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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

Commission File Number: 000-32191

T. ROWE PRICE GROUP, INC.

(Exact name of registrant as specified in its charter)

Maryland	**52-2264646**
(State of incorporation)	(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)

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** o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (based on definitions in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

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

The number of shares outstanding of the issuer's common stock ($.20 par value), as of the latest practicable date, July 25, 2006, is **261,677,389.**

The exhibit index is at Item 6 on page 14.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	12/31/2005	6/30/2006
ASSETS		
Cash and cash equivalents	$ 803,589	$ 814,445
Accounts receivable and accrued revenue	175,030	182,944
Investments in sponsored mutual funds	264,238	387,186
Debt securities held by savings bank subsidiary	114,837	117,234
Property and equipment	214,790	238,843
Goodwill and other intangible assets	665,692	669,122
Other assets	72,370	88,452
Total assets	$ 2,310,546	$ 2,498,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 78,190	$ 97,136
Accrued compensation and related costs	55,555	110,994
Dividends payable	36,870	36,833
Customer deposits at savings bank subsidiary	103,829	107,385
Total liabilities	274,444	352,348
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, undesignated, $.20 par value — authorized and unissued 20,000,000 shares	—	—
Common stock, $.20 par value — authorized 500,000,000 shares; issued 131,678,371 shares in 2005 and 262,168,739 shares in 2006	26,336	52,434
Additional capital in excess of par value	279,680	179,188
Retained earnings	1,683,273	1,861,782
Accumulated other comprehensive income	48,544	52,474
Deferred stock-based compensation expense	(1,731)	—
Total stockholders' equity	2,036,102	2,145,878
	$ 2,310,546	$ 2,498,226

See the accompanying notes to these unaudited condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	6/30/2005	6/30/2006	6/30/2005	6/30/2006
Revenues				
Investment advisory fees	$ 295,531	$ 369,769	$ 584,534	$ 723,654
Administrative fees and other income	67,881	75,965	135,836	151,128
Investment income of savings bank subsidiary	1,046	1,300	2,049	2,555
Total revenues	364,458	447,034	722,419	877,337
Interest expense on savings bank deposits	912	1,039	1,802	2,021
Net revenues	363,546	445,995	720,617	875,316
Operating expenses				
Compensation and related costs	130,123	165,722	257,265	325,719
Advertising and promotion	18,823	21,062	42,294	49,050
Depreciation and amortization of property and equipment	10,502	10,962	20,274	22,076
Occupancy and facility costs	18,166	20,285	36,485	39,858
Other operating expenses	30,411	35,045	61,497	67,170
	208,025	253,076	417,815	503,873
Net operating income	155,521	192,919	302,802	371,443
Other investment income	5,522	23,676	7,577	31,329
Credit facility expenses	96	185	191	280
Net non-operating income	5,426	23,491	7,386	31,049
Income before income taxes	160,947	216,410	310,188	402,492
Provision for income taxes	58,198	80,699	113,142	150,087
Net income	$ 102,749	$ 135,711	$ 197,046	$ 252,405
Earnings per share				
Basic	$ .40	$ .51	$ .76	$ .95
Diluted	$ .38	$ .49	$ .72	$ .91
Dividends declared per share	$ .115	$ .14	$ .23	$ .28
Weighted average shares				
Outstanding	259,630	264,767	260,079	264,400
Outstanding assuming dilution	271,431	279,684	272,451	278,827

See the accompanying notes to these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended 6/30/2005	Six months ended 6/30/2006
Cash flows from operating activities		
Net income	$ 197,046	$ 252,405
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	20,274	22,076
Stock-based compensation expense	—	29,546
Other changes in assets and liabilities	73,433	52,045
Net cash provided by operating activities	290,753	356,072
Cash flows from investing activities		
Investments in sponsored mutual funds	(30,924)	(116,562)
Debt securities held by savings bank subsidiary	916	(2,908)
Other investments made	(830)	(32,534)
Additions to property and equipment	(24,694)	(45,029)
Other activity	2,566	(2,850)
Net cash used in investing activities	(52,966)	(199,883)
Cash flows from financing activities		
Repurchases of common stock	(75,853)	(125,007)
Stock options exercised	23,387	50,052
Dividends paid to stockholders	(59,752)	(73,934)
Change in savings bank subsidiary deposits	(1,285)	3,556
Net cash used in financing activities	(113,503)	(145,333)
Cash and cash equivalents		
Net increase during period	124,284	10,856
At beginning of year	499,750	803,589
At end of period	$ 624,034	$ 814,445

