in redeemable non-controlling interests	\$ 531.0	\$ (44.0)	\$ (483.6)	\$ (106.9)
Gains recognized upon deconsolidation	\$ —	\$ —	\$ 2.6	\$.1

The gains or losses 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.

VARIABLE INTEREST ENTITIES.

Our investments at September 30, 2021 and December 31, 2020, 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)	9/30/2021	12/31/2020
Investment carrying values	\$ 193.4	\$ 144.7
Unfunded capital commitments	9.2	12.3
Accounts receivable	21.7	13.8
	<u>\$ 224.3</u>	<u>\$ 170.8</u>

The unfunded capital commitments totaling \$9.2 million at September 30, 2021 and \$12.3 million at December 31, 2020 relate primarily to the 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 investments held at fair value using the following broad levels of inputs as defined by related accounting standards:

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

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

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

These levels are not necessarily an indication of the risk or liquidity associated with our investments. The following table summarizes our investments that are recognized in our unaudited condensed consolidated balance sheets

using fair value measurements determined based on the differing levels of inputs. This table excludes investments held by the consolidated T. Rowe Price investment products which are presented separately on our unaudited condensed consolidated balance sheets and are detailed in Note 5.

(in millions)	9/30/2021		12/31/2020	
	Level 1	Level 2	Level 1	Level 2
T. Rowe Price investment products				
Cash equivalents held in money market funds	2,966.7	\$ —	\$ 1,931.1	\$ —
Discretionary investments	1,610.2	—	1,647.7	—
Seed capital	216.2	20.4	156.6	12.9
Supplemental savings plan liability economic hedges	795.5	—	768.1	—
Other investments	.7	.1	.5	.6
Total	\$ 5,589.3	\$ 20.5	\$ 4,504.0	\$ 13.5

The fair value hierarchy level table above does not include the investment partnerships and other investments for which fair value is estimated using their NAV per share as a practical expedient. The carrying value of these investments as disclosed in Note 3 were \$107.8 million at September 30, 2021, and \$94.0 million at December 31, 2020.

NOTE 5 – CONSOLIDATED T. ROWE PRICE INVESTMENT PRODUCTS.

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

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

(in millions)	9/30/2021			12/31/2020		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Cash and cash equivalents ⁽¹⁾	\$ 6.2	\$ 85.4	\$ 91.6	\$ 7.1	\$ 97.7	\$ 104.8
Investments ⁽²⁾	178.5	1,634.7	1,813.2	188.2	2,372.7	2,560.9
Other assets	4.9	117.0	121.9	2.8	27.0	29.8
Total assets	189.6	1,837.1	2,026.7	198.1	2,497.4	2,695.5
Liabilities	29.8	62.3	92.1	10.0	47.7	57.7
Net assets	<u>\$ 159.8</u>	<u>\$ 1,774.8</u>	<u>\$ 1,934.6</u>	<u>\$ 188.1</u>	<u>\$ 2,449.7</u>	<u>\$ 2,637.8</u>
Attributable to T. Rowe Price	\$ 126.4	\$ 721.6	\$ 848.0	\$ 130.7	\$ 945.4	\$ 1,076.1
Attributable to redeemable non-controlling interests	33.4	1,053.2	1,086.6	57.4	1,504.3	1,561.7
	<u>\$ 159.8</u>	<u>\$ 1,774.8</u>	<u>\$ 1,934.6</u>	<u>\$ 188.1</u>	<u>\$ 2,449.7</u>	<u>\$ 2,637.8</u>

⁽¹⁾ Cash and cash equivalents includes \$6.0 million at September 30, 2021, and \$7.0 million at December 31, 2020, of T. Rowe Price money market mutual funds.

⁽²⁾ Investments include \$44.5 million at September 30, 2021, and \$26.9 million at December 31, 2020 of other T. Rowe Price investment products.

Although we can redeem our net interest in these consolidated 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 unaudited condensed 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 for the three- and nine-months ended September 30, 2021 and 2020, are reflected in our unaudited condensed consolidated statements of income as follows:

(in millions)	Three months ended					
	9/30/2021			9/30/2020		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Operating expenses reflected in net operating income	\$ (.1)	\$ (2.7)	\$ (2.8)	\$ (.7)	\$ (3.7)	\$ (4.4)
Net investment income (loss) reflected in non-operating income (loss)	.7	(17.8)	(17.1)	13.1	88.1	101.2
Impact on income before taxes	\$.6	\$ (20.5)	\$ (19.9)	\$ 12.4	\$ 84.4	\$ 96.8
Net income (loss) attributable to T. Rowe Price	\$.5	\$ (.6)	\$ (.1)	\$ 7.0	\$ 34.4	\$ 41.4
Net income (loss) attributable to redeemable non-controlling interests	.1	(19.9)	(19.8)	5.4	50.0	55.4
	\$.6	\$ (20.5)	\$ (19.9)	\$ 12.4	\$ 84.4	\$ 96.8

(in millions)	Nine months ended					
	9/30/2021			9/30/2020		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Operating expenses reflected in net operating income	\$ (.4)	\$ (8.7)	\$ (9.1)	\$ (1.2)	\$ (10.5)	\$ (11.7)
Net investment income (loss) reflected in non-operating income	14.1	61.5	75.6	(5.7)	19.0	13.3
Impact on income before taxes	\$ 13.7	\$ 52.8	\$ 66.5	\$ (6.9)	\$ 8.5	\$ 1.6
Net income (loss) attributable to T. Rowe Price	\$ 8.8	\$ 35.1	\$ 43.9	\$ (2.7)	\$ (.1)	\$ (2.8)
Net income (loss) attributable to redeemable non-controlling interests	4.9	17.7	22.6	(4.2)	8.6	4.4
	\$ 13.7	\$ 52.8	\$ 66.5	\$ (6.9)	\$ 8.5	\$ 1.6

The operating expenses of the consolidated investment products are reflected in general, administrative and other expenses. In preparing our unaudited condensed consolidated financial statements, we eliminated operating expenses of \$1.6 million and \$2.7 million for the three months ended September 30, 2021 and 2020, respectively, against the investment advisory and administrative fees earned from these products. Operating expenses eliminated for the nine months ended September 30, 2021 and 2020, were \$4.0 million and \$7.3 million, respectively. The net investment income (loss) reflected in non-operating income (loss) includes dividend and interest income as well as 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 unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020.

(in millions)	Nine months ended					
	9/30/2021			9/30/2020		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Net cash provided by (used in) operating activities	\$ (109.1)	\$ 127.7	\$ 18.6	\$ (105.7)	\$ (241.0)	\$ (346.7)
Net cash used in investing activities	(11.9)	(3.7)	(15.6)	(23.4)	(25.7)	(49.1)
Net cash provided by (used in) financing activities	120.1	(132.7)	(12.6)	124.4	269.5	393.9
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(3.6)	(3.6)	—	3.4	3.4
Net change in cash and cash equivalents during period	(.9)	(12.3)	(13.2)	(4.7)	6.2	1.5
Cash and cash equivalents at beginning of year	7.1	97.7	104.8	9.9	66.6	76.5
Cash and cash equivalents at end of period	\$ 6.2	\$ 85.4	\$ 91.6	\$ 5.2	\$ 72.8	\$ 78.0

The net cash provided by financing activities during the nine months ended September 30, 2021 and 2020 includes \$35.3 million and \$95.2 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. 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)	9/30/2021		12/31/2020	
	Level 1	Level 2	Level 1	Level 2
Assets				
Cash equivalents	\$ 6.0	\$ —	\$ 7.0	\$ —
Equity securities	278.9	239.7	308.0	708.0
Fixed income securities	—	1,231.1	—	1,411.3
Other investments	8.8	54.7	2.6	131.0
	\$ 293.7	\$ 1,525.5	\$ 317.6	\$ 2,250.3
Liabilities				
	\$ (.3)	\$ (10.8)	\$ (.4)	\$ (18.8)

NOTE 6 – STOCKHOLDERS' EQUITY.

Accounts payable and accrued expenses includes liabilities of \$36.0 million at September 30, 2021, and \$2.5 million at December 31, 2020 for common stock repurchases that settled during the first week of October 2021 and January 2021, respectively.

On June 14, 2021, the Board of Directors declared a special cash dividend of \$3.00 per common share, or \$699.8 million, that was paid on July 7, 2021 to stockholders of record as of the close of business on June 25, 2021.

NOTE 7 – STOCK-BASED COMPENSATION.**STOCK OPTIONS.**

The following table summarizes the status of, and changes in, our stock options during the nine months ended September 30, 2021.

	Options	Weighted-average exercise price
Outstanding at December 31, 2020	4,379,663	\$ 71.67
Exercised	(1,403,996)	\$ 69.20
Outstanding at September 30, 2021	2,975,667	\$ 72.83
Exercisable at September 30, 2021	2,975,667	\$ 72.83

EFFECT OF SPECIAL CASH DIVIDEND.

As a result of the special cash dividend declared by the Board of Directors in June 2021, the anti-dilution provisions of our employee long-term incentive plans and non-employee director plans (collectively, the LTI plans) require an automatic adjustment to neutralize the effect of the special cash dividend. On the special cash dividend's ex-dividend date (June 24, 2021), the number of shares authorized and the number of stock options outstanding and their exercise price were adjusted resulting in an increase of 50,607 stock options outstanding on the ex-dividend date, and no incremental compensation expense. In the table above, the number of options outstanding at December 31, 2020 was updated to reflect this adjustment.

RESTRICTED SHARES AND STOCK UNITS.

The following table summarizes the status of, and changes in, our nonvested restricted shares and restricted stock units during the nine months ended September 30, 2021.

	Restricted shares	Restricted stock units	Weighted-average fair value
Nonvested at December 31, 2020	7,412	6,367,059	\$ 116.51
Time-based grants	4,336	29,314	\$ 188.58
Dividend equivalents granted to non-employee directors	—	2,978	\$ 192.66
Vested	(7,412)	(99,091)	\$ 103.07
Forfeited	—	(137,390)	\$ 118.39
Nonvested at September 30, 2021	4,336	6,162,870	\$ 117.21

Nonvested at September 30, 2021, includes performance-based restricted stock units of 335,162. These nonvested performance-based restricted stock units include 188,612 units for which the performance period has lapsed, and the performance threshold has been met.

FUTURE STOCK-BASED COMPENSATION EXPENSE.

The following table presents the compensation expense to be recognized over the remaining vesting periods of the stock-based awards outstanding at September 30, 2021. Estimated future compensation expense will change to reflect future grants of restricted stock awards and units, future option grants, changes in the probability of performance thresholds being met, and adjustments for actual forfeitures.

(in millions)	
Fourth quarter 2021	49.9
2022	116.4
2023 through 2026	95.8
Total	<u>\$ 262.1</u>

NOTE 8 – EARNINGS PER SHARE CALCULATIONS.

The following table presents the reconciliation of net income attributable to T. Rowe Price 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 reflects the potential dilution, determined using the treasury stock method, that could occur if outstanding stock options were exercised and non-participating stock awards vested. No outstanding stock options had an anti-dilutive impact on the diluted earnings per common share calculation in the periods presented.

(in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net income attributable to T. Rowe Price	\$ 777.2	\$ 643.2	\$ 2,342.3	\$ 1,589.3
Less: net income allocated to outstanding restricted stock and stock unit holders	19.5	17.9	61.6	44.1
Net income allocated to common stockholders	<u>\$ 757.7</u>	<u>\$ 625.3</u>	<u>\$ 2,280.7</u>	<u>\$ 1,545.2</u>
Weighted-average common shares				
Outstanding	<u>226.9</u>	<u>227.0</u>	<u>227.2</u>	<u>229.5</u>
Outstanding assuming dilution	<u>229.1</u>	<u>229.4</u>	<u>229.4</u>	<u>231.9</u>

NOTE 9 – OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS.

The changes in each component of accumulated other comprehensive loss, including reclassification adjustments for the three months ended September 30, 2021 and 2020 are presented in the table below.

(in millions)	Three months ended 9/30/2021			Three months ended 9/30/2020		
	Equity method investments	Consolidated T. Rowe Price investment products - variable interest entities	Total currency translation adjustments	Equity method investments	Consolidated T. Rowe Price investment products - variable interest entities	Total currency translation adjustments
Balances at beginning of period	\$ (43.8)	\$ 15.1	\$ (28.7)	\$ (54.4)	\$ 2.2	\$ (52.2)
Other comprehensive income (loss) before reclassifications and income taxes	3.5	(5.0)	(1.5)	(2.0)	12.5	10.5
Net deferred tax benefits (income taxes)	(.4)	1.2	.8	2.1	(3.1)	(1.0)
Other comprehensive income (loss)	3.1	(3.8)	(.7)	.1	9.4	9.5
Balances at end of period	<u>\$ (40.7)</u>	<u>\$ 11.3</u>	<u>\$ (29.4)</u>	<u>\$ (54.3)</u>	<u>\$ 11.6</u>	<u>\$ (42.7)</u>

The other comprehensive income (loss) in the table above excludes \$(12.2) million and \$20.8 million of other comprehensive income related to redeemable non-controlling interests held in our consolidated products for the three months ended September 30, 2021 and 2020, respectively.

The changes in each component of accumulated other comprehensive loss, including reclassification adjustments for the nine months ended September 30, 2021 and 2020, are presented in the table below.

(in millions)	Nine months ended 9/30/2021			Nine months ended 9/30/2020		
	Equity method investments	Consolidated T. Rowe Price investment products - variable interest entities	Total currency translation adjustments	Equity method investments	Consolidated T. Rowe Price investment products - variable interest entities	Total currency translation adjustments
Balances at beginning of period	\$ (43.6)	\$ 20.6	\$ (23.0)	\$ (46.9)	\$ 3.9	\$ (43.0)
Other comprehensive income (loss) before reclassifications and income taxes	2.4	(9.8)	(7.4)	(9.4)	10.3	.9
Reclassification adjustments recognized in non-operating income	—	(2.6)	(2.6)	—	(.1)	(.1)
	2.4	(12.4)	(10.0)	(9.4)	10.2	.8
Net deferred tax benefits (income taxes)	.5	3.1	3.6	2.0	(2.5)	(.5)
Other comprehensive income (loss)	2.9	(9.3)	(6.4)	(7.4)	7.7	.3
Balances at end of period	\$ (40.7)	\$ 11.3	\$ (29.4)	\$ (54.3)	\$ 11.6	\$ (42.7)

The other comprehensive income (loss) in the table above excludes \$20.2 million for the 2021 period and \$13.9 million for the 2020 period of other comprehensive income (loss) related to redeemable non-controlling interests held in our consolidated products.

NOTE 10 – COMMITMENTS AND CONTINGENCIES.

On February 14, 2017, T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., T. Rowe Price Trust Company, current and former members of the management committee, and trustees of the T. Rowe Price U.S. Retirement Program were named as defendants in a lawsuit filed in the United States District Court for the District of Maryland. The lawsuit alleges breaches of ERISA's fiduciary duty and prohibited transaction provisions on behalf of a class of all participants and beneficiaries of the T. Rowe Price 401(k) Plan from February 14, 2011, to the time of judgment. The matter has been certified as a class action. The parties have reached an agreement in principle for a settlement, which will be presented to the court for approval. The proposed settlement would not be material to T. Rowe Price Group, Inc.

In addition to the matter 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 11 - SUBSEQUENT EVENTS.

PENDING ACQUISITION OF OAK HILL ADVISORS, L.P.