See the accompanying notes to these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(dollars in thousands)

	Common stock	Additional capital in excess of par value	Retained earnings	Accumulated other comprehensive income	Deferred stock-based compensation expense	Total stockholders' equity
Balance at December 31, 2005, 131,678,371 common shares	$ 26,336	$ 279,680	$ 1,683,273	$ 48,544	$ (1,731)	$ 2,036,102
Reclassification arising from adoption of SFAS 123R		(1,731)			1,731	—
1,402,915 common shares issued upon option exercises under stock-based compensation plans	281	49,745				50,026
1,000 restricted common shares forfeited	—	(24)	1			(23)
1,533,076 common shares repurchased	(307)	(117,385)				(117,692)
	26,310	210,285	1,683,274	48,544	—	1,968,413
131,547,210 common shares issued in two-for-one split	26,309	(26,309)				—
9,319 common shares issued upon option exercises under stock-based compensation plans	2	24				26
935,000 common shares repurchased	(187)	(34,382)				(34,569)
Comprehensive income						
Net income			252,405			
Change in unrealized security holding gains, net of taxes, including $(3,350) in the second quarter				3,930		
Total comprehensive income						256,335
Stock-based compensation expense		29,570				29,570
Dividends declared			(73,897)			(73,897)
Balance at June 30, 2006, 262,168,739 common shares	$ 52,434	$ 179,188	$ 1,861,782	$ 52,474	$ —	$ 2,145,878

See the accompanying notes to these unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — THE COMPANY AND BASIS OF PREPARATION.

T. Rowe Price Group derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the sponsored T. Rowe Price mutual funds and other investment portfolios. We also provide our investment advisory clients with related administrative services, including mutual fund transfer agent, accounting and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; discount brokerage; and trust services. The investors that we serve are primarily domiciled in the United States of America.

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.

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

The unaudited interim financial information contained in these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in our 2005 Annual Report.

NOTE 2 — COMMON STOCK SPLIT.

At the close of business on June 23, 2006, we effected a two-for-one split of our common stock by issuing additional $.20 par value shares. Accordingly, the par value of the additional shares issued has been reclassified among our stockholders' equity accounts in the accompanying unaudited condensed consolidated statement of stockholders' equity. All per-share and share data in the accompanying unaudited condensed consolidated statements of income and in these accompanying notes has been adjusted to give retroactive effect to this stock split.

NOTE 3 — OTHER INTANGIBLE ASSETS.

On June 19, 2006, we completed two transactions involving the merger of $615 million from the Preferred Group of Mutual Funds into ten of the T. Rowe Price mutual funds and the acquisition of $115 million in separate accounts. We paid $3.5 million as part of these transactions and recognized two related intangible assets that are being amortized on a straight-line basis over 8 years for the mutual fund customer relationships acquired and over 2.5 years for the separate account customer relationships acquired.

NOTE 4 — COMMON SHARE REPURCHASES.

At June 30, 2006, accounts payable and accrued expenses includes $27.3 million representing the unsettled liability for common stock repurchases made on the last three days of June. During the first week of July 2006, we repurchased an additional 500,000 common shares for $18.7 million.

NOTE 5 — INFORMATION ABOUT REVENUES AND SERVICES.

Revenues (in thousands) from advisory services provided under agreements with sponsored mutual funds and other investment clients for the interim periods ended June 30 include:

	Three months ended		Six months ended	
	6/30/2005	6/30/2006	6/30/2005	6/30/2006
Sponsored mutual funds in the U.S.				
Stock and balanced	$ 179,148	$ 232,194	$ 352,647	$ 455,036
Bond and money market	34,987	38,067	69,680	74,304
	214,135	270,261	422,327	529,340
Other portfolios	81,396	99,508	162,207	194,314
Total investment advisory fees	$ 295,531	$ 369,769	$ 584,534	$ 723,654

The following tables summarize the various investment portfolios and assets under management (in billions) on which advisory fees are earned.

	Average during the second quarter		Average during the first half	
	2005	2006	2005	2006
Sponsored mutual funds in the U.S.				
Stock and balanced	$ 118.2	$ 150.4	$ 116.7	$ 148.4
Bond and money market	31.9	34.3	31.7	33.7
	150.1	184.7	148.4	182.1
Other portfolios	88.6	109.4	88.3	106.0
	$ 238.7	$ 294.1	$ 236.7	$ 288.1

	12/31/2005	6/30/2006
Sponsored mutual funds in the U.S.		
Stock and balanced	$ 137.7	$ 148.5
Bond and money market	32.5	34.7
	170.2	183.2
Other portfolios	99.3	110.5
	$ 269.5	$ 293.7

Fees for advisory-related administrative services provided to our sponsored mutual funds were $102,475,000 and $117,463,000 for the first six months of 2005 and 2006, respectively. Accounts receivable from the mutual funds aggregate $104,537,000 at December 31, 2005 and $105,640,000 at June 30, 2006.

NOTE 6 — STOCK-BASED COMPENSATION.

On January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), and began recognizing stock option-based compensation expense in our consolidated statement of income using the fair value based method applied on a modified prospective basis. Accordingly, financial statements for periods prior to 2006 have not been restated.

The following table compares our interim net income (in thousands) and earnings per share for 2006 with the pro forma interim 2005 results as if we applied the fair value based method last year.

	Three months ended		Six months ended	
	6/30/2005	6/30/2006	6/30/2005	6/30/2006
Net income, as reported	$ 102,749	$ 135,711	$ 197,046	$ 252,405
Additional stock-option based compensation expense estimated using the fair value based method	(13,294)	—	(27,034)	—
Related income tax benefits	4,173	—	8,718	—
Pro forma net income	$ 93,628	$ 135,711	$ 178,730	$ 252,405
Earnings per share				
Basic — as reported	$ 0.40	$ 0.51	$ 0.76	$ 0.95
Basic — pro forma	$ 0.36	$ 0.51	$ 0.69	$ 0.95
Diluted — as reported	$ 0.38	$ 0.49	$ 0.72	$ 0.91
Diluted — pro forma	$ 0.34	$ 0.49	$ 0.65	$ 0.91

Net income for the 2006 periods includes stock-based compensation expense of $14,711,000 for the second quarter and $29,546,000 for the first half. Reload grants made during the same periods accounted for $1,472,000 and $3,196,000, respectively, of the expense recognized. Financing cash inflows from stock option exercises in the first half of 2006 include $29,222,000 of tax benefits arising from related tax deductions that reduce the amount of income taxes that would otherwise be payable.

The following table summarizes the status of and changes in our stock option grants during the first half of 2006.

	Options	Weighted-average exercise price	Options exercisable	Weighted-average exercise price
Outstanding at December 31, 2005	45,896,848	$ 21.42	26,979,048	$ 18.13
Reload grants	521,030	39.05		
Other grants	66,000	40.12		
Exercised	(3,930,570)	16.48		
Forfeited or cancelled	(357,000)	26.76		
Outstanding at June 30, 2006	42,196,308	$ 22.08	23,632,708	$ 18.88

The following table presents the future stock-based compensation expense (in thousands) expected to be recognized over the vesting period of the 18,563,600 nonvested options and 61,000 restricted shares outstanding at June 30, 2006.

Third quarter 2006	$ 13,116
Fourth quarter 2006	9,797
2007	28,218
2008 through 2011	24,320
Total	$ 75,451

Estimated future compensation expense will change to reflect future option grants including reloads, future share awards, changes in estimated forfeitures, and adjustments for actual forfeitures.

NOTE 7 – CREDIT FACILITY.

On May 30, 2006, we voluntarily terminated our $300 million syndicated credit facility that was to expire in June 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries as of June 30, 2006, the related condensed consolidated statements of income for the three- and six-month periods ended June 30, 2005 and 2006, the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2005 and 2006, and the related condensed consolidated statement of stockholders' equity for the six-month period ended June 30, 2006. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of 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 standards of the Public Company Accounting Oversight Board (United States), 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.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them 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), the consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2005, and the related consolidated statements of income, cash flows, and stockholders' equity for the year then ended (not presented herein); and in our report dated February 9, 2006, 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, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Baltimore, Maryland
July 26, 2006

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

GENERAL.

Our revenues and net income are derived primarily from investment advisory services provided to U.S. individual and institutional investors in our sponsored mutual funds and other managed investment portfolios. 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. Investment advisory clients outside the United States account for 6% of our assets under management at June 30, 2006.