On October 28, 2021, we entered into a definitive purchase agreement to acquire 100% of the equity of Oak Hill Advisors, L.P. (OHA), and certain other entities that have common ownership. OHA is an alternative investment management firm with a focus on performing and distressed credit investments in North America, Europe and other geographies. Under the purchase agreement, we will acquire OHA for a purchase price of up to \$4.2 billion, with \$3.3 billion payable at closing, approximately 74% in cash and 26% in T. Rowe Price Group, Inc. common stock, and up to an additional \$900 million in cash upon the achievement of certain business milestones beginning in 2025. The purchase price includes the retirement of OHA debt outstanding at closing. The completion of the acquisition is subject to various approvals and other customary closing conditions and is expected to close in the fourth quarter of 2021.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries (the "Company") as of September 30, 2021, the related condensed consolidated statements of income, comprehensive income, and stockholders' equity for the three-month and nine-month periods ended September 30, 2021 and 2020, the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2021 and 2020, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 11, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. 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 reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP
Baltimore, Maryland
October 28, 2021

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW.

Our revenues and net income are derived primarily from investment advisory services provided to individual and institutional investors in U.S. mutual funds, subadvised funds, separately managed accounts, collective investment trusts, and other T. Rowe Price products. The other T. Rowe Price products include open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S. We also provide certain investment advisory clients with related administrative services, including distribution, mutual fund transfer agent, accounting, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage; trust services; and non-discretionary advisory services through model delivery.

We manage a broad range of U.S., international and global stock, bond, and money market mutual funds and collective investment trusts and other investment products, which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management affect our revenues and results of operations. Additionally, approximately 30% of our operating expenses are impacted by fluctuations in our assets under management.

We incur significant expenditures to develop new products and services and improve and expand our capabilities and distribution channels in order to attract new investment advisory clients and additional investments from our existing clients. These efforts often involve costs that precede any future revenues that we may recognize from an increase to our assets under management.

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

MARKET TRENDS.

Major U.S. stock market indexes were mixed in the third quarter. Large-cap shares outperformed. Stocks generally rose through early September, supported by favorable second-quarter corporate earnings reports. However, the spread of the delta variant of the coronavirus weighed on the economic recovery. Toward the end of the quarter, investors turned cautious as longer-term U.S. Treasury yields climbed amid growing expectations that the Federal Reserve could soon begin to taper its monthly asset purchases. Investors were also concerned that Congress had not yet passed legislation that raises or eliminates the debt ceiling, which is the statutory limit on the federal government's borrowing ability.

European stock markets were widely mixed in U.S. dollar terms; UK shares fell marginally. Developed Asian and Far East markets were also mixed. Japanese shares rose close to 5%, whereas Hong Kong stocks slumped more than 9% due in part to Chinese regulatory developments.

Emerging markets equities generally declined. In Latin America, Brazilian shares tumbled more than 20% in U.S. dollar terms; in Asia, South Korean shares slumped 13%. Emerging European markets rose broadly, though Turkish stocks trailed the region with a 2% gain.

Returns of several major equity market indexes were as follows:

Index	Three months ended	Nine months ended
	9/30/2021	9/30/2021
S&P 500 Index	.6%	15.9%
NASDAQ Composite Index ⁽¹⁾	(.4)%	12.1%
Russell 2000 Index	(4.4)%	12.4%
MSCI EAFE (Europe, Australasia, and Far East) Index	(.4)%	8.8%
MSCI Emerging Markets Index	(8.0)%	(1.0)%

⁽¹⁾ Returns exclude dividends

Global bond returns produced mostly flat or negative returns in U.S. dollar terms. In the U.S., long-term Treasury yields initially declined, but they rose in late September after the Federal Reserve signaled that it could soon moderate the pace of its monthly asset purchases. The 10-year U.S. Treasury yield increased from 1.45% to 1.52% during the quarter.

In the taxable investment-grade bond universe, all major segments—including Treasuries, corporate bonds, and mortgage- and asset-backed securities—were essentially flat. Tax-free municipal securities fell slightly and trailed the taxable investment-grade bond market. High yield bonds produced slight positive returns and outperformed high-quality issues.

Bonds in developed non-U.S. markets declined as longer-term interest rates in various countries rose and a stronger U.S. dollar reduced local returns to U.S. investors. The Japanese yen fell about .5% versus the greenback, while the euro and British pound dropped more than 2%.

Emerging markets bonds also declined. Local currency issues fared worse than dollar-denominated debt, as the South African rand, the South Korean won, and several Latin American currencies fell materially against the U.S. dollar.

Returns for several major bond market indexes were as follows:

Index	Three months ended	Nine months ended
	9/30/2021	9/30/2021
Bloomberg Barclays U.S. Aggregate Bond Index	.1%	(1.6)%
JPMorgan Global High Yield Index	.6%	4.6%
Bloomberg Barclays Municipal Bond Index	(.3)%	.8%
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	(1.6)%	(5.9)%
JPMorgan Emerging Markets Bond Index Plus	(1.1)%	(4.2)%

ASSETS UNDER MANAGEMENT.

Assets under management ended the third quarter of 2021 at \$1,612.3 billion, a decrease of \$10.8 billion from June 30, 2021, and an increase of \$141.8 billion from the end of 2020. For the three months ended September 30, 2021, the decrease in assets under management was driven by net cash outflows of \$6.4 billion and market depreciation, including distributions not reinvested, of \$4.4 billion. Clients transferred \$3.6 billion in net assets from the U.S. mutual funds primarily to collective investment trusts and other investment products, of which \$1.9 billion transferred into the retirement date trusts.

For the nine months ended September 30, 2021, the increase in assets under management was driven by market appreciation, net of distributions not reinvested, of \$147.6 billion, partially offset by net cash outflows of \$5.8 billion. Clients transferred \$18.4 billion in net assets from the U.S. mutual funds primarily to collective investment trusts and other investment products, of which \$12.7 billion transferred into the retirement date trusts.

The following tables detail changes in our assets under management, by vehicle and asset class, during the three- and nine-month periods ended September 30, 2021:

(in billions)	Three months ended 9/30/2021				Nine months ended 9/30/2021			
	U.S. mutual funds	Subadvised funds and separate accounts	Collective investment trusts and other investment products	Total	U.S. mutual funds	Subadvised funds and separate accounts	Collective investment trusts and other investment products	Total
Assets under management at beginning of period	\$ 865.8	\$ 426.9	\$ 330.4	\$ 1,623.1	\$ 794.6	\$ 400.1	\$ 275.8	\$ 1,470.5
Net cash flows before client transfers	.1	(5.8)	(.7)	(6.4)	3.2	(21.9)	12.9	(5.8)
Client transfers	(3.6)	.5	3.1	—	(18.4)	2.0	16.4	—
Net cash flows after client transfers	(3.5)	(5.3)	2.4	(6.4)	(15.2)	(19.9)	29.3	(5.8)
Net market (depreciation)/appreciation and (losses)/gains	(1.1)	(.8)	(2.3)	(4.2)	82.1	40.6	25.4	148.1
Net distributions not reinvested	(.2)	—	—	(.2)	(.5)	—	—	(.5)
Change during the period	(4.8)	(6.1)	.1	(10.8)	66.4	20.7	54.7	141.8
Assets under management at September 30, 2021	\$ 861.0	\$ 420.8	\$ 330.5	\$ 1,612.3	\$ 861.0	\$ 420.8	\$ 330.5	\$ 1,612.3

(in billions)	Three months ended 9/30/2021				Nine months ended 9/30/2021			
	Equity	Fixed income, including money market	Multi-asset ⁽¹⁾	Total	Equity	Fixed income, including money market	Multi-asset ⁽²⁾	Total
Assets under management at beginning of period	\$ 985.1	\$ 178.7	\$ 459.3	\$ 1,623.1	\$ 895.8	\$ 168.7	\$ 406.0	\$ 1,470.5
Net cash flows	(8.4)	2.1	(.1)	(6.4)	(28.8)	11.2	11.8	(5.8)
Net market (depreciation)/appreciation and (losses)/gains ⁽²⁾	(2.0)	(.1)	(2.3)	(4.4)	107.7	.8	39.1	147.6
Change during the period	(10.4)	2.0	(2.4)	(10.8)	78.9	12.0	50.9	141.8
Assets under management at September 30, 2021	\$ 974.7	\$ 180.7	\$ 456.9	\$ 1,612.3	\$ 974.7	\$ 180.7	\$ 456.9	\$ 1,612.3

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

⁽²⁾ Includes distributions reinvested and not reinvested.

Investment advisory clients outside the United States account for 8.8% of our assets under management at September 30, 2021, 9.0% at June 30, 2021, and 9.3% at December 31, 2020.

Our target date retirement products, which are included in the multi-asset totals shown above, continue to be a significant part of our assets under management. Assets under management in these portfolios, as well as net cash inflows (outflows), by vehicle, were as follows:

(in billions)	Assets under management			Net cash inflows (outflows)			
				Three months ended		Nine months ended	
	9/30/2021	6/30/2021	12/31/2020	9/30/2021	9/30/2020	9/30/2021	9/30/2020
U.S. mutual funds	\$ 183.4	\$ 185.0	\$ 176.1	\$ (.7)	\$ (2.9)	\$ (9.4)	\$ (9.6)
Collective investment trusts	182.2	182.0	145.4	1.4	(2.8)	21.7	4.1
Subadvised and separately managed accounts	12.1	12.2	10.7	—	.2	.4	.5
	<u>\$ 377.7</u>	<u>\$ 379.2</u>	<u>\$ 332.2</u>	<u>\$.7</u>	<u>\$ (5.5)</u>	<u>\$ 12.7</u>	<u>\$ (5.0)</u>

We provide participant accounting and plan administration for defined contribution retirement plans that invest in the firm's U.S. mutual funds, collective investment trusts and funds outside of the firm's complex. As of September 30, 2021, our assets under administration were \$260 billion, of which nearly \$173 billion are assets we manage.

In recent years, the firm began offering non-discretionary advisory services through model delivery and multi-asset solutions for providers to implement. We record the revenue earned on these services in administrative fees. The assets under advisement in these portfolios, predominantly in the United States, were \$8 billion at September 30, 2021.

INVESTMENT PERFORMANCE.

Strong investment performance and brand awareness is a key driver to attracting and retaining assets—and to our long-term success. Our performance disclosures include specific asset classes, assets under management weighted performance, mutual fund performance against passive peers and composite performance against benchmarks. The following tables present investment performance for the one-, three-, five-, and 10-years ended September 30, 2021. Past performance is no guarantee of future results.

% of U.S. mutual funds that outperformed Morningstar median^{(1),(2)}

	1 year	3 years	5 years	10 years
Equity	56%	74%	68%	85%
Fixed Income	71%	58%	53%	60%
Multi-Asset	89%	94%	85%	90%
All Funds	70%	75%	68%	78%

% of U.S. mutual funds that outperformed passive peer median^{(1),(3)}

	1 year	3 years	5 years	10 years
Equity	53%	68%	68%	71%
Fixed Income	88%	68%	57%	47%
Multi-Asset	89%	92%	81%	86%
All Funds	74%	76%	69%	68%

% of composites that outperformed benchmarks⁽⁴⁾

	1 year	3 years	5 years	10 years
Equity	48%	63%	72%	73%
Fixed Income	85%	79%	81%	85%
All Composites	63%	69%	76%	78%

AUM Weighted Performance

% of U.S. mutual funds AUM that outperformed Morningstar median^{(1),(2)}

	1 year	3 years	5 years	10 years
Equity	58%	68%	80%	92%
Fixed Income	77%	52%	55%	69%
Multi-Asset	98%	96%	96%	96%
All Funds	69%	73%	81%	91%

% of U.S. mutual funds AUM that outperformed passive peer median^{(1),(3)}

	1 year	3 years	5 years	10 years
Equity	39%	62%	84%	81%
Fixed Income	96%	61%	58%	43%
Multi-Asset	94%	92%	95%	96%
All Funds	56%	70%	85%	82%

% of composites AUM that outperformed benchmarks⁽⁴⁾

	1 year	3 years	5 years	10 years
Equity	35%	65%	71%	71%
Fixed Income	86%	85%	77%	80%
All Composites	44%	68%	72%	72%

As of September 30, 2021, 73 of 123 (59.3%) of the firm's rated U.S. mutual funds (across primary share classes) received an overall rating of 4 or 5 stars. By comparison, 32.5% of Morningstar's fund population is given a rating of 4 or 5 stars⁽⁵⁾. In addition, 86%⁽⁵⁾ of AUM in the firm's rated U.S. mutual funds (across primary share classes) ended September 30, 2021 with an overall rating of 4 or 5 stars.

⁽¹⁾ Source: © 2021 Morningstar, Inc. All rights reserved. The information contained herein: 1) is proprietary to Morningstar and/or its content providers; 2) may not be copied or distributed; and 3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

⁽²⁾ Source: Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. The top chart reflects the percentage of T. Rowe Price funds with 1 year, 3 year, 5 year, and 10 year track record that are outperforming the Morningstar category median. The bottom chart reflects the percentage of T. Rowe Price funds AUM that has outperformed for the time periods indicated. Total AUM included for this analysis includes \$518B for 1 year, \$518B for 3 years, \$518B for 5 years, and \$508B for 10 years.

⁽³⁾ Passive Peer Median was created by T. Rowe Price using data from Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, funds with fewer than three peers, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. This analysis compares T. Rowe Price active funds to the applicable universe of passive/index open-end funds and ETFs of peer firms. The top chart reflects the percentage of T. Rowe Price funds with 1 year, 3 year, 5 year, and 10 year track record that are outperforming the passive peer universe. The bottom chart reflects the percentage of T. Rowe Price funds AUM that has outperformed for the time periods indicated. Total AUM included for this analysis includes \$504B for 1 year, \$498B for 3 years, \$490B for 5 years, and \$422B for 10 years.

⁽⁴⁾ Composite net returns are calculated using the highest applicable separate account fee schedule. Excludes money market composites. All composites compared to official GIPS composite primary benchmark. The top chart reflects the percentage of T. Rowe Price composites with 1 year, 3 year, 5 year, and 10 year track record that are outperforming their benchmarks. The bottom chart reflects the percentage of T. Rowe Price composite AUM that has outperformed for the time periods indicated. Total AUM included for this analysis includes \$1,501B for 1 year, \$1,498B for 3 years, \$1,482B for 5 years, and \$1,446B for 10 years.

⁽⁵⁾ The Morningstar Rating™ for funds is calculated for funds with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. Morningstar gives its best ratings of 5 or 4 stars to the top 32.5% of all funds (of the 32.5%, 10% get 5 stars and 22.5% get 4 stars). The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with a fund's 3, 5, and 10 year (if applicable) Morningstar Rating™ metrics.

RESULTS OF OPERATIONS.

The following table and discussion sets forth information regarding our consolidated financial results for the three and nine months ended September 30, 2021 and 2020 on a U.S. GAAP basis as well as a non-GAAP basis. The non-GAAP basis adjusts for the impact of our consolidated T. Rowe Price investment products, the impact of market movements on the supplemental savings plan liability and related economic hedges, investment income related to certain other investments, and certain nonrecurring charges and gains, if any.

(in millions, except per-share data)	Three months ended		Q3 2021 vs. Q3 2020		Nine months ended		YTD 2021 vs. YTD 2020	
	9/30/2021	9/30/2020	\$ change	% change	9/30/2021	9/30/2020	\$ change	% change
U.S. GAAP basis								
Investment advisory fees	\$ 1,813.4	\$ 1,469.3	\$ 344.1	23.4 %	\$ 5,288.4	\$ 4,090.9	\$ 1,197.5	29.3 %
Net revenues	\$ 1,954.1	\$ 1,595.8	\$ 358.3	22.5 %	\$ 5,710.2	\$ 4,473.8	\$ 1,236.4	27.6 %
Operating expenses	\$ 957.9	\$ 866.9	\$ 91.0	10.5 %	\$ 2,862.7	\$ 2,484.0	\$ 378.7	15.2 %
Net operating income	\$ 996.2	\$ 728.9	\$ 267.3	36.7 %	\$ 2,847.5	\$ 1,989.8	\$ 857.7	43.1 %
Non-operating income (loss) ⁽¹⁾	\$ (11.5)	\$ 191.6	\$ (203.1)	n/m	\$ 234.5	\$ 106.4	\$ 128.1	n/m
Net income attributable to T. Rowe Price	\$ 777.2	\$ 643.2	\$ 134.0	20.8 %	\$ 2,342.3	\$ 1,589.3	\$ 753.0	47.4 %
Diluted earnings per common share	\$ 3.31	\$ 2.73	\$.58	21.2 %	\$ 9.94	\$ 6.66	\$ 3.3	49.2 %
Weighted average common shares outstanding assuming dilution	229.1	229.4	\$ (.3)	(.1)%	229.4	231.9	\$ (2.5)	(1.1)%
Adjusted non-GAAP basis⁽²⁾								
Operating expenses	\$ 957.2	\$ 830.5	\$ 126.7	15.3 %	\$ 2,798.2	\$ 2,434.2	\$ 364.0	15.0 %
Net operating income	\$ 998.7	\$ 768.0	\$ 230.7	30.0 %	\$ 2,916.2	\$ 2,046.9	\$ 869.3	42.5 %
Non-operating income (loss) ⁽¹⁾	\$ (3.0)	\$ 25.6	\$ (28.6)	n/m	\$ 28.5	\$ 50.2	\$ (21.7)	n/m
Net income attributable to T. Rowe Price	\$ 767.6	\$ 602.7	\$ 164.9	27.4 %	\$ 2,258.6	\$ 1,596.6	\$ 662.0	41.5 %
Diluted earnings per common share	\$ 3.27	\$ 2.55	\$.72	28.2 %	\$ 9.59	\$ 6.69	\$ 2.90	43.3 %
Assets under management (in billions)								
Average assets under management	\$ 1,648.7	\$ 1,292.9	\$ 355.8	27.5 %	\$ 1,581.3	\$ 1,198.9	\$ 382.4	31.9 %
Ending assets under management	\$ 1,612.3	\$ 1,310.4	\$ 301.9	23.0 %	\$ 1,612.3	\$ 1,310.4	\$ 301.9	23.0 %

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

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

Results Overview - Quarter ended September 30, 2021

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

Investment advisory revenues earned in the third quarter of 2021 increased over the comparable 2020 quarter as average assets under our management increased \$355.8 billion, or 27.5%, to \$1,648.7 billion. In the third quarter of 2021, we voluntarily waived \$13.7 million, or less than 1%, of our investment advisory fees in order to continue to maintain a positive yield for investors. At September 30, 2021, combined net assets of the investment portfolios in which we waived fees in the third quarter of 2021 were \$23.7 billion. We anticipate that the waivers in the fourth quarter of 2021 will be at a similar level to the third quarter of 2021 and expect to continue to waive fees into 2022.

The average annualized effective fee rate earned during the third quarter of 2021 was 43.6 basis points, compared with 45.2 basis points earned during both the third quarter of 2020 and the second quarter of 2021. In comparison to the third quarter of 2020, our annualized effective fee rate declined primarily due to the July 2021 fee reductions in our target-date products, client transfers within the complex to lower fee vehicles or share classes over the last twelve months and the money market fee waivers. These fee pressures were partially offset as higher market valuations led to an asset class shift towards equity strategies.

Operating expenses. Operating expenses were \$957.9 million in the third quarter of 2021 compared with \$866.9 million in the third quarter of 2020. The increase in our operating expenses was primarily due to higher compensation costs and higher distribution and servicing costs as average assets under management increased over prior year. Also contributing to the increase in operating expenses during the quarter were costs incurred as a

result of our previously announced expanded relationship with FIS, a global technology leader, in which FIS assumed responsibility for managing retirement technology development and core operations for our full-service recordkeeping offering on August 1, 2021. During the quarter, the firm incurred recordkeeping costs, which were partially offset by a reduction in the compensation expenses related to the approximately 800 associates who transitioned to FIS, as well as transition costs associated with the expanded relationship.

These increases were partially offset by lower compensation expenses related to the supplemental savings plan. For the third quarter of 2021, the decrease in the supplemental savings plan expense was entirely offset by a corresponding decrease in the non-operating gains earned on the investments used to economically hedge the related liability.

The firm employed 7,124 associates at September 30, 2021, a decrease of 7.2% from the end of 2020 and 6.7% from September 30, 2020. Excluding the approximate 800 associates that became employees of FIS on August 1, 2021, headcount would have increased approximately 3% from both the end of 2020 and from September 30, 2020.

On a non-GAAP basis, our operating expenses in the third quarter of 2021 increased 15.3% to \$957.2 million compared to the third quarter of 2020. Our non-GAAP operating expenses exclude the impact of our supplemental savings plan and consolidated sponsored investment products. See our non-GAAP reconciliations later in this Management's Discussion and Analysis section.

Operating margin. Our operating margin in the third quarter of 2021 was 51.0%, compared to 45.7% earned in the 2020 quarter. The increase in our operating margin for the third quarter of 2021 compared to the 2020 period was primarily driven by higher investment advisory fee revenue and lower expense related to our supplemental savings plan, partially offset by higher product and recordkeeping expenses as well as distribution and servicing costs.

Diluted earnings per share. Diluted earnings per share was \$3.31 for the third quarter of 2021 as compared to \$2.73 for the third quarter of 2020. The 21.2% increase was primarily driven by higher operating income, as strong markets since the end of the third quarter of 2020 have increased average assets under management resulting in higher investment advisory fee revenue, and a lower effective tax rate. This increase was partially offset by net investment losses recognized in the third quarter of 2021 as compared to significant net investment gains in the third quarter of 2020, as the sharp market returns in 2020 quarterly outpaced the market performance in the third quarter of 2021.

On a non-GAAP basis, diluted earnings per share was \$3.27 for the third quarter of 2021 as compared to \$2.55 for the third quarter of 2020. Similar to our GAAP diluted earnings, the increase is largely attributable to higher operating income compared to 2021 period.

Results Overview - Year-to-Date ended September 30, 2021

Investment advisory revenues. Investment advisory revenues earned in the nine months ended September 30, 2021 increased over the comparable 2020 period as average assets under our management increased \$382.4 billion, or 31.9%, to \$1,581.3 billion. We waived \$43.0 million, or less than 1%, of total investment advisory fees from certain of our money market mutual funds, trusts and other investment portfolios during the nine months ended September 30, 2021.

The average annualized effective fee rate earned on our assets under management during the nine months ended September 30, 2021 was 44.7 basis points compared with 45.6 basis points earned during the same period of 2020. Our annualized effective fee rate declined primarily due to the July 2021 fee reductions in our target-date products, client transfers within the complex to lower fee vehicles or share classes over the last twelve months and the money market fee waivers. These fee pressures were partially offset as higher market valuations led to an asset class shift towards equity strategies.

Operating expenses. Operating expenses were \$2,862.7 million in the nine months ended September 30, 2021 compared with \$2,484.0 million in the 2020 period. More than half of the increase in operating expenses was due to higher compensation expenses, including higher interim bonus accrual, increased salaries and benefits, and a \$14.2 million increase in operating expenses related to the supplemental savings plan due to higher market returns in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. For the nine months ended September 30, 2021, the increase in the supplemental savings plan expense was entirely offset by a corresponding increase in the non-operating gains earned on the investments used to economically hedge the

related liability. Also contributing to the increase in operating expenses were higher distribution and servicing costs due to higher average assets under management and higher product and recordkeeping costs due to the expanded FIS arrangement.

On a non-GAAP basis, our operating expenses for the nine months ended September 30, 2021 increased 15.0% to \$2,798.2 million compared to the 2020 period. Our non-GAAP operating expenses exclude the impact of our supplemental savings plan and consolidated sponsored investment products. See our non-GAAP reconciliations later in this Management's Discussion and Analysis section.

In 2021 and beyond, we expect to advance our strategic priorities to maintain our position as a global and diversified asset manager, a global partner for retirement investors and a provider of integrated investment solutions; to embed environmental, social and governance and sustainability principles across the firm; to maintain effective processes and controls while becoming a more adaptive and agile firm; and to become a destination of choice for top talent with a diverse workforce and inclusive culture. We narrowed our 2021 non-GAAP operating expense growth guidance from a range of 12% - 15% to a range of 13% - 15% to reflect results year-to-date and expectations for the fourth quarter of 2021. This expense excludes any acquisition costs expected to be incurred in relation to the announced agreement to acquire OHA. We can elect to adjust our expense growth in the future should unforeseen circumstances arise, including significant market movements. As discussed in July 2021, the impact of our expanded partnership with FIS is reflected in the expense growth guidance above.

Operating margin. Our operating margin in the nine months ended September 30, 2021 was 49.9%, compared to 44.5% earned in the 2020 period. The increase in our operating margin for the nine months ended September 30, 2021 compared to the 2020 period was primarily driven by higher net revenues, partially offset by higher compensation costs and product and recordkeeping costs as well as distribution and servicing costs.

Diluted earnings per share. Diluted earnings per share was \$9.94 for the nine months ended September 30, 2021 as compared to \$6.66 for the nine months ended September 30, 2020. The 49.2% increase was primarily driven by higher net income, lower weighted average outstanding shares, and a lower effective tax rate.

On a non-GAAP basis, diluted earnings per share was \$9.59 for the nine months ended September 30, 2021 as compared to \$6.69 for the 2020 period. The increase in adjusted diluted earnings per share was primarily due to higher operating income and lower weighted average outstanding shares. See our non-GAAP reconciliations later in this Management's Discussion and Analysis section.

Net revenues

(in millions)	Three months ended		Q3 2021 vs. Q3 2020		Nine months ended		YTD 2021 vs. YTD 2020	
	9/30/2021	9/30/2020	\$ change	% change	9/30/2021	9/30/2020	\$ change	% change
Investment advisory fees								
U.S. mutual funds	\$ 1,125.5	\$ 939.5	\$ 186.0	19.8 %	\$ 3,273.2	\$ 2,638.8	\$ 634.4	24.0 %
Subadvised funds, separate accounts, collective investment trusts, and other investment products	687.9	529.8	158.1	29.8 %	2,015.2	1,452.1	563.1	38.8 %
	1,813.4	1,469.3	344.1	23.4 %	5,288.4	4,090.9	1,197.5	29.3 %
Administrative, distribution, and servicing fees								
Administrative fees	109.8	98.0	11.8	12.0 %	331.8	300.8	31.0	10.3 %
Distribution and servicing fees	30.9	28.5	2.4	8.4 %	90.0	82.1	7.9	9.6 %
	140.7	126.5	14.2	11.2 %	421.8	382.9	38.9	10.2 %
Net revenues	\$ 1,954.1	\$ 1,595.8	\$ 358.3	22.5 %	\$ 5,710.2	\$ 4,473.8	\$ 1,236.4	27.6 %
Average assets under management (in billions)								
U.S. mutual funds	\$ 881.0	\$ 708.8	\$ 172.2	24.3 %	\$ 848.1	\$ 664.0	\$ 184.1	27.7 %
Subadvised funds, separate accounts, collective investment trusts, and other investment products	767.7	584.1	183.6	31.4 %	733.2	534.9	198.3	37.1 %
	\$ 1,648.7	\$ 1,292.9	\$ 355.8	27.5 %	\$ 1,581.3	\$ 1,198.9	\$ 382.4	31.9 %

Investment advisory fees.

U.S. mutual funds

Investment advisory revenues earned in the third quarter of 2021 from our U.S. mutual funds were \$1,125.5 million, an increase of 19.8% from the comparable 2020 quarter. Average assets under management in these funds for the third quarter of 2021 increased 24.3% from the 2020 quarter to \$881 billion. The annualized effective fee rate of 50.7 basis points for the third quarter of 2021 decreased from 52.7 basis points in the third quarter of 2020. In comparison to the third quarter of 2020, our annualized effective fee rate for U.S. mutual funds decreased primarily due to the July 2021 fee reductions in our target date products and increased money market fee waivers.

For the nine months ended September 30, 2021, investment advisory revenues earned from the firm's U.S. mutual funds were \$3,273.2 million, an increase of 24.0% from the comparable 2020 period. Average assets under management in these funds for the nine months ended September 30, 2021 increased 27.7% from the 2020 period to \$848.0 billion. The annualized effective fee rate of 51.6 basis points for the nine months ended September 30, 2021 decreased from 53.1 basis points for the nine months ended September 30, 2020. Our annualized effective fee rate for our U.S. mutual funds decreased primarily due to the July 2021 fee reductions in our target date products and increased money market fee waivers. In addition, strong market returns contributed to a relative decrease in the percentage fee earned as the asset levels of certain tiered-fee funds crossed a new tier.

Subadvised funds, separate accounts, collective investment trusts and other investment products (other portfolios)

Investment advisory revenues earned in the third quarter of 2021 from these other portfolios were \$687.9 million, an increase of 29.8% from the comparable 2020 quarter. Average assets under management for these products increased 31.4% from the 2020 quarter to \$767.7 billion. The annualized effective fee rate of 35.5 basis points for the third quarter of 2021 decreased from 36.1 basis points in the third quarter of 2020. In comparison to the third quarter of 2020, our annualized effective fee rate for our other portfolios was primarily due to the July 2021 fee reductions in our target date products.

For the nine months ended September 30, 2021, investment advisory revenues earned from subadvised and separate accounts as well as collective investment trusts and other investment products were \$2,015.2 million, an increase of 38.8% from the 2020 period. Average assets under management for these products increased 37.1% from the 2020 period to \$733.3 billion. The annualized effective fee rate of 36.7 basis points for the nine months ended September 30, 2021 increased from 36.3 basis points for the nine months ended September 30, 2020. Our

annualized effective fee rate for our other portfolios increased primarily due to the mix shift towards equities and flows into our international products offset slightly by the July 2021 fee reductions in our target date products.

Administrative, distribution, and servicing fees. Administrative, distribution, and servicing fees in the third quarter of 2021 were \$140.7 million, an increase of \$14.2 million, or 11.2%, from the comparable 2020 quarter. For the nine months ended September 30, 2021, these fees were \$421.8 million, an increase of \$38.9 million, or 10.2%, from the 2020 period. The increase was primarily due to higher transfer agent servicing activities provided to the U.S. mutual funds, higher model delivery revenue, as well as higher 12b-1 revenue earned on the Advisor and R share classes of the U.S. mutual funds as a result of increased assets under management in these share classes. The increase in 12b-1 revenue is offset entirely by an increase in the costs paid to third-party intermediaries that source these assets and are reported in distribution and servicing expense.

Our net revenues reflect the elimination of advisory and administrative fee revenue earned from our consolidated T. Rowe Price investment products. The corresponding expenses recognized by these products, and consolidated in our financial statements, were also eliminated from operating expenses. For the third quarter, we eliminated net revenue of \$1.6 million in 2021 and \$2.7 million in 2020. For the nine months ended September 30, we eliminated net revenue of \$4.0 million in 2021 and \$7.3 million in 2020

Operating expenses

(in millions)	Three months ended		Q3 2021 vs. Q3 2020		Nine months ended		YTD 2021 vs. YTD 2020	
	9/30/2021	9/30/2020	\$ change	% change	9/30/2021	9/30/2020	\$ change	% change
Compensation and related costs, excluding supplemental savings plan	\$ 564.9	\$ 517.6	\$ 47.3	9.1 %	\$ 1,692.3	\$ 1,496.6	\$ 195.7	13.1 %
Supplemental savings plan ⁽¹⁾	(.3)	34.7	(35.0)	n/m	59.6	45.4	\$ 14.2	31.3 %
Total compensation and related costs	564.6	552.3	12.3	2.2 %	1,751.9	1,542.0	209.9	13.6 %
Distribution and servicing	96.0	73.5	22.5	30.6 %	274.3	201.2	73.1	36.3 %
Advertising and promotion	22.1	14.2	7.9	55.6 %	61.4	52.5	8.9	17.0 %
Product and recordkeeping related costs	70.3	36.8	33.5	91.0 %	154.6	118.0	36.6	31.0 %
Technology, occupancy, and facility costs	123.1	115.6	7.5	6.5 %	359.7	332.3	27.4	8.2 %
General, administrative, and other	81.8	74.5	7.3	9.8 %	260.8	238.0	22.8	9.6 %
Total operating expenses	\$ 957.9	\$ 866.9	\$ 91.0	10.5 %	\$ 2,862.7	\$ 2,484.0	\$ 378.7	15.2 %

⁽¹⁾ The impact of the market on the supplemental savings plan liability drives the expense recognized each period.