Equity markets in the United States entered the second quarter of 2006 with positive momentum after all three major indexes posted gains for the first quarter that were stronger than their respective full-year 2005 results. Returns for the first six weeks of the quarter were relatively flat to up after the first quarter gains, and the Dow Jones Industrial Average was less than 1% away from its all-time high recorded more than six years ago in January 2000. In early May, signals from the Federal Reserve regarding future interest rate increases were not well received. These signals, together with investor concerns about the effects of sustained higher energy costs on inflation trends and the strength of the U.S. and foreign economies, caused the markets to decline over the next few weeks. Sentiment improved in mid-June on more reassuring comments from the Federal Reserve Chairman, and markets recovered somewhat over the balance of the quarter to close the period with mixed results. For the quarter, the Dow Industrials were up only .4% while the NASDAQ and the S&P 500 posted losses of more than 7% and nearly 2%, respectively. For the first half of 2006, the Dow Industrials increased 4%, the S&P 500 increased less than 2%, and the NASDAQ, which is heavily weighted with technology companies, was down 1.5%.

The foreign equity markets advance that had continued into the first quarter of 2006 ended abruptly in the second quarter as concern over economic conditions spread to outside the U.S. The Morgan Stanley EAFE (Europe, Australia and Far East) Index was down slightly, giving back part of its first quarter gains, and ended the first half of 2006 up 8.5%. Unfavorable results were generally widespread, including in the previously favored emerging markets.

As for fixed income securities, yields for 10-year U.S. Treasuries rose to 5.15%, up from 4.86% at March 31, 2006. The yield curve was inverted at quarter end with the six-month to two-year maturities yielding up to nine basis points more than the 10-year Treasuries. During the quarter, the Federal Reserve again raised its target short-term rate twice with .25% increases in mid-May and at the end of June.

Despite this unsettled financial environment, total assets under our management ended June 2006 at a record $293.7 billion, up $.8 billion during the second quarter and $24.2 billion for the first half of the year. Our strong relative investment performance and brand awareness contributed significantly to investors entrusting a net $7.7 billion to our management in the second quarter and nearly $17.3 billion thus far in 2006. Second quarter net inflows include $615 million from the merger of the Preferred Group of Mutual Funds into the T. Rowe Price funds and the acquisition of $115 million of separate account assets. Lower market valuations during the second quarter resulted in a $6.9 billion decline in our assets under management, and reduced the year-to-date increase in assets under management from market gains and income to over $6.9 billion.

Assets under management at June 30, 2006 include $230.3 billion in equity and balanced investment portfolios and $63.4 billion fixed income investment portfolios. The underlying investment portfolios consist of $183.2 billion in the T. Rowe Price mutual funds distributed in the United States and $110.5 billion in other investment portfolios that we manage, including separately managed accounts, sub-advised funds, and other sponsored investment funds offered to investors outside the U.S. and through variable annuity life insurance plans.

RESULTS OF OPERATIONS – Three months 2006 versus 2005.

Investment advisory revenues were up 25% to $370 million as a result of a $55 billion increase in average assets under our management to $294 billion. Net revenues increased 23% or $82 million to $446 million. Net operating income increased 24% to nearly $193 million from $155.5 million. Net income increased 32% to a new quarterly record of nearly $136 million from $103 million in the 2005 quarter. Diluted earnings per share increased 29% from $.38 to $.49, up $.06 from the prior record of $.43 diluted earnings per share recorded in the third and fourth quarters of 2005. We split our common stock two-for-one in June 2006 and have restated our per-share results for all periods presented.

On January 1, 2006, we adopted SFAS 123R and, for the second quarter of 2006, recognized $14.7 million of non-cash stock-based compensation expense using the fair value based method. Had we applied the fair value method in 2005, we would have recognized $13.3 million of additional compensation expense in the second quarter last year and our comparable pro forma diluted earnings for that period would have been $.34 per share. See Note 6 to our financial statements in Item 1 of this report for more information.

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States increased $56 million to $270 million. Average mutual fund assets were $184.7 billion in the 2006 quarter, 23% higher than the $150.1 billion average during the 2005 period. Mutual fund assets ended the second quarter down $2.0 billion from March 31, 2006, as lower market valuations of $4.6 billion more than offset net inflows to our funds of $2.6 billion during the period, including $.6 billion from the fund mergers with the Preferred Group. Net inflows included $1.6 billion to our U.S. stock and balanced funds, more than $.8 billion to the bond and money market funds, and $.2 billion to the international stock funds. The Growth Stock Fund accounted for $840 million of the net inflows.