Compensation and related costs, excluding supplemental savings plan. Compensation and related costs, excluding supplemental savings plan, were \$564.9 million in the third quarter of 2021, an increase of \$47.3 million, or 9.1%, compared to the 2020 quarter. The increase from the 2020 quarter was primarily due to a \$32.5 million increase in our interim bonus accrual. We recognize the interim bonus accrual ratably over the year using the ratio of recognized quarterly net revenues to currently forecasted annual net revenues. Also contributing to the increase in 2021 costs compared to the third quarter of 2020 was a \$16.1 million increase in salaries and benefits due to modest increases in base salaries at the beginning of the year and an increase in our average staff size before the transition of approximately 800 T. Rowe Price operations and technology associates to FIS on August 1, 2021.

For the nine months ended September 30, 2021, compensation and related costs, excluding supplemental savings plan, were \$1,692.3 million, an increase of \$195.7 million, or 13.1%, compared to the 2020 period. The increase in compensation and related costs from the 2020 period was primarily due to a \$121.7 million increase in our interim bonus accrual. Also contributing to the increase in costs compared to 2020 was a \$78.1 million increase in salaries and benefits due to modest increases in base salaries at the beginning of the year and an increase in our average staff size before the transition of approximately 800 operations and technology associates to FIS on August 1, 2021. These increases in compensation and related costs were offset in part by \$11.7 million in higher labor capitalization related to internally developed software in 2021 period.

Distribution and servicing. Distribution and servicing costs were \$96.0 million for the third quarter of 2021, an increase of 30.6% from the \$73.5 million recognized in the 2020 quarter. For the nine months ended September 30, 2021, these costs were \$274.3 million, an increase of 36.3% over the \$201.2 million recognized in the comparable 2020 period. The increase is primarily driven by higher AUM-based distribution costs as a result of continued market

appreciation and inflows in our international products, including our Japanese Investment Trusts (ITMs), and SICAVs. Also contributing to the increase are higher costs incurred to distribute certain other products through U.S. financial intermediaries, as assets under management in these products have increased from prior year.

The amounts paid to third-party intermediaries that source the assets of the Advisor and R share classes of our U.S. mutual funds and our international products, such as our Japanese ITMs and SICAVs, are recognized in the distribution and servicing expense category. Both of these costs are offset entirely by the revenue we earn and report in net revenues: 12b-1 revenue recognized in administrative, distribution, and servicing fees for the U.S. mutual funds and investment advisory fee revenue for our international products.

Advertising and promotion. Advertising and promotion costs were \$22.1 million in the third quarter of 2021, an increase of \$7.9 million, or 55.6%, compared to the \$14.2 million recognized in the 2020 quarter. For the nine months ended September 30, 2021, these costs were \$61.4 million, an increase of \$8.9 million, or 17.0%, compared to the 2020 period. The increase in both the third quarter and nine months ended September 30, 2021 was driven primarily by the media spend related to the launch of a new brand marketing campaign and the promotion of the firm's target date solutions, along with lower spending in 2020 due to the impact of the coronavirus pandemic.

Product and recordkeeping related costs. Product and recordkeeping costs were \$70.3 million in the third quarter of 2021, an increase of \$33.5 million, or 91%, compared to the \$36.8 million in the 2020 quarter. For the nine months ended September 30, 2021, these costs were \$154.6 million, an increase of \$36.6 million, or 31%, compared to the 2020 period. More than 85% of the increase in the third quarter and more than 80% of the increase in the nine months ended September 30, 2021 was driven primarily by the recordkeeping costs incurred as part of our expanded FIS relationship, including certain transition expenses that will extend into the fourth quarter of 2021 but not recur in 2022. While these transition expenses will not recur, we do expect to incur certain technology-related costs as part of this expanded relationship with FIS over the next few years. These will be reported as technology, occupancy, and facility costs.

Technology, occupancy, and facility costs. Technology, occupancy, and facility costs were \$123.1 million in the third quarter of 2021, an increase of \$7.5 million, or 6.5%, compared to the \$115.6 million recognized in the 2020 quarter. For the nine months ended September 30, 2021, these costs were \$359.7 million, an increase of \$27.4 million, or 8.2%, compared to the 2020 period. The increase is due primarily to the ongoing investment in our technology capabilities, including hosted solution licenses and depreciation. Increased facility-related costs also contributed to the increase for the nine months ended September 30, 2021.

General, administrative, and other. General, administrative, and other expenses were \$81.8 million in the third quarter of 2021, an increase of \$7.3 million, or 6.1%, compared to the \$74.5 million recognized in the 2020 quarter. Higher research costs primarily due to additional investment professional headcount, higher information services and travel-related costs were the primary contributors to the higher costs in the third quarter of 2021 compared to 2020.

For the nine months ended September 30, 2021, general, administrative, and other expenses were \$260.8 million, an increase of \$22.8 million, or 9.6%, compared to the 2020 period. Higher information services and research costs were primary contributors to the higher costs in 2021 as compared to 2020. Travel-related expenses were lower compared to the nine months ended September 30, 2020, due to the impact of the coronavirus pandemic.

Non-operating income (loss)

Non-operating loss for the third quarter of 2021 was \$11.5 million, a decrease of \$203.1 million from non-operating income of \$191.6 million in the 2020 quarter. For the nine months ended September 30, 2021, non-operating income was \$234.5 million, an increase of \$128.1 million from non-operating income of \$106.4 million in the comparable 2020 period. The following table details the components of non-operating income for both the third quarter and nine months ended September 30, 2021 and 2020.

(in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net gains (losses) from non-consolidated T. Rowe Price investment products				
Cash and discretionary investments				
Dividend income	\$ 4.0	\$ 4.3	\$ 14.0	\$ 19.7
Market related gains (losses) and equity in earnings (losses)	(7.0)	21.3	14.5	30.5
Total cash and discretionary investments	(3.0)	25.6	28.5	50.2
Seed capital investments				
Dividend income	—	.2	.1	1.4
Market related gains (losses) and equity in earnings (losses)	(2.4)	14.3	27.0	8.3
Net gains recognized upon deconsolidation	—	—	2.6	.1
Investments used to hedge the supplemental savings plan liability	.1	33.3	59.3	29.2
Total net gains (losses) from non-consolidated T. Rowe Price investment products	(5.3)	73.4	117.5	89.2
Other investment income	14.0	11.2	47.5	11.4
Net gains on investments	8.7	84.6	165.0	100.6
Net gains (losses) on consolidated sponsored investment portfolios	(17.1)	101.2	75.7	13.3
Other income (loss), including foreign currency gains and losses	(3.1)	5.8	(6.2)	(7.5)
Non-operating income (loss)	\$ (11.5)	\$ 191.6	\$ 234.5	\$ 106.4

The significant investment portfolio gains in the third quarter of 2020 outperformed the slight investment portfolio losses in the third quarter of 2021 as the spread of the delta variant of the coronavirus weighed on the global economy and markets resulting in lower valuations at the end of the third quarter. The cash and discretionary investment portfolio also experienced net investment losses of \$3.0 million during the third quarter of 2021.

Our investment portfolio for the nine months ended September 30, 2021, outperformed the same period in 2020 as a result of the significant market losses experienced in the first quarter of 2020. Our consolidated investment products and supplemental savings plan hedge portfolio comprised approximately 60% of the net gains recognized during the nine months ended September 30, 2021.

The table above includes the net investment income of the underlying portfolios included in the consolidated T. Rowe Price investment products and not just the net investment income related to our interest. The table below shows the impact that the consolidated T. Rowe Price investment products had on the individual lines of our unaudited condensed consolidated statements of income and the portion attributable to our interest:

(in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Operating expenses reflected in net operating income	\$ (2.8)	\$ (4.4)	\$ (9.1)	\$ (11.7)
Net investment income (loss) reflected in non-operating income	(17.1)	101.2	75.6	13.3
Impact on income before taxes	\$ (19.9)	\$ 96.8	\$ 66.5	\$ 1.6
Net income (loss) attributable to our interest in the consolidated T. Rowe Price investment products	\$ (.1)	\$ 41.4	\$ 43.9	\$ 4.4
Net income (loss) attributable to redeemable non-controlling interests (unrelated third-party investors)	(19.8)	55.4	22.6	(2.8)
	\$ (19.9)	\$ 96.8	\$ 66.5	\$ 1.6

Provision for income taxes

Our GAAP effective tax rate for the third quarter of 2021 was 23.1%, compared with 24.1% in the 2020 quarter. For the nine months ended September 30, 2021, our GAAP effective tax rate was 23.3%, compared with 24.0% in the 2020 period.

The following table reconciles the statutory federal income tax rate to our effective tax rate for both the three- and nine-months ended September 30, 2021 and 2020:

	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	3.8	3.9	3.8	4.1
Net (income) losses attributable to redeemable non-controlling interests	.1	(.3)	(.2)	—
Net excess tax benefits from stock-based compensation plans activity	(1.6)	(.8)	(1.1)	(1.3)
Other items	(.2)	.3	(.2)	.2
Effective income tax rate	<u>23.1 %</u>	<u>24.1 %</u>	<u>23.3 %</u>	<u>24.0 %</u>

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

The non-GAAP tax rate primarily adjusts for the impact of the consolidated investment products, including the net income attributable to the redeemable non-controlling interests. Our non-GAAP effective tax rate was 23.1% in the third quarter of 2021 compared with 24.1% in third quarter of 2020, and was 23.4% for the nine months ended September 30, 2021 compared with 23.9% for the nine months ended September 30, 2020. The non-GAAP effective tax rate for the third quarter of 2021 was favorably impacted by higher discrete tax benefits associated with the settlement of stock-based awards. The non-GAAP effective tax rate for the nine months ended September 30, 2021 was favorably impacted by a lower state effective tax rate.

The firm continues to see the phased-in benefit of the 2018 Maryland state tax legislation in which we expect to reduce our effective state rate over the five-year phase-in period to less than 3% by the end of 2022.

Our effective tax rate will continue to experience volatility in future periods as the discrete tax benefits recognized from option exercises are impacted by market fluctuations in our stock price and timing of option exercises. Our GAAP rate will also be impacted by net investment income recognized on our consolidated investment products that are driven by market fluctuations and changes in the proportion of their net income that is attributable to non-controlling interests.

We currently estimate that our effective tax rate for the full year 2021, on a GAAP and non-GAAP basis, will be in the range of 22.0% to 24.0%.

NON-GAAP INFORMATION AND RECONCILIATION.

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

The following schedules reconcile certain U.S. GAAP financial measures for the three months ended September 30, 2021 and 2020.

	Three months ended 9/30/2021					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 957.9	\$ 996.2	\$ (11.5)	\$ 227.3	\$ 777.2	\$ 3.31
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(1.0)	2.8	17.1	—	.1	—
Supplemental savings plan liability ⁽²⁾	.3	(.3)	(.1)	—	(.5)	—
Other non-operating income ⁽³⁾	—	—	(8.5)	.8	(9.2)	(.04)
Adjusted Non-GAAP Basis	<u>\$ 957.2</u>	<u>\$ 998.7</u>	<u>\$ (3.0)</u>	<u>\$ 228.1</u>	<u>\$ 767.6</u>	<u>\$ 3.27</u>

	Three months ended 9/30/2020					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 866.9	\$ 728.9	\$ 191.6	\$ 221.9	\$ 643.2	\$ 2.73
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(1.7)	4.4	(101.2)	(18.1)	(23.3)	(.10)
Supplemental savings plan liability ⁽²⁾	(34.7)	34.7	(33.3)	.6	.8	—
Other non-operating income ⁽³⁾	—	—	(31.5)	(13.5)	(18.0)	(.08)
Adjusted Non-GAAP Basis	<u>\$ 830.5</u>	<u>\$ 768.0</u>	<u>\$ 25.6</u>	<u>\$ 190.9</u>	<u>\$ 602.7</u>	<u>\$ 2.55</u>

The following schedules reconcile certain U.S. GAAP financial measures for the nine months ended September 30, 2021 and 2020.

	Nine months ended 9/30/2021					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 2,862.7	\$ 2,847.5	\$ 234.5	\$ 717.1	\$ 2,342.3	\$ 9.94
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(4.9)	9.1	(75.7)	(13.5)	(30.5)	(.13)
Supplemental savings plan liability ⁽²⁾	(59.6)	59.6	(59.3)	.3	—	—
Other non-operating income ⁽³⁾	—	—	(71.0)	(17.8)	(53.2)	(.22)
Adjusted Non-GAAP Basis	<u>\$ 2,798.2</u>	<u>\$ 2,916.2</u>	<u>\$ 28.5</u>	<u>\$ 686.1</u>	<u>\$ 2,258.6</u>	<u>\$ 9.59</u>

	Nine months ended 9/30/2020					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 2,484.0	\$ 1,989.8	\$ 106.4	\$ 502.5	\$ 1,589.3	\$ 6.66
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(4.4)	11.7	(13.3)	(1.3)	4.1	.02
Supplemental savings plan liability ⁽²⁾	(45.4)	45.4	(29.2)	6.2	10.0	.04
Other non-operating income ⁽³⁾	—	—	(13.7)	(6.9)	(6.8)	(.03)
Adjusted Non-GAAP Basis	<u>\$ 2,434.2</u>	<u>\$ 2,046.9</u>	<u>\$ 50.2</u>	<u>\$ 500.5</u>	<u>\$ 1,596.6</u>	<u>\$ 6.69</u>

- ⁽¹⁾ These non-GAAP adjustments remove the impact that the consolidated T. Rowe Price investment products have on our U.S. GAAP consolidated statements of income. Specifically, we add back the operating expenses and subtract the investment income of the consolidated T. Rowe Price investment products. The adjustment to our operating expenses represents the operating expenses of the consolidated products, net of the elimination of related management and administrative fees. The adjustment to net income attributable to T. Rowe Price represents the net income of the consolidated products, net of redeemable non-controlling interest. We remove the impact of the consolidated T. Rowe Price investment products as we believe they impact the reader's ability to understand our core operating results.
- ⁽²⁾ These non-GAAP adjustments remove the compensation expense impact from market valuation changes in the supplemental savings plan liability and the related net gains (losses) on investments designated as an economic hedge against the related liability. Amounts deferred under the supplemental savings plan are adjusted for appreciation (depreciation) of hypothetical investments chosen by participants. We use T. Rowe Price investment products to economically hedge the exposure to these market movements. We believe it is useful to offset the non-operating investment income (loss) realized on the economic hedges against the related compensation expense and remove the net impact to help the reader's ability to understand our core operating results and to increase comparability period to period.
- ⁽³⁾ This non-GAAP adjustment represents the other non-operating income (loss) and the net gains (losses) earned on our non-consolidated investment portfolio that are not designated as economic hedges of the supplemental savings plan liability, and non-consolidated seed investments and other investments that are not part of the cash and discretionary investment portfolio. We retain the investment gains recognized on our non-consolidated cash and discretionary investments as these assets and related income (loss) are considered part of our core operations. We believe adjusting for these non-operating income (loss) items helps the reader's ability to understand our core operating results and increases comparability to prior years. Additionally, we do not emphasize the impact of the portion of non-operating income (loss) removed when managing and evaluating our core performance.
- ⁽⁴⁾ The income tax impacts were calculated in order to achieve an overall year-to-date non-GAAP effective tax rate of 23.4% for the first nine months of 2021 and 23.9% for the first nine months of 2020. As such, the non-GAAP effective tax rate for three months ended September 30, 2021 and 2020 was 23.1% and 24.1%, respectively. The firm estimates that its effective tax rate for the full-year 2021 on a non-GAAP basis will be in the range of 22.0% to 24.0%.
- ⁽⁵⁾ This non-GAAP measure was calculated by applying the two-class method to adjusted net income attributable to T. Rowe Price divided by the weighted-average common shares outstanding assuming dilution. The calculation of adjusted net income allocated to common stockholders is as follows:

	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Adjusted net income attributable to T. Rowe Price	\$ 767.6	\$ 602.7	\$ 2,258.6	\$ 1,596.6
Less: adjusted net income allocated to outstanding restricted stock and stock unit holders	19.4	16.8	59.5	44.1
Adjusted net income allocated to common stockholders	<u>\$ 748.2</u>	<u>\$ 585.9</u>	<u>\$ 2,199.1</u>	<u>\$ 1,552.5</u>

CAPITAL RESOURCES AND LIQUIDITY.

Sources of Liquidity

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

(in millions)	9/30/2021	12/31/2020
Cash and cash equivalents	\$ 3,418.5	\$ 2,151.7
Discretionary investments	1,925.1	2,095.7
Total cash and discretionary investments	5,343.6	4,247.4
Redeemable seed capital investments	1,188.7	1,219.1
Investments used to hedge the supplemental savings plan liability	795.5	768.1
Total cash and investments in T. Rowe Price products	\$ 7,327.8	\$ 6,234.6

Our discretionary investment portfolio is comprised primarily of short duration bond funds, which typically yield higher than money market rates, and asset allocation products. Cash and discretionary investments experienced \$3.0 million in market losses and \$28.5 million in market gains in the three- and nine-months ended September 30, 2021, respectively, as compared to investment gains of \$25.6 million and \$50.2 million in the three- and nine-months ended September 30, 2020. Cash and discretionary investments in T. Rowe Price products held by our subsidiaries outside the United States were \$927.1 million at September 30, 2021 and \$675.8 million at December 31, 2020. Given the availability of our financial resources and cash expected to be generated through future operations, we do not maintain an available external source of additional liquidity.

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

The cash and investment presentation on the unaudited condensed consolidated balance sheet is based on the accounting treatment for the cash equivalent or investment item. The following table details how T. Rowe Price's interests in cash and investments relate to where they are presented on the unaudited condensed consolidated balance sheet as of September 30, 2021.

(in millions)	Cash and cash equivalents	Investments	Net assets of consolidated T. Rowe Price investment products ⁽¹⁾	9/30/2021
Cash and discretionary investments	\$ 3,418.5	\$ 1,864.3	\$ 60.8	\$ 5,343.6
Seed capital investments	—	401.5	787.2	1,188.7
Investments used to hedge the supplemental savings plan liability	—	795.5	—	795.5
Total cash and investments in T. Rowe Price products attributable to T. Rowe Price	3,418.5	3,061.3	848.0	7,327.8
Investment in UTI and other investments	—	269.0	—	269.0
Total cash and investments attributable to T. Rowe Price	3,418.5	3,330.3	848.0	7,596.8
Redeemable non-controlling interests	—	—	1,086.6	1,086.6
As reported on unaudited condensed consolidated balance sheet at September 30, 2021	\$ 3,418.5	\$ 3,330.3	\$ 1,934.6	\$ 8,683.4

⁽¹⁾ The consolidated T. Rowe Price investment products are generally those products we provided seed capital at the time of their formation and we have a controlling interest. These products generally represent U.S. mutual funds as well as those funds regulated outside the U.S. The \$60.8 million and the \$787.2 million represent the total value at September 30, 2021 of our interest in the consolidated T. Rowe Price investment products. The total net assets of the T. Rowe Price investment products at September 30, 2021 of \$1,934.6 million includes assets of \$2,026.7 million, less liabilities of \$92.1 million as reflected in our unaudited condensed consolidated balance sheets.

Our unaudited condensed consolidated balance sheet reflects the cash and cash equivalents, investments, other assets and liabilities of those T. Rowe Price investment products we consolidate, as well as redeemable non-

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

T. Rowe Price investment products was used as initial seed capital and is recategorized as discretionary when it is determined by management that the seed capital is no longer needed. We assess the discretionary investment products and, when we decide to liquidate our interest, we seek to do so in a way as to not impact the product and, ultimately, the unrelated third-party investors.

Uses of Liquidity

We increased our quarterly recurring dividend per common share in February 2021 by 20.0% to \$1.08 per common share from \$.90 per common share. Additionally, our Board of Directors declared a special cash dividend of \$3.00 per common share, or \$699.8 million, on June 14, 2021, that was paid on July 7, 2021. Further, we expended \$526.6 million in the first nine months of 2021 to repurchase 2.9 million shares, or 1.3% of our outstanding common stock, at an average price of \$182.27 per share. These dividends and repurchases were expended using existing cash balances and cash generated from operations. While opportunistic in our approach to stock buybacks, we will generally repurchase our common stock over time to offset the dilution created by our equity-based compensation plans.

Since the end of 2018, we have returned \$5.5 billion to stockholders through stock repurchases, regular quarterly dividends, and special dividends, as follows:

(in millions)	Recurring dividend	Special dividend ⁽¹⁾	Stock repurchases	Total cash returned to stockholders
2019	\$ 733.6	\$ —	\$ 708.8	\$ 1,442.4
2020	846.0	—	1,192.2	2,038.2
Nine months ended 9/30/2021	755.0	699.8	526.6	1,981.4
Total	\$ 2,334.6	\$ 699.8	\$ 2,427.6	\$ 5,462.0

⁽¹⁾ Special cash dividend declared in June 2021 was paid in July 2021.

We anticipate property, equipment and other capital expenditures, including internal labor capitalization, for the full-year 2021 to be about \$250 million, of which more than three-quarters is planned for technology initiatives. We expect to fund our anticipated capital expenditures with operating cash flows and other available resources.

On October 28, 2021, we entered into an agreement to acquire 100% of the equity of OHA, and certain other entities that have common ownership. We will acquire OHA for a purchase price of up to \$4.2 billion, with \$3.3 billion payable at closing, approximately 74% in cash and 26% in T. Rowe Price Group, Inc. common stock, and up to an additional \$900 million in cash upon the achievement of defined business milestones starting in 2025. We expect that the acquisition will close in the fourth quarter of 2021.

Cash Flows

The following table summarizes the cash flows for the nine months ended September 30, 2021 and 2020, that are attributable to T. Rowe Price, our consolidated T. Rowe Price investment products, and the related eliminations required in preparing the statement.

(in millions)	Nine months ended							
	9/30/2021				9/30/2020			
	Cash flow attributable to T. Rowe Price	Cash flow attributable to consolidated T. Rowe Price investment products	Elims	As reported	Cash flow attributable to T. Rowe Price	Cash flow attributable to consolidated T. Rowe Price investment products	Elims	As reported
Cash flows from operating activities								
Net income	\$ 2,342.3	\$ 66.5	\$ (43.9)	\$2,364.9	\$ 1,589.3	\$ 1.6	\$ 2.8	\$1,593.7
Adjustments to reconcile net income to net cash provided by operating activities								
Depreciation and amortization of property and equipment	151.1	—	—	151.1	144.0	—	—	144.0
Stock-based compensation expense	166.3	—	—	166.3	164.5	—	—	164.5
Net (gains) losses recognized on investments	(188.3)	—	43.9	(144.4)	(72.5)	—	(2.8)	(75.3)
Net (investments) redemptions in T. Rowe Price investment products used to economically hedge supplemental savings plan liability	28.1	—	—	28.1	(19.1)	—	—	(19.1)
Net change in trading securities held by consolidated T. Rowe Price investment products		(5.3)	—	(5.3)	—	(350.8)	—	(350.8)
Other changes in assets and liabilities	573.1	(42.6)	(.5)	530.0	458.8	2.5	(1.4)	459.9
Net cash provided by (used in) operating activities	3,072.6	18.6	(.5)	3,090.7	2,265.0	(346.7)	(1.4)	1,916.9
Net cash provided by (used in) investing activities	108.0	(15.6)	(34.8)	57.6	(100.6)	(49.1)	96.6	(53.1)
Net cash provided by (used in) financing activities	(1,913.8)	(12.6)	35.3	(1,891.1)	(1,718.0)	393.9	(95.2)	(1,419.3)
Effect of exchange rate changes on cash and cash equivalents of consolidated T. Rowe Price investment products	—	(3.6)	—	(3.6)	—	3.4	—	3.4
Net change in cash and cash equivalents during period	1,266.8	(13.2)	—	1,253.6	446.4	1.5	—	447.9
Cash and cash equivalents at beginning of year	2,151.7	104.8	—	2,256.5	1,781.8	76.5	—	1,858.3
Cash and cash equivalents at end of period	\$ 3,418.5	\$ 91.6	\$ —	\$3,510.1	\$ 2,228.2	\$ 78.0	\$ —	\$2,306.2

Operating Activities

Operating activities attributable to T. Rowe Price during the first nine months of 2021 provided cash flows of \$3,072.6 million as compared to \$2,265.0 million during the first nine months of 2020. Operating cash flows attributable to T. Rowe Price increased \$807.6 million, including a \$753.0 million increase in net income from the first nine months of 2020 and timing differences on the cash settlement of our assets and liabilities of \$114.3 million. This increase was partially offset by \$106.9 million in lower non-cash adjustments, including unrealized investment gains/losses, depreciation, and stock-based compensation expense. The non-cash adjustments were primarily driven by a \$115.8 million increase in net investment gains in the first nine months of 2021 compared with the first nine months of 2020. Additionally, in 2021, we had net proceeds of \$28.1 million from certain investment products that economically hedge our supplemental savings plan liability, while we had net investments of \$19.1 million in the same period of 2020. Our interim operating cash flows do not include the cash impact of variable compensation that is accrued throughout the year before being substantially paid out in December. The remaining change in reported cash flows from operating activities was attributable to the net change in trading securities held in our consolidated investment products' underlying portfolios.

Investing Activities

Net cash provided by investing activities that are attributable to T. Rowe Price totaled \$108.0 million in the first nine months of 2021 compared with \$100.6 million of cash used by investing activities in the 2020 period. During 2021, we decreased the level of seed capital provided by \$131.4 million. We eliminate our seed capital in those T. Rowe Price investment products we consolidate in preparing our unaudited condensed consolidated statement of cash flows. Further increasing the cash provided by investing activities were higher net proceeds from the sale of certain of our discretionary investments of \$238.1 million compared to net proceeds of \$141.6 million during 2020. Partially offsetting these increases were increased property and equipment expenditures of \$23.3 million. The remaining \$33.5 million change in reported cash flows from investing activities is related to the net cash removed from our balance sheet from consolidating and deconsolidating investment products.

Financing Activities

Net cash used in financing activities attributable to T. Rowe Price were \$1,913.8 million in the first nine months of 2021 compared with \$1,718.0 million in the 2020 period. During the first nine months of 2021, we used \$526.6 million to repurchase 2.9 million shares compared to \$1.2 billion to repurchase 10.8 million shares in the first nine months of 2020. Partially offsetting this decrease in cash used for stock repurchases was a \$818.3 million increase in dividends paid in 2021 as a result of the special cash dividend paid in July 2021 and the 20.0% increase in our quarterly dividend per share. The remaining change in reported cash flows from financing activities is primarily attributable to a \$276.0 million decrease in net subscriptions received from redeemable non-controlling interest holders of our consolidated investment products during the first nine months of 2021 compared to the 2020 period.

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 unaudited condensed consolidated balance sheets, the revenues and expenses in our unaudited condensed consolidated statements of income, and the information that is contained in our significant accounting policies and notes to unaudited condensed 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 unaudited condensed consolidated financial statements, significant accounting policies, and notes.

There have been no material changes in the critical accounting policies previously identified in our 2020 Annual Report on Form 10-K.

NEWLY-ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE.

See Note 1 - The Company and Basis of Preparation note within Item 1. Financial Statements for a discussion of newly issued but not yet adopted accounting guidance.

FORWARD-LOOKING INFORMATION.

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this report, may contain certain forward-looking information, including information or anticipated information relating to: our revenues, net income, and earnings per share on common stock; changes in the amount and composition of our assets under management; our expense levels; our tax rate; and our expectations regarding financial markets, strategic transactions, dividends, stock repurchases, investments, new products and services, capital expenditures, changes in our effective fee rate, the impact of the coronavirus pandemic, other market conditions and the acquisition of OHA. 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, included in our Form 10-K Annual Report for 2020. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

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

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

Our acquisition of OHA is subject to various risks and uncertainties, which could impact the completion of the transaction and effect our results of operations, including: (i) the occurrence of any event, change, or other circumstances that could give rise to the termination of the purchase agreement; (ii) closing conditions may not be satisfied in a timely manner or at all, including due to the failure to obtain regulatory and client approvals; (iii) the announcement and pendency of the acquisition may disrupt our business operations (including the threatened or

actual loss of employees, clients, or suppliers); (iv) we could experience financial or other setbacks if the transaction encounters unanticipated problems; (v) anticipated benefits of the transaction, including the realization of revenue, accretion, financial benefits or returns, and expense and other synergies, may not be fully realized or may take longer to realize than expected; (vi) client and investor interest in T. Rowe Price or the combined business's products may be less than anticipated; and (vii) we may be unable to successfully integrate OHA's businesses or to integrate the businesses within the anticipated time frame.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material change in the total potential loss information provided in Item 7A of the Form 10-K Annual Report for 2020.

Item 4. Controls and Procedures.

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures as of September 30, 2021, are effective at the reasonable assurance level to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, including this Form 10-Q quarterly report, is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive and principal financial officers, has evaluated any change in our internal control over financial reporting that occurred during the third quarter of 2021, and has concluded that there was no change during the third quarter of 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For information about our legal proceedings, please see our Commitments and Contingencies footnote to our unaudited condensed consolidated financial statements in Part 1. of this Form 10-Q.

Item 1A. Risk Factors.

There have been no material changes in the information provided in Item 1A of our Form 10-K Annual Report for 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Repurchase activity during the third quarter of 2021 is as follows:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
July	5,056	\$ 204.35	—	19,612,790
August	141,603	\$ 215.77	112,246	19,500,544
September	935,928	\$ 209.89	922,335	18,578,209
Total	1,082,587	\$ 210.63	1,034,581	

Shares repurchased by us in a quarter may include repurchases conducted pursuant to publicly announced board authorization, outstanding shares surrendered to the company to pay the exercise price in connection with swap exercises of employee stock options, and shares withheld to cover the minimum tax withholding obligation associated with the vesting of restricted stock awards. Of the total number of shares purchased during the third

quarter of 2021, 48,006 were related to shares surrendered in connection with employee stock option exercises and no shares were withheld to cover tax withholdings associated with the vesting of restricted stock awards.

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

Authorization Dates	7/1/2021	Total Number of Shares Purchased	Maximum Number of Shares that May Yet Be Purchased at 9/30/2021
February 2019	4,612,790	(1,034,581)	3,578,209
March 2020	15,000,000	—	15,000,000
	19,612,790	(1,034,581)	18,578,209

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On October 28, 2021, we issued an earnings release reporting our results of operations for the third quarter of 2021. A copy of that earnings release is furnished herewith as Exhibit 99.1. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 6. Exhibits.