Investment advisory revenues earned on the other investment portfolios that we manage increased $18 million to more than $99 million as average assets increased 23.5% versus the 2005 period to more than $109.4 billion. Assets in these portfolios increased $2.8 billion during the second quarter of 2006 as net inflows of $5.1 billion from investors in the U.S. and other countries were partially offset by lower market valuations of $2.3 billion.

Administrative fees and other income increased $8.1 million to $76 million. The change in these revenues includes $6.5 million from our servicing activities, including shareholder account and transaction volume in our transfer agent and defined contribution plan recordkeeping services for the mutual funds and their investors. Additionally, revenues increased $1.6 million from 12b-1 distribution fees received on greater assets under management in the Advisor and R classes of our sponsored mutual fund shares. These changes in administrative fees are generally offset by similar changes in related operating expenses that we incur to provide these services and distribute the Advisor and R classes of mutual fund shares through third party financial intermediaries.

Operating expenses were $253 million in the second quarter of 2006, up more than $45 million from the 2005 period. Our largest expense, compensation and related costs, increased $35.6 million or 27% from last year's quarter. The number of our associates, their total compensation, and the costs of their employee benefits have all increased. The most significant portion of the increase is attributable to the $14.7 million expense recognized for stock-based compensation in the 2006 quarter. Expenses in the 2006 period also reflect an increase in our interim bonus compensation accrual, which is based on projected operating results for 2006 that consider our strong relative and risk-adjusted investment performance, our growth in assets under management including new investor inflows, and the high quality of our investor services. Finally, we modestly increase our associates' base salaries at the beginning of each year, and have increased our average staff size about 5.5% since the second quarter of 2005, primarily to handle increased volume-related activities and growth. At June 30, 2006, we employed 4,502 associates.

Advertising and promotion expenditures increased 12%, or $2.2 million, versus the 2005 quarter. We expect our advertising and promotion expenditures in the third quarter of 2006 will be down almost $5 million from the second quarter this year. We vary our level of spending based on market conditions and investor demand as well as our efforts to expand our investor base in the United States and abroad.

Occupancy and facility costs together with depreciation expense increased $2.6 million. Our costs for rented office facilities, including increased space, and related maintenance and operating costs have increased along with our staff size and business needs.

Other operating expenses increased $4.6 million, including $1.6 million of distribution expenses recognized on greater assets under management sourced from financial intermediaries that distribute our Advisor and R classes of mutual fund shares. These distribution costs are offset by an equal increase in our administrative revenues recognized from 12b-1 fees as discussed above.

Our net non-operating income, which includes interest income as well as the recognition of investment gains and losses and credit facility expenses, increased $18.1 million to $23.5 million. We realized a gain of $11.5 million upon the liquidation of the sponsored 2001 collateralized bond obligation (CBO) in June 2006. Additionally, larger money market mutual fund balances yielding higher rates of return added $5.8 million of the increase.

The estimated 2006 provision for income taxes as a percentage of pre-tax income is 37.3%, up from the 36.6% rate for the year 2005 because of non-deductible incentive stock option compensation that is now recognized in our statement of income.

Overall, net income for the second quarter of 2006 was $135.7 million, $18.2 million more than the prior record quarterly net income achieved in the fourth quarter of 2005 when stock option-based compensation expense was not recognized in our financial statements.

RESULTS OF OPERATIONS – Six months 2006 versus 2005.

Investment advisory revenues were up 24% to $724 million as a result of a $51 billion increase in average assets under our management to $288 billion. Net revenues increased $155 million to $875 million. Net operating income increased about 23% to $371 million from $303 million. Net income increased 28% to more than $252 million from $197 million in the 2005 period. Diluted earnings per share increased 26% from $.72 to $.91. Had we applied the fair value method to recognize stock option-based compensation in 2005, we would have recognized $27.0 million of additional compensation expense in the first six-months of last year and our comparable pro forma diluted earnings for that period would have been $.65 per share.

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States increased $107 million to $529 million. Average mutual fund assets were $182.1 billion in the first half of 2006, 23% higher than the $148.4 billion average during the 2005 period. Net inflows to the U.S. mutual funds were $8.1 billion during the first six months of 2006, including $.6 billion from the merger of Preferred Group funds into the Price funds. Investors added $4.1 billion to the U.S. stock and balanced funds, $2.1 billion to our international stock funds, and $1.9 billion to our bond and money market funds. The Growth Stock and Value funds each added more than $1 billion of net investments and together accounted for $3.0 billion of the funds' net inflows. Higher market valuations and income also added $4.9 billion to fund assets during the 2006 period.