The following exhibits required by Item 601 of Regulation S-K are furnished herewith.

3(i)	Charter of T. Rowe Price Group, Inc., as reflected by Articles of Restatement dated June 20, 2018. (Incorporated by reference from Form 10-Q Quarterly Report filed on July 25, 2018.)
3(ii)	Amended and Restated By-Laws of T. Rowe Price Group, Inc. as of February 9, 2021. (Incorporated by reference from Form 10-K Annual Report filed on February 11, 2021.)
15	Report from KPMG LLP, independent registered public accounting firm, re unaudited interim financial information.
31(i).1	Rule 13a-14(a) Certification of Principal Executive Officer.
31(i).2	Rule 13a-14(a) Certification of Principal Financial Officer.
32	Section 1350 Certifications.
99.1	Earnings release issued October 28, 2021, reporting our results of operations for the third quarter of 2021.
101	The following series of unaudited XBRL-formatted documents are collectively included herewith as Exhibit 101. The financial information is extracted from T. Rowe Price Group's unaudited condensed consolidated interim financial statements and notes that are included in this Form 10-Q Report.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on October 28, 2021.

T. Rowe Price Group, Inc.

By: /s/ Jennifer B. Dardis
Vice President, Chief Financial Officer and Treasurer

October 28, 2021

T. Rowe Price Group, Inc.
Baltimore, Maryland

Re: Registration Statements No. 33-7012, No. 333-59714, No. 333-120882, No. 333-120883, No. 333-142092, No. 333-167317, No. 333-180904, No. 333-199560, No. 333-212705 , No. 333-217483, and No. 333-238319.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 28, 2021 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Baltimore, Maryland

I, William J. Stromberg, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended September 30, 2021 of T. Rowe Price Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2021

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

I, Jennifer B. Dardis, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended September 30, 2021 of T. Rowe Price Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2021

/s/ Jennifer B. Dardis
Vice President, Chief Financial Officer and Treasurer

We certify, to the best of our knowledge, based upon a review of the Form 10-Q Quarterly Report for the quarterly period ended September 30, 2021, of T. Rowe Price Group, Inc., that:

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

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

October 28, 2021

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

/s/ Jennifer B. Dardis
Vice President, Chief Financial Officer and Treasurer



NEWS RELEASE

T. ROWE PRICE GROUP REPORTS THIRD QUARTER 2021 RESULTS

BALTIMORE (October 28, 2021) - T. Rowe Price Group, Inc. (NASDAQ-GS: TROW) today reported its results for the third quarter of 2021.

- **Assets under management end quarter at \$1.61 trillion**
- **Net client outflows of \$6.4 billion for Q3 2021**
- **Net revenues of \$2.0 billion for Q3 2021**
- **Diluted earnings per common share of \$3.31 for Q3 2021**
- **Adjusted non-GAAP diluted earnings per common share of \$3.27 for Q3 2021**
- **Long-term investment performance remains strong**

Financial Highlights

(in millions, except per-share data)	Three months ended					Nine months ended		
	9/30/2021	9/30/2020	% change	6/30/2021	% change	9/30/2021	9/30/2020	% change
U.S. GAAP basis								
Investment advisory fees	\$ 1,813.4	\$ 1,469.3	23.4 %	\$ 1,787.2	1.5 %	\$ 5,288.4	\$ 4,090.9	29.3 %
Net revenues	\$ 1,954.1	\$ 1,595.8	22.5 %	\$ 1,929.3	1.3 %	\$ 5,710.2	\$ 4,473.8	27.6 %
Operating expenses	\$ 957.9	\$ 866.9	10.5 %	\$ 971.2	(1.4)%	\$ 2,862.7	\$ 2,484.0	15.2 %
Net operating income	\$ 996.2	\$ 728.9	36.7 %	\$ 958.1	4.0 %	\$ 2,847.5	\$ 1,989.8	43.1 %
Non-operating income (loss) ⁽¹⁾	\$ (11.5)	\$ 191.6	n/m	\$ 143.9	n/m	\$ 234.5	\$ 106.4	n/m
Net income attributable to T. Rowe Price	\$ 777.2	\$ 643.2	20.8 %	\$ 815.7	(4.7)%	\$ 2,342.3	\$ 1,589.3	47.4 %
Diluted earnings per common share	\$ 3.31	\$ 2.73	21.2 %	\$ 3.46	(4.3)%	\$ 9.94	\$ 6.66	49.2 %
Weighted average common shares outstanding assuming dilution	229.1	229.4	(.1)%	229.2	— %	229.4	231.9	(1.1)%
Adjusted non-GAAP basis⁽²⁾								
Operating expenses	\$ 957.2	\$ 830.5	15.3 %	\$ 931.8	2.7 %	\$ 2,798.2	\$ 2,434.2	15.0 %
Net operating income	\$ 998.7	\$ 768.0	30.0 %	\$ 998.6	— %	\$ 2,916.2	\$ 2,046.9	42.5 %
Non-operating income (loss) ⁽¹⁾	\$ (3.0)	\$ 25.6	n/m	\$ 17.8	n/m	\$ 28.5	\$ 50.2	n/m
Net income attributable to T. Rowe Price	\$ 767.6	\$ 602.7	27.4 %	\$ 779.0	(1.5)%	\$ 2,258.6	\$ 1,596.6	41.5 %
Diluted earnings per common share	\$ 3.27	\$ 2.55	28.2 %	\$ 3.31	(1.2)%	\$ 9.59	\$ 6.69	43.3 %
Assets under Management (in billions)								
Average assets under management	\$ 1,648.7	\$ 1,292.9	27.5 %	\$ 1,585.3	4.0 %	\$ 1,581.3	\$ 1,198.9	31.9 %
Ending assets under management	\$ 1,612.3	\$ 1,310.4	23.0 %	\$ 1,623.1	(.7)%	\$ 1,612.3	\$ 1,310.4	23.0 %

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

⁽²⁾ Adjusts the GAAP basis for the impact of consolidated T. Rowe Price investment products, the impact of market movements on the supplemental savings plan liability and related economic hedges, investment income related to certain other investments, and certain nonrecurring charges and gains, if any. The firm believes the non-GAAP financial measures provide relevant and meaningful information to investors about its core operating results. See the reconciliation to the comparable U.S. GAAP measures at the end of this earnings release.

Management Commentary

William J. Stromberg, chief executive officer, commented: "Uncertainty returned to the markets in September with the S&P 500 giving back the gains made in July and August. Other major U.S. stock market indexes were mixed in the third quarter while stocks in developed markets outside the U.S. fell slightly. U.S. bonds were largely unchanged with headwinds from rising inflationary pressure and growing expectations for the Federal Reserve to begin its long-awaited tapering process.

"Despite the September market retreat, higher average AUM levels driven by previous market gains resulted in investment advisory revenues up 23.4%, diluted GAAP EPS up 21.2%, and adjusted non-GAAP EPS up 28.2%. After modest repurchases in Q2, we bought back 1 million shares during Q3, concentrated in September when markets corrected. Also, in addition to our regular dividend, we paid a \$3 per share special dividend in July. Even after these capital returns, our balance sheet remains exceptionally strong.

"AUM-weighted investment performance remains strong over five- and ten-year time periods, while near term performance has been more mixed across our equity strategies. We are particularly pleased with the outstanding results of our target date franchise across all time periods.

"Net outflows for the quarter of \$6.4 billion were concentrated in our growth oriented strategies, as some investors continue to reposition away from growth after many years of attractive returns. We experienced modest inflows elsewhere, including \$0.7 billion into our target date products in Q3. While near-term redemptions continue, we remain confident in the long-term health of the business as seen in positive sales activity and client engagements.

"Strong AUM and revenue growth in 2021 has allowed us to invest in multiple initiatives to bolster long-term investment performance and develop new areas of growth. Highlights from Q3 included:

- We announced an effective date of March 7, 2022 for six existing strategies to transition to T. Rowe Price Investment Management (TRPIM), a separate U.S.-based SEC-registered investment adviser. We have completed our targeted research analyst hiring and continue to build and test new systems, processes, and operations to ensure that TRPIM and T. Rowe Price Associates can fully operate as independent investment platforms.
- We implemented our expanded partnership with FIS in our retirement recordkeeping business with the shift of associates and responsibilities occurring on August 1.
- We launched the Retirement Blend Funds in late July, broadening our range of retirement solutions for clients of all sizes. The previously announced fee reductions across our target date franchise went into effect on July 1.
- We launched three new active fixed income exchange-traded funds (ETFs), expanding the firm's active ETF roster to eight. The new ETFs are core fixed income strategies that can serve as building blocks for client portfolios.

"Our associates returned to our offices in many of our global locations during Q3 and this will continue gradually in the U.S. during Q4. Our associates worked successfully from home over the last 19 months. We feel we are at our best, though, when we are together, and we look forward to reconvening in the coming weeks and continuing our work on behalf of our clients.

"Today we announced the next phase of our growth strategy to broaden our investment capabilities and advance our business. We have agreed to purchase Oak Hill Advisors, L.P. (OHA), a leading alternative credit manager, which we believe will accelerate our expansion into alternative investment markets.

"T. Rowe Price and OHA bring together similar cultures with shared values, including a focus on investment performance and integrity. We look forward to welcoming our new colleagues from OHA and working with them as we continue to help clients meet their investment goals."

CONFERENCE CALL INFORMATION

T. Rowe Price will host a live audio webcast today at 9:00 am eastern time to discuss the acquisition. Access to the webcast will be available via the firm's Investor Relations website at troweprice.gcs-web.com/events. A replay will be available shortly after the conclusion of the meeting and archived online for a period of one year.

Assets Under Management

During Q3 2021, assets under management decreased \$10.8 billion to \$1.61 trillion. Net cash outflows were \$6.4 billion, and clients transferred \$3.6 billion in net assets from the U.S. mutual funds primarily to collective investment trusts and other investment products, of which \$1.9 billion transferred into the retirement date trusts. The components of the change in assets under management, by vehicle and asset class, are shown in the tables below.

(in billions)	Three months ended 9/30/2021				Nine months ended 9/30/2021			
	U.S. mutual funds	Subadvised funds and separate accounts	Collective investment trusts and other investment products	Total	U.S. mutual funds	Subadvised funds and separate accounts	Collective investment trusts and other investment products	Total
Assets under management at beginning of period	\$ 865.8	\$ 426.9	\$ 330.4	\$ 1,623.1	\$ 794.6	\$ 400.1	\$ 275.8	\$ 1,470.5
Net cash flows before client transfers	.1	(5.8)	(.7)	(6.4)	3.2	(21.9)	12.9	(5.8)
Client transfers	(3.6)	.5	3.1	—	(18.4)	2.0	16.4	—
Net cash flows after client transfers	(3.5)	(5.3)	2.4	(6.4)	(15.2)	(19.9)	29.3	(5.8)
Net market (depreciation)/appreciation and (losses)/gains	(1.1)	(.8)	(2.3)	(4.2)	82.1	40.6	25.4	148.1
Net distributions not reinvested	(.2)	—	—	(.2)	(.5)	—	—	(.5)
Change during the period	(4.8)	(6.1)	.1	(10.8)	66.4	20.7	54.7	141.8
Assets under management at September 30, 2021	\$ 861.0	\$ 420.8	\$ 330.5	\$ 1,612.3	\$ 861.0	\$ 420.8	\$ 330.5	\$ 1,612.3

(in billions)	Three months ended 9/30/2021				Nine months ended 9/30/2021			
	Equity	Fixed income, including money market	Multi-asset ⁽¹⁾	Total	Equity	Fixed income, including money market	Multi-asset ⁽¹⁾	Total
Assets under management at beginning of period	\$ 985.1	\$ 178.7	\$ 459.3	\$ 1,623.1	\$ 895.8	\$ 168.7	\$ 406.0	\$ 1,470.5
Net cash flows	(8.4)	2.1	(.1)	(6.4)	(28.8)	11.2	11.8	(5.8)
Net market (depreciation)/appreciation and (losses)/gains ⁽²⁾	(2.0)	(.1)	(2.3)	(4.4)	107.7	.8	39.1	147.6
Change during the period	(10.4)	2.0	(2.4)	(10.8)	78.9	12.0	50.9	141.8
Assets under management at September 30, 2021	\$ 974.7	\$ 180.7	\$ 456.9	\$ 1,612.3	\$ 974.7	\$ 180.7	\$ 456.9	\$ 1,612.3

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

⁽²⁾ Includes distributions reinvested and not reinvested.

Assets under management in the firm's target date retirement products, which are reported as part of the multi-asset column in the table above, were \$377.7 billion at September 30, 2021, compared with \$379.2 billion at June 30, 2021 and \$332.2 billion at December 31, 2020. Net cash flows into these portfolios were \$.7 billion for Q3 2021 and \$12.7 billion for YTD 2021.

Investors domiciled outside the United States accounted for 8.8% of the firm's assets under management at September 30, 2021, 9.0% at June 30, 2021, and 9.3% at December 31, 2020.

The firm provides participant accounting and plan administration for defined contribution retirement plans that invest in the firm's U.S. mutual funds and collective investment trusts, as well as funds outside of the firm's complex. As of September 30, 2021, the firm's assets under administration were \$260 billion, of which nearly \$173 billion are assets we manage.

In recent years, the firm began offering non-discretionary advisory services through model delivery and multi-asset solutions for providers to implement. The firm records the revenue earned on these services in administrative fees. The assets under advisement in these portfolios, predominantly in the United States, were \$8 billion at September 30, 2021.

Financial Results

Net revenues earned in Q3 2021 were \$2.0 billion, an increase of 22.5% from Q3 2020. Average assets under management in Q3 2021 were \$1.65 trillion, an increase of 27.5% from Q3 2020. The firm voluntarily waived money market advisory fees in Q3 2021 of \$13.7 million to continue to maintain positive yields for investors. The firm anticipates that the waivers in Q4 2021 will be at a similar level to Q3 2021 and expects to continue to waive fees into 2022.

- Investment advisory revenues earned in Q3 2021 from the firm's U.S. mutual funds were \$1.1 billion, an increase of 19.8% from Q3 2020. Average assets under management in these funds increased 24.3% to \$881.0 billion in Q3 2021 from Q3 2020.

- Investment advisory revenues earned in Q3 2021 from subadvised funds, separate accounts, collective investment trusts and other investment products were \$687.9 million, an increase of 29.8% from Q3 2020. Average assets under management for these products increased 31.4% to \$767.7 billion in Q3 2021 from Q3 2020.
- The annualized effective fee rate of 43.6 basis points in Q3 2021 was down from 45.2 basis points earned in both Q2 2021 and Q3 2020. In comparison to Q2 2021, the decrease is primarily due to the July 2021 fee reductions in the firm's target-date products. In comparison to Q3 2020, the annualized effective fee rate was also impacted by client transfers to lower fee vehicles or share classes within the complex over the last twelve months and money market fee waivers. These fee pressures were partially offset as higher market valuations led to an asset class shift towards equity strategies. Over time, the firm's effective fee rate can be impacted by market or cash flow related shifts among asset and share classes, price changes in existing products, and asset level changes in products with tiered-fee structures.
- Administrative, distribution, and servicing fees in Q3 2021 were \$140.7 million, an increase of 11.2% from Q3 2020. The increase was primarily attributable to higher transfer agent servicing activities provided to the T. Rowe Price mutual funds, higher model delivery revenue, as well as higher 12b-1 revenue earned on the Advisor and R share classes of the U.S. mutual funds as a result of increased assets under management in these share classes.

Operating expenses in Q3 2021 were \$957.9 million, an increase of 10.5% compared to Q3 2020. The increase in the firm's operating expenses from Q3 2020 was primarily due to higher compensation costs and higher distribution and servicing costs as average assets under management increased over the prior year. Also contributing to the increase in operating expenses during the quarter were costs incurred as FIS began providing technology development and core operations for our full-service recordkeeping offering on August 1, 2021. During the quarter, the firm incurred recordkeeping costs, which were partially offset by a reduction in the compensation expenses related to the approximately 800 associates who transitioned to FIS, as well as transition costs associated with the expanded relationship.

These increases were partially offset by lower compensation expenses related to the supplemental savings plan. The lower supplemental savings plan-related expenses in the Q3 2021 were entirely offset by the non-operating gains earned on the investments used to economically hedge the related liability.

On a non-GAAP basis, the firm's operating expenses in Q3 2021 were \$957.2 million, a 15.3% increase over Q3 2020. The firm's non-GAAP operating expenses exclude the impact of the supplemental savings plan and consolidated sponsored products.

- **Compensation and related costs** on a GAAP basis were \$564.6 million in Q3 2021, an increase of 2.2% compared to Q3 2020. On a non-GAAP basis, compensation and related costs were \$564.9 million in Q3 2021, an increase of 9.1% compared to Q3 2020. These increases were primarily related to a higher interim bonus accrual, which is based on a higher revenue forecast in 2021, and higher salaries and benefits, primarily due to modest increases in base salaries at the beginning of the year, and an increase in the firm's average staff size before the transition of approximately 800 T. Rowe Price operations and technology associates to FIS on August 1, 2021. These increases in compensation and related costs were partially offset by a \$35.0 million decrease in compensation expense related to the supplemental savings plan, as the plan experienced market losses in Q3 2021 as compared to market gains in Q3 2020. The firm employed 7,124 associates at September 30, 2021, a decrease of 7.2% from the end of 2020 and 6.7% from September 30, 2020.

The increases in GAAP compensation and related costs were partially offset by a \$35.0 million decrease in compensation expense related to the supplemental savings plan, as the plan experienced market losses in Q3 2021 as compared to market gains in Q3 2020.

- **Distribution and servicing costs** were \$96.0 million in Q3 2021, an increase of 30.6% from the \$73.5 million recognized in Q3 2020. The increase was primarily driven by higher AUM-based distribution costs as a result of continued market appreciation and inflows in the firm's international products, including the Japanese Investment Trusts (ITMs) and SICAVs. These distribution costs, like those related to certain shares classes of the U.S. mutual funds, are offset entirely in net revenues. For the ITMs and SICAVs, the related revenue is recognized in investment advisory revenues. Also contributing to the increase are higher costs incurred to distribute certain products through U.S. financial intermediaries as assets under management in these products have increased from the prior year.
- **Advertising and promotion expenses** were \$22.1 million in Q3 2021, an increase of 55.6% from Q3 2020. The increase was primarily driven by the media spend related to the launch of a new brand marketing campaign and the continued promotion of the firm's target date solutions, along with lower spending in 2020 due to the impact of the coronavirus pandemic.
- **Product and recordkeeping related expenses** were \$70.3 million in Q3 2021, an increase of 91.0% from Q3 2020. More than 85% of the increase was due to the costs incurred as part of the expanded FIS relationship, including certain transition expenses that will extend into Q4 2021, but not recur in 2022. While these transition expenses will not recur, we do expect to incur certain technology-related costs as part of

this expanded relationship with FIS over the next few years. These will be reported as technology, occupancy, and facility costs.

- **Technology, occupancy, and facility costs** were \$123.1 million in Q3 2021, an increase of 6.5% from the \$115.6 million recognized in Q3 2020. The increase was primarily due to the ongoing investment in the firm's technology capabilities, including hosted solution licenses and depreciation.
- **General, administrative, and other costs** were \$81.8 million in Q3 2021, an increase of 9.8% compared with the \$74.5 million recognized in Q3 2020. Higher research costs, information services, and travel-related costs contributed to the higher costs in Q3 2021 as compared to Q3 2020.

The firm narrowed its 2021 non-GAAP operating expense growth guidance from a range of 12%-15% to a range of 13%-15% to reflect results year-to-date and expectations for Q4 2021. This expense excludes any acquisition costs expected to be incurred in relation to the announced agreement to acquire OHA. The firm could elect to further adjust its expense growth should unforeseen circumstances arise, including significant market movements. As discussed in July 2021, the impact of the firm's expanded partnership with FIS is reflected in the expense growth guidance above.

Non-operating income (loss). Non-operating loss was \$11.5 million in Q3 2021, as compared to non-operating income of \$191.6 million in Q3 2020. The firm's consolidated products comprised the majority of the net market losses recognized during Q3 2021 and the net gains in Q3 2020. The cash and discretionary investment portfolio also experienced net investment losses of \$3.0 million during Q3 2021. The components of non-operating income (loss) for Q3 2021 and Q3 2020 are included in the tables at the end of this release.

Income taxes. The firm's effective tax rate was 23.1% in Q3 2021 and 24.1% in Q3 2020. The following reconciles the statutory federal income tax rate to the firm's effective tax rate for the third quarter and the first nine months of 2021 and 2020:

	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State income taxes for current year, net of federal income tax benefits ⁽¹⁾	3.8	3.9	3.8	4.1
Net (income) losses attributable to redeemable non-controlling interests ⁽²⁾	.1	(.3)	(.2)	—
Net excess tax benefits from stock-based compensation plans activity	(1.6)	(.8)	(1.1)	(1.3)
Other items	(.2)	.3	(.2)	.2
Effective income tax rate	23.1 %	24.1 %	23.3 %	24.0 %

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

⁽²⁾ Net income attributable to redeemable non-controlling interest represents the portion of earnings held in the firm's consolidated investment products, which are not taxable to the firm despite being included in pre-tax income.

The firm's non-GAAP tax rate primarily adjusts for the impact of the consolidated investment products, including the net income attributable to redeemable non-controlling interests. The firm's non-GAAP effective tax rate was 23.1% for Q3 2021 compared with 24.1% for Q3 2020 and 23.4% for year-to-date 2021 compared with 23.9% for year-to-date 2020. The non-GAAP tax rate for Q3 2021 was favorably impacted by higher discrete tax benefits associated with the settlement of stock-based awards as compared to Q3 2020. For the year-to-date 2021 period, the rate was favorably impacted primarily by a lower state effective tax rate as compared to year-to-date 2020.

The firm continues to see the phased-in benefit of the 2018 Maryland state tax legislation in which we expect to reduce our effective state rate over the five-year phase-in period to less than 3% by the end of 2022.

The firm estimates that its effective tax rate for the full year 2021, on a GAAP and non-GAAP basis, will be in the range of 22.0% to 24.0%.

Capital Management

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

(in millions)	9/30/2021	12/31/2020
Cash and cash equivalents	\$ 3,418.5	\$ 2,151.7
Discretionary investments	1,925.1	2,095.7
Total cash and discretionary investments	5,343.6	4,247.4
Redeemable seed capital investments	1,188.7	1,219.1
Investments used to hedge the supplemental savings plan liability	795.5	768.1
Total cash and investments in T. Rowe Price products	\$ 7,327.8	\$ 6,234.6

- The firm's common shares outstanding were 226.2 million at September 30, 2021, compared with 228.0 million at the end of 2020.
- In the first nine months of 2021, the firm expended \$526.6 million to repurchase 2.9 million shares, or 1.3%, of its outstanding common shares at an average price of \$182.27, including \$217.7 million to repurchase 1.0 million shares during Q3 2021.
- During Q3 2021, the firm paid the special cash dividend of \$3.00 per common share, or \$699.8 million, declared by the board of directors in Q2 2021.
- The firm invested \$178.7 million during the first nine months of 2021 in capitalized facilities and technology. The firm currently expects capital expenditures, including internal labor capitalization, for 2021 to be about \$250 million, of which more than three-quarters is planned for technology initiatives. These expenditures are expected to continue to be funded from the firm's operating resources.

Investment Performance

The following table presents investment performance for specific asset classes and AUM-weighted performance, mutual fund performance against passive peers, and composite performance against benchmarks for the one-, three-, five-, and 10-years ended September 30, 2021. Past performance is no guarantee of future results.

% of U.S. mutual funds that outperformed Morningstar median^{(1),(2)}

	1 year	3 years	5 years	10 years
Equity	56%	74%	68%	85%
Fixed Income	71%	58%	53%	60%
Multi-Asset	89%	94%	85%	90%
All Funds	70%	75%	68%	78%

% of U.S. mutual funds that outperformed passive peer median^{(1),(3)}

	1 year	3 years	5 years	10 years
Equity	53%	68%	68%	71%
Fixed Income	88%	68%	57%	47%
Multi-Asset	89%	92%	81%	86%
All Funds	74%	76%	69%	68%

% of composites that outperformed benchmarks⁽⁴⁾

	1 year	3 years	5 years	10 years
Equity	48%	63%	72%	73%
Fixed Income	85%	79%	81%	85%
All Composites	63%	69%	76%	78%

AUM- Weighted Performance

% of U.S. mutual funds AUM that outperformed Morningstar median^{(1),(2)}

	1 year	3 years	5 years	10 years
Equity	58%	68%	80%	92%
Fixed Income	77%	52%	55%	69%
Multi-Asset	98%	96%	96%	96%
All Funds	69%	73%	81%	91%

% of U.S. mutual funds AUM that outperformed passive peer median^{(1),(3)}

	1 year	3 years	5 years	10 years
Equity	39%	62%	84%	81%
Fixed Income	96%	61%	58%	43%
Multi-Asset	94%	92%	95%	96%
All Funds	56%	70%	85%	82%

% of composites AUM that outperformed benchmarks⁽⁴⁾

	1 year	3 years	5 years	10 years
Equity	35%	65%	71%	71%
Fixed Income	86%	85%	77%	80%
All Composites	44%	68%	72%	72%

As of September 30, 2021, 73 of 123 (59.3%) of the firm's rated U.S. mutual funds (across primary share classes) received an overall rating of 4 or 5 stars. By comparison, 32.5% of Morningstar's fund population is given a rating of 4 or 5 stars⁽⁵⁾. In addition, 86%⁽⁵⁾ of AUM in the firm's rated U.S. mutual funds (across primary share classes) ended September 30, 2021 with an overall rating of 4 or 5 stars.

⁽¹⁾ Source: © 2021 Morningstar, Inc. All rights reserved. The information contained herein: 1) is proprietary to Morningstar and/or its content providers; 2) may not be copied or distributed; and 3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

⁽²⁾ Source: Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. The top chart reflects the percentage of T. Rowe Price funds with 1 year, 3 year, 5 year, and 10 year track record that are outperforming the Morningstar category median. The bottom chart reflects the percentage of T. Rowe Price funds AUM that has outperformed for the time periods indicated. Total Fund AUM included for this analysis includes \$518B for 1 year, \$518B for 3 years, \$518B for 5 years, and \$508B for 10 years.

⁽³⁾ Passive Peer Median was created by T. Rowe Price using data from Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, funds with fewer than three peers, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. This analysis compares T. Rowe Price active funds to the applicable universe of passive/index open-end funds and ETFs of peer firms. The top chart reflects the percentage of T. Rowe Price funds with 1 year, 3 year, 5 year, and 10 year track record that are outperforming the passive peer universe. The bottom chart reflects the percentage of T. Rowe Price funds AUM that has outperformed for the time periods indicated. Total AUM included for this analysis includes \$504B for 1 year, \$498B for 3 years, \$490B for 5 years, and \$422B for 10 years.

⁽⁴⁾ Composite net returns are calculated using the highest applicable separate account fee schedule. Excludes money market composites. All composites compared to official GIPS composite primary benchmark. The top chart reflects the percentage of T. Rowe Price composites with 1 year, 3 year, 5 year, and 10 year track record that are outperforming their benchmarks. The bottom chart reflects the percentage of T. Rowe Price composite AUM that has outperformed for the time periods indicated. Total AUM included for this analysis includes \$1,501B for 1 year, \$1,498B for 3 years, \$1,482B for 5 years, and \$1,446B for 10 years.

⁽⁵⁾ The Morningstar Rating™ for funds is calculated for funds with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. Morningstar gives its best ratings of 5 or 4 stars to the top 32.5% of all funds (of the 32.5%, 10% get 5 stars and 22.5% get 4 stars). The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with a fund's 3, 5, and 10 year (if applicable) Morningstar Rating™ metrics.

Other Matters

The financial results presented in this release are unaudited. The firm expects that it will file its Form 10-Q Quarterly Report for the third quarter of 2021 with the U.S. Securities and Exchange Commission later today. The Form 10-Q will include additional information on the firm's unaudited consolidated financial statements at September 30, 2021.

Certain statements in this earnings release may represent "forward-looking information," including information relating to anticipated changes in revenues, net income and earnings per common share, anticipated changes in the amount and composition of assets under management, anticipated expense levels, estimated effective tax rates, and expectations regarding financial results, future transactions, new products and services, investments, capital expenditures, dividends, stock repurchases, changes in our effective fee rate, the impact of the coronavirus pandemic, and other market conditions. For a discussion concerning risks and other factors that could affect future results, see the firm's 2020 Annual Report on Form 10-K.

Founded in 1937, Baltimore-based T. Rowe Price (troweprice.com) is a global investment management organization that provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The organization also offers a variety of sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.

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Unaudited Consolidated Statements of Income
(in millions, except per-share amounts)

	Three months ended			Nine months ended	
	9/30/2021	9/30/2020	6/30/2021	9/30/2021	9/30/2020
Revenues					
Investment advisory fees	\$ 1,813.4	\$ 1,469.3	\$ 1,787.2	\$ 5,288.4	\$ 4,090.9
Administrative, distribution, and servicing fees	140.7	126.5	142.1	421.8	382.9
Net revenues	1,954.1	1,595.8	1,929.3	5,710.2	4,473.8
Operating expenses					
Compensation and related costs, excluding supplemental savings plan	564.9	517.6	566.1	1,692.3	1,496.6
Supplemental savings plan	(.3)	34.7	37.7	59.6	45.4
Compensation and related costs	564.6	552.3	603.8	1,751.9	1,542.0
Distribution and servicing	96.0	73.5	92.7	274.3	201.2
Advertising and promotion	22.1	14.2	20.4	61.4	52.5
Product and recordkeeping related costs	70.3	36.8	43.3	154.6	118.0
Technology, occupancy, and facility costs	123.1	115.6	119.3	359.7	332.3
General, administrative, and other	81.8	74.5	91.7	260.8	238.0
Total operating expenses	957.9	866.9	971.2	2,862.7	2,484.0
Net operating income	996.2	728.9	958.1	2,847.5	1,989.8
Non-operating income (loss)					
Net gains on investments	8.7	84.6	87.7	165.0	100.6
Net gains (losses) on consolidated investment products	(17.1)	101.2	55.5	75.7	13.3
Other income (loss)	(3.1)	5.8	.7	(6.2)	(7.5)
Total non-operating income (loss)	(11.5)	191.6	143.9	234.5	106.4
Income before income taxes	984.7	920.5	1,102.0	3,082.0	2,096.2
Provision for income taxes	227.3	221.9	259.3	717.1	502.5
Net income	757.4	698.6	842.7	2,364.9	1,593.7
Less: net income attributable to redeemable non-controlling interests	(19.8)	55.4	27.0	22.6	4.4
Net income attributable to T. Rowe Price	777.2	643.2	815.7	2,342.3	1,589.3
Less: net income allocated to outstanding restricted stock and stock unit holders	19.5	17.9	22.2	61.6	44.1
Net income allocated to T. Rowe Price common stockholders	\$ 757.7	\$ 625.3	\$ 793.5	\$ 2,280.7	\$ 1,545.2
Earnings per share					
Basic	\$ 3.34	\$ 2.75	\$ 3.50	\$ 10.04	\$ 6.73
Diluted	\$ 3.31	\$ 2.73	\$ 3.46	\$ 9.94	\$ 6.66
Weighted-average common shares					
Outstanding	226.9	227.0	226.9	227.2	229.5
Outstanding assuming dilution	229.1	229.4	229.2	229.4	231.9

The following table presents investment advisory revenues for the three- and nine-month periods ended September 30, 2021 and 2020, including a separate break out of revenue earned from our multi-asset portfolios.