Investment advisory revenues earned on the other investment portfolios that we manage increased $32 million to $194 million. Average assets in these portfolios were $106 billion, up nearly $18 billion or 20% from $88 billion in the 2005 period. Assets in these portfolios have increased $11.2 billion thus far in 2006, including net inflows from U.S. and international investors of about $9.2 billion and market gains and income of $2.0 billion.

Administrative fees and other income increased $15.3 million to $151 million. The change in these revenues includes $12.6 million from our servicing activities including shareholder account and transaction volume in our transfer agent and defined contribution plan recordkeeping services for the mutual funds and their investors. Additionally, revenues increased $2.7 million from 12b-1 distribution fees received on greater assets under management in the Advisor and R classes of our sponsored mutual fund shares.

Operating expenses were $504 million in the first half of 2006, up 21% or $86 million from the 2005 period. Our largest expense, compensation and related costs, increased $68.5 million, up 27% from last year's period. The largest portion of the increase is attributable to the $29.5 million expense recognized for stock-based compensation.

Advertising and promotion expenditures increased 16% or $6.8 million versus the 2005 period. While market conditions will dictate the exact level of our future spending, we expect that our advertising and promotion expenditures for the year 2006 will be almost 10% higher than in 2005.

Occupancy and facility costs together with depreciation expense increased $5.2 million while other operating expenses increased $5.7 million, including $2.7 million of distribution expenses recognized on greater assets under management sourced from financial intermediaries that distribute our Advisor and R classes of mutual fund shares. Our operating costs have increased along with business needs and our increase in staff size.

Our net non-operating income, which includes interest income as well as the recognition of investment gains and losses and credit facility expenses, increased $23.7 million to $31 million. Larger money market mutual fund balances at higher interest rates added $10.7 million of the increase and the gain upon the liquidation of the CBO added $11.5 million.

CAPITAL RESOURCES AND LIQUIDITY.

Stockholders' equity at June 30, 2006 includes net liquid assets of $1.2 billion, an increase of 100% over the last 24 months. On May 30, 2006, given our strong financial position, we terminated our $300 million syndicated credit facility that was to expire in June 2007.

Operating activities during the first half of 2006 provided cash flows of $356 million, up $65 million from the 2005 period, primarily from increased net income of more than $55 million and non-cash stock-based compensation expense of $29.5 million. Net cash used in investing activities totaled $200 million, up $147 million from the 2005 period. Our investments in mutual funds and other securities made from our larger available cash balances were $149 million in the first half of 2006, up $117 million from the 2005 period. Capital spending for property and equipment was $45 million in the 2006 period, up $20 million versus the 2005 period. Net cash used in financing activities was $145 million in the 2006 period, up $32 million from the comparable 2005 period. In the first half of 2006, we increased our expenditures for common stock repurchases by $49 million and our dividends paid to stockholders by $14 million. Offsetting these outflows were $29 million of tax benefits realized from option exercises in the 2006 period.

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 changes in our revenues and net income, changes in the amount and composition of our assets under management, our expense levels, and our expectations regarding financial markets and other conditions. Readers are cautioned that any forward-looking information provided by or on behalf of T. Rowe Price is not a guarantee of future performance. Actual results may differ materially from those in forward-looking information because of various factors including, but not limited to, those discussed below and in Item 1A of our Form 10-K Annual Report for 2005 under the caption Risk Factors. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

Our future revenues and results of operations will fluctuate primarily due to changes in the total value and composition of assets under our management. Such changes result from many factors including, among other things: cash inflows and outflows in the T. Rowe Price mutual funds and other managed investment portfolios; fluctuations in the financial markets around the world that result in appreciation or depreciation of the assets under our management; our introduction of new mutual funds and investment portfolios; and changes in retirement savings trends favoring participant-directed investments and defined contribution plans. The ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the Price mutual funds and other managed investment portfolios as compared to competing offerings and market indexes; the ability to maintain our investment management and administrative fees at appropriate levels; competitive conditions in the mutual fund, asset management, and broader financial services sectors; and our level of success in implementing our strategy to expand our business. Our revenues are substantially dependent on fees earned under contracts with the Price funds and could be adversely affected if the independent directors of one or more of the Price funds terminated or significantly altered the terms of the investment management or related administrative services agreements.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material change in the information provided in Item 7A of the Form 10-K Annual Report for 2005.

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 June 30, 2006. Our disclosure controls and procedures are designed to provide reasonable assurance 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 appropriately recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures as of June 30, 2006 are effective at the reasonable assurance level.

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 second quarter of 2006, and has concluded that there was no change during the second quarter of 2006 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.

In September 2003, a purported class action (T.K. Parthasarathy, et al., including Woodbury, v. T. Rowe Price International Funds, Inc., et al.) was filed in the Circuit Court, Third Judicial Circuit, Madison County, Illinois, against T. Rowe Price International and the T. Rowe Price International Funds with respect to the T. Rowe Price International Stock Fund. The basic allegations in the case were that the T. Rowe Price defendants did not make appropriate price adjustments to the foreign securities owned by the T. Rowe Price International Stock Fund prior to calculating the Fund's daily share prices, thereby allegedly enabling market timing traders to trade the Fund's shares in such a way as to disadvantage long-term investors. The plaintiffs sought monetary damages. The defendants removed the case to the U.S. District Court for the Southern District of Illinois, which then remanded the case back to state court. Other defendants appealed the remand order, and the Seventh Circuit Court of Appeals reversed the remand order. The T. Rowe Price defendants once again removed the case to the U.S. District Court for the Southern District of Illinois, which dismissed the case in May 2005. The plaintiffs appealed to the U.S. Court of Appeals for the Seventh Circuit, which stayed the appeal pending the U.S. Supreme Court's certiorari decision in a related case (Kircher) from the Seventh Circuit. The U.S. Supreme Court recently issued a significant and favorable ruling in the appeal of an identical issue (Dabit) from the Second Circuit Court of Appeals, which held that the Securities Litigation Uniform Standards Act of 1998 precludes holders of securities from bringing covered securities fraud class action claims under state law. On June 15, 2006, the U.S. Supreme Court ruled in Kircher that an order of remand by a federal judge to a state court is not appealable. Because the T. Rowe Price defendants did not appeal the remand order, it is not clear whether the U.S. Supreme Court's ruling in Kircher will affect the May 2005 dismissal of the case against the T. Rowe Price defendants or the plaintiffs' pending appeal to the Seventh Circuit Court. The Supreme Court's favorable order in Dabit should apply to the case if it is remanded to the state court.

Item 1A. Risk Factors.

There has been no material change in the information provided in Item 1A of the Form 10-K Annual Report for 2005.

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

(c) The following table summarizes activity during the second quarter of 2006 under the 2003 Board of Director's repurchase authorization. All share data has been adjusted to give retroactive effect to the two-for-one stock split in June 2006.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Programs
April 2006	—		—	8,292,020
May 2006	1,442,516	$ 39.11	1,442,516	6,849,504
June 2006	2,558,636	37.46	2,558,636	4,290,868
Total	4,001,152	$ 38.05	4,001,152	

Item 4. Submission of Matters to a Vote of Security Holders.

The annual meeting of our stockholders was held on April 26, 2006. The proxy statement and solicitation pertaining to this meeting were previously filed with the Commission. Shares eligible to vote were 132,098,855 at the record date of February 24, 2006.

The ten nominees for the Board of Directors were elected to serve until the next annual meeting of directors or until their respective successors are elected and qualify. The tabulation of votes was:

Nominee	For	Withheld
Edward C. Bernard	98,264,880	20,629,089
James T. Brady	111,474,313	7,419,656
J. Alfred Broaddus, Jr.	114,093,390	4,800,580
Donald B. Hebb, Jr.	89,202,959	29,691,010
James A.C. Kennedy	97,885,895	21,008,074
George A. Roche	98,594,462	20,299,508
Brian C. Rogers	98,383,174	20,510,796
Dr. Alfred Sommer	114,954,210	3,939,760
Dwight S. Taylor	114,121,531	4,772,439
Anne Marie Whittemore	112,805,621	6,088,348

The appointment of KPMG LLP as the company's independent registered public accounting firm for 2006 was approved by a vote of 115,623,565 for; 2,566,927 against; and 703,477 abstentions.

Item 5. Other Information.