Investment Advisory Revenues (in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
U.S. mutual funds				
Equity	\$ 813.0	\$ 636.3	\$ 2,310.8	\$ 1,750.6
Fixed income, including money market	64.8	66.6	183.7	205.1
Multi-asset	247.7	236.6	778.7	683.1
	<u>1,125.5</u>	<u>939.5</u>	<u>3,273.2</u>	<u>2,638.8</u>
Subadvised funds, separate accounts, collective investment trusts, and other investment products				
Equity	458.8	339.6	1,329.0	924.7
Fixed income, including money market	41.3	38.4	119.6	110.3
Multi-asset	187.8	151.8	566.6	417.1
	<u>687.9</u>	<u>529.8</u>	<u>2,015.2</u>	<u>1,452.1</u>
Total	<u>\$ 1,813.4</u>	<u>\$ 1,469.3</u>	<u>\$ 5,288.4</u>	<u>\$ 4,090.9</u>

Assets Under Management (in billions)	Average during				As of	
	Three months ended		Nine months ended		9/30/2021	12/31/2020
	9/30/2021	9/30/2020	9/30/2021	9/30/2020		
U.S. mutual funds						
Equity	\$ 559.8	\$ 433.4	\$ 534.0	\$ 398.9	\$ 546.1	\$ 498.6
Fixed income, including money market	88.4	78.1	85.6	76.0	87.7	79.4
Multi-asset	232.8	197.3	228.5	189.1	227.2	216.6
	<u>881.0</u>	<u>708.8</u>	<u>848.1</u>	<u>664.0</u>	<u>861.0</u>	<u>794.6</u>
Subadvised funds, separate accounts, collective investment trusts, and other investment products						
Equity	445.7	338.8	427.3	303.3	428.6	397.2
Fixed income, including money market	94.3	82.4	92.1	80.3	93.0	89.3
Multi-asset	227.7	162.9	213.8	151.3	229.7	189.4
	<u>767.7</u>	<u>584.1</u>	<u>733.2</u>	<u>534.9</u>	<u>751.3</u>	<u>675.9</u>
Total	<u>\$ 1,648.7</u>	<u>\$ 1,292.9</u>	<u>\$ 1,581.3</u>	<u>\$ 1,198.9</u>	<u>\$ 1,612.3</u>	<u>\$ 1,470.5</u>

Net Cash Flows After Client Transfers (by investment vehicle and underlying asset class) (in billions)	Three months ended	Nine months ended
	9/30/2021	9/30/2021
U.S. mutual funds		
Equity	\$ (4.1)	\$ (13.7)
Fixed income, including money market	1.6	7.9
Multi-asset	(1.0)	(9.4)
	<u>(3.5)</u>	<u>(15.2)</u>
Subadvised funds, separate accounts, collective investment trusts, and other investment products		
Equity	(4.3)	(15.1)
Fixed income, including money market	.5	3.3
Multi-asset	.9	21.2
	<u>(2.9)</u>	<u>9.4</u>
Total net cash flows after client transfers	<u>\$ (6.4)</u>	<u>\$ (5.8)</u>

Non-Operating Income (Loss) (in millions)	Three months ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net gains (losses) from non-consolidated T. Rowe Price investment products				
Cash and discretionary investments				
Dividend income	\$ 4.0	\$ 4.3	\$ 14.0	\$ 19.7
Market related gains (losses) and equity in earnings (losses)	(7.0)	21.3	14.5	30.5
Total net gains (losses) from cash and discretionary investments	(3.0)	25.6	28.5	50.2
Seed capital investments				
Dividend income	—	.2	.1	1.4
Market related gains (losses) and equity in earnings (losses)	(2.4)	14.3	27.0	8.3
Net gain recognized upon deconsolidation	—	—	2.6	.1
Investments used to hedge the supplemental savings plan liability	.1	33.3	59.3	29.2
Total net gains (losses) from non-consolidated T. Rowe Price investment products	(5.3)	73.4	117.5	89.2
Other investment income	14.0	11.2	47.5	11.4
Net gains on investments	8.7	84.6	165.0	100.6
Net gains (losses) on consolidated sponsored investment portfolios	(17.1)	101.2	75.7	13.3
Other income (loss), including foreign currency gains and losses	(3.1)	5.8	(6.2)	(7.5)
Non-operating income (loss)	\$ (11.5)	\$ 191.6	\$ 234.5	\$ 106.4

Unaudited Condensed Consolidated Cash Flows Information (in millions)

	Nine months ended					
	9/30/2021			9/30/2020		
	Cash flow attributable to T. Rowe Price	Cash flow attributable to consolidated T. Rowe Price investment products, net of eliminations	As reported on statement of cash flows	Cash flow attributable to T. Rowe Price	Cash flow attributable to consolidated T. Rowe Price investment products, net of eliminations	As reported on statement of cash flows
Cash provided by (used in) operating activities, including \$166.3 of stock-based compensation expense and \$151.1 of depreciation expense in 2021	\$ 3,072.6	\$ 18.1	\$ 3,090.7	\$ 2,265.0	\$ (348.1)	\$ 1,916.9
Cash provided by (used in) investing activities, including \$(178.7) for additions to property and equipment, \$(47.3) of purchases and \$285.4 of dispositions to T. Rowe Price investment products in 2021	108.0	(50.4)	57.6	(100.6)	47.5	(53.1)
Cash provided by (used in) financing activities, including T. Rowe Price common stock repurchases of \$(493.1)* and dividends paid of \$(1,454.0) in 2021	(1,913.8)	22.7	(1,891.1)	(1,718.0)	298.7	(1,419.3)
Effect of exchange rate changes on cash and cash equivalents	—	(3.6)	(3.6)	—	3.4	3.4
Net change in cash and cash equivalents during period	\$ 1,266.8	\$ (13.2)	\$ 1,253.6	\$ 446.4	\$ 1.5	\$ 447.9

*Cash flows for stock repurchases reflect the impact of the timing of the settlement of these transactions at each period beginning and end.

Unaudited Condensed Consolidated Balance Sheet Information (in millions)	As of	
	9/30/2021	12/31/2020
Cash and cash equivalents	\$ 3,418.5	\$ 2,151.7
Accounts receivable and accrued revenue	941.6	863.1
Investments	3,330.3	3,250.8
Assets of consolidated T. Rowe Price investment products	2,026.7	2,695.5
Operating lease assets	106.2	117.6
Property and equipment, net	719.1	695.4
Goodwill	665.7	665.7
Other assets	242.6	219.2
Total assets	11,450.7	10,659.0
Supplemental savings plan liability	799.8	772.2
Total other liabilities, includes \$92.1 at September 30, 2021, and \$57.7 at December 31, 2020, from consolidated T. Rowe Price investment products	1,302.2	618.1
Redeemable non-controlling interests	1,086.6	1,561.7
Stockholders' equity, 226.2 common shares outstanding at September 30, 2021 and 228.0 common shares outstanding at December 31, 2020	\$ 8,262.1	\$ 7,707.0

Cash, Cash Equivalents, and Investments Information (in millions)

	Cash and cash equivalents	Investments	Net assets of consolidated T. Rowe Price investment products*	Total
Cash and discretionary investments	\$ 3,418.5	\$ 1,864.3	\$ 60.8	\$ 5,343.6
Seed capital investments	—	401.5	787.2	1,188.7
Investments used to hedge the supplemental savings plan liability	—	795.5	—	795.5
Total cash and investments in T. Rowe Price products attributable to T. Rowe Price	3,418.5	3,061.3	848.0	7,327.8
Investment in UTI and other investments	—	269.0	—	269.0
Total cash and investments attributable to T. Rowe Price	3,418.5	3,330.3	848.0	7,596.8
Redeemable non-controlling interests	—	—	1,086.6	1,086.6
As reported on unaudited condensed consolidated balance sheet at September 30, 2021	\$ 3,418.5	\$ 3,330.3	\$ 1,934.6	\$ 8,683.4

* The \$60.8 million and \$787.2 million represent the total value at September 30, 2021, of T. Rowe Price's interest in the consolidated T. Rowe Price investment products. The total net assets of \$1,934.6 million at September 30, 2021, includes assets of \$2,026.7 million less liabilities of \$92.1 million as reflected in the unaudited condensed consolidated balance sheet information table above.

Non-GAAP Information and Reconciliation

The firm believes the non-GAAP financial measures below provide relevant and meaningful information to investors about its core operating results. These measures have been established in order to increase transparency for the purpose of evaluating the firm's 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 schedules reconcile U.S. GAAP financial measures to non-GAAP financial measures for the three months ended September 30, 2021 and 2020 and June 30, 2021.

Three months ended 9/30/2021						
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 957.9	\$ 996.2	\$ (11.5)	\$ 227.3	\$ 777.2	\$ 3.31
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(1.0)	2.8	17.1	—	.1	—
Supplemental savings plan liability ⁽²⁾	.3	(.3)	(.1)	—	(.5)	—
Other non-operating income ⁽³⁾	—	—	(8.5)	.8	(9.2)	(.04)
Adjusted Non-GAAP Basis	<u>\$ 957.2</u>	<u>\$ 998.7</u>	<u>\$ (3.0)</u>	<u>\$ 228.1</u>	<u>\$ 767.6</u>	<u>\$ 3.27</u>

Three months ended 9/30/2020						
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 866.9	\$ 728.9	\$ 191.6	\$ 221.9	\$ 643.2	\$ 2.73
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(1.7)	4.4	(101.2)	(18.1)	(23.3)	(.10)
Supplemental savings plan liability ⁽²⁾	(34.7)	34.7	(33.3)	.6	.8	—
Other non-operating income ⁽³⁾	—	—	(31.5)	(13.5)	(18.0)	(.08)
Adjusted Non-GAAP Basis	<u>\$ 830.5</u>	<u>\$ 768.0</u>	<u>\$ 25.6</u>	<u>\$ 190.9</u>	<u>\$ 602.7</u>	<u>\$ 2.55</u>

Three months ended 6/30/2021						
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 971.2	\$ 958.1	\$ 143.9	\$ 259.3	\$ 815.7	\$ 3.46
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(1.7)	2.8	(55.5)	(9.6)	(16.1)	(.09)
Supplemental savings plan liability ⁽²⁾	(37.7)	37.7	(37.1)	.2	.4	—
Other non-operating income ⁽³⁾	—	—	(33.5)	(12.5)	(21.0)	(.06)
Adjusted Non-GAAP Basis	<u>\$ 931.8</u>	<u>\$ 998.6</u>	<u>\$ 17.8</u>	<u>\$ 237.4</u>	<u>\$ 779.0</u>	<u>\$ 3.31</u>

The following schedules reconcile certain U.S. GAAP financial measures for the nine months ended September 30, 2021 and 2020.

	Nine months ended 9/30/2021					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 2,862.7	\$ 2,847.5	\$ 234.5	\$ 717.1	\$ 2,342.3	\$ 9.94
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(4.9)	9.1	(75.7)	(13.5)	(30.5)	(.13)
Supplemental savings plan liability ⁽²⁾	(59.6)	59.6	(59.3)	.3	—	—
Other non-operating income ⁽³⁾	—	—	(71.0)	(17.8)	(53.2)	(.22)
Adjusted Non-GAAP Basis	<u>\$ 2,798.2</u>	<u>\$ 2,916.2</u>	<u>\$ 28.5</u>	<u>\$ 686.1</u>	<u>\$ 2,258.6</u>	<u>\$ 9.59</u>

	Nine months ended 9/30/2020					
	Operating expenses	Net operating income	Non-operating income (loss)	Provision (benefit) for income taxes ⁽⁴⁾	Net income attributable to T. Rowe Price	Diluted earnings per share ⁽⁵⁾
U.S. GAAP Basis	\$ 2,484.0	\$ 1,989.8	\$ 106.4	\$ 502.5	\$ 1,589.3	\$ 6.66
Non-GAAP adjustments:						
Consolidated T. Rowe Price investment products ⁽¹⁾	(4.4)	11.7	(13.3)	(1.3)	4.1	.02
Supplemental savings plan liability ⁽²⁾	(45.4)	45.4	(29.2)	6.2	10.0	.04
Other non-operating income ⁽³⁾	—	—	(13.7)	(6.9)	(6.8)	(.03)
Adjusted Non-GAAP Basis	<u>\$ 2,434.2</u>	<u>\$ 2,046.9</u>	<u>\$ 50.2</u>	<u>\$ 500.5</u>	<u>\$ 1,596.6</u>	<u>\$ 6.69</u>

- ⁽¹⁾ These non-GAAP adjustments remove the impact that the consolidated T. Rowe Price investment products have on the firm's U.S. GAAP consolidated statements of income. Specifically, the firm adds back the operating expenses and subtracts the investment income of the consolidated T. Rowe Price investment products. The adjustment to operating expenses represents the operating expenses of the consolidated products, net of the elimination of related management and administrative fees. The adjustment to net income attributable to T. Rowe Price represents the net income of the consolidated products, net of redeemable non-controlling interests. Management believes the consolidated T. Rowe Price investment products may impact the reader's ability to understand the firm's core operating results.
- ⁽²⁾ This non-GAAP adjustment removes the compensation expense impact from market valuation changes in the supplemental savings plan liability and the related net gains (losses) on investments designated as an economic hedge against the related liability. Amounts deferred under the supplemental savings plan are adjusted for appreciation (depreciation) of hypothetical investments chosen by participants. The firm uses T. Rowe Price investment products to economically hedge the exposure to these market movements. Management believes it is useful to offset the non-operating investment income (loss) realized on the economic hedges against the related compensation expense and remove the net impact to help the reader's ability to understand the firm's core operating results and to increase comparability period to period.
- ⁽³⁾ This non-GAAP adjustment represents the other non-operating income (loss) and the net gains (losses) earned on the firm's non-consolidated investment portfolio that are not designated as economic hedges of the supplemental savings plan liability, and that are not part of the cash and discretionary investment portfolio. Management retains the investment gains recognized on the non-consolidated cash and discretionary investments as these assets and related income (loss) are considered part of the firm's core operations. Management believes adjusting for these non-operating income (loss) items helps the reader's ability to understand the firm's core operating results and increases comparability to prior years. Additionally, management does not emphasize the impact of the portion of non-operating income (loss) removed when managing and evaluating the firm's performance.
- ⁽⁴⁾ The income tax impacts were calculated in order to achieve an overall year-to-date non-GAAP effective tax rate of 23.4% for 2021 and 23.9% for 2020. As such, the non-GAAP effective tax rate for three months ended September 30, 2021 and 2020 was 23.1% and 24.1%, respectively. The firm estimates that its effective tax rate for the full-year 2021 on a non-GAAP basis will be in the range of 22.0% to 24.0%.

(5) This non-GAAP measure was calculated by applying the two-class method to adjusted net income attributable to T. Rowe Price Group divided by the weighted-average common shares outstanding assuming dilution. The calculation of adjusted net income allocated to common stockholders is as follows:

	Three months ended			Nine months ended	
	9/30/2021	9/30/2020	6/30/2021	9/30/2021	9/30/2020
Adjusted net income attributable to T. Rowe Price	\$ 767.6	\$ 602.7	\$ 779.0	\$ 2,258.6	\$ 1,596.6
Less: adjusted net income allocated to outstanding restricted stock and stock unit holders	19.4	16.8	21.3	59.5	44.1
Adjusted net income allocated to common stockholders	\$ 748.2	\$ 585.9	\$ 757.7	\$ 2,199.1	\$ 1,552.5