On July 27, 2006, we issued a press release reporting our results of operations for the second quarter and first half of 2006. A copy of this press release is furnished herewith as exhibit 99. The information in this Item 5 and in Exhibit 99 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) Amended and Restated Charter of T. Rowe Price Group, Inc. as of March 9, 2001. (Incorporated by reference from Form 10-K for 2000; Accession No. 0001113169-01-000003.)

3(ii) Amended and Restated By-Laws of T. Rowe Price Group, Inc. as of December 12, 2002. (Incorporated by reference from Form 10-K for 2002; Accession No. 0000950133-03-000699.)

10.1 Transfer Agency and Service Agreement dated as of January 1, 2006 between T. Rowe Price Services, Inc. and the T. Rowe Price Funds. (Incorporated by reference from Form 485BPOS; Accession No. 0001012678-06-000006.)

10.2 Agreement dated January 1, 2006 between T. Rowe Price Retirement Plan Services, Inc. and certain of the T. Rowe Price Funds. (Incorporated by reference from Form 485BPOS; Accession No. 0001012678-06-000006.)

15	Letter 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	Press release issued July 27, 2006 reporting our results of operations for the second quarter and the first six months of 2006.

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 July 27, 2006.

T. Rowe Price Group, Inc.

/s/ Kenneth V. Moreland
Vice President and Chief Financial Officer

Exhibit 15 Letter from KPMG LLP, independent registered public accounting firm, re unaudited interim financial information

T. Rowe Price Group, Inc.
100 East Pratt Street
Baltimore, Maryland 21202

Re: Registration Statements on Form S-8: No. 33-7012, No. 33-72568, No. 33-58749, No. 333-20333, No. 333-90967, No. 333-59714, No. 333-120882 and No. 333-120883

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated July 26, 2006 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
July 26, 2006

Exhibit 31(i).1 **Rule 13a-14(a) Certification of Principal Executive Officer**

I, George A. Roche, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended June 30, 2006 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 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:

   (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.

July 26, 2006

/s/ George A. Roche
President and Chief Executive Officer

Exhibit 31(i).2 **Rule 13a-14(a) Certification of Principal Financial Officer**

I, Kenneth V. Moreland, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended June 30, 2006 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 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:

   (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.

July 26, 2006

/s/ Kenneth V. Moreland
Vice President and Chief Financial Officer

Exhibit 32 **Section 1350 Certifications**

We certify, to the best of our knowledge, based upon a review of the Form 10-Q Quarterly Report for the quarterly period ended June 30, 2006 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.

July 26, 2006

/s/ George A. Roche, Principal Executive Officer

/s/ Kenneth V. Moreland, Principal Financial Officer

A signed original of this written statement has been provided to T. Rowe Price Group, Inc. and will be retained by T. Rowe Price Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99

T.Rowe Price INVEST WITH CONFIDENCE

WWW.TROWEPRICE.COM

News Release 100 East Pratt Street, Baltimore, Maryland 21202 FAX: 410.345.4661

Contacts: Steven Norwitz 410.345.2124 Brian Lewbart 410.345.2242

T. ROWE PRICE GROUP REPORTS RECORD QUARTERLY RESULTS

Record Assets Under Management Reach Nearly $294 Billion;

Quarterly Net Income and Earnings Per Share Reach New Highs

BALTIMORE (July 27, 2006) – T. Rowe Price Group, Inc. (Nasdaq: TROW) today reported record quarterly net revenues of $446 million for the second quarter of 2006, net income of $136 million, and diluted earnings per share of $.49, an increase of 29% from the $.38 per share reported for the second quarter of 2005. Comparable net revenues in the second quarter of 2005 were $364 million and net income was $103 million.

For the first six months of 2006, results include net revenues of $875 million, net income of $252 million and diluted earnings per share of $.91, an increase of 26% from the $.72 per share reported for the comparable 2005 period.

The company split its common shares two-for-one in June 2006, and all share and per-share data in this release has been adjusted to reflect this split.

Investment advisory revenues were up 25% to $370 million from the 2005 quarter. Assets under management increased to a record $293.7 billion at June 30, 2006, up $24.2 billion from the end of 2005, and an increase of $.8 billion since March 31, 2006. Net cash inflows from investors were $7.7 billion in the 2006 quarter and nearly $17.3 billion for the first six months of the year. These net inflows include $615 million from the merger of the Preferred Group of Mutual Funds into the T. Rowe Price funds and the acquisition of $115 million of separate account assets in June. Net cash inflows for the second quarter were substantially offset by market depreciation of $6.9 billion. For the 2006 year-to-date period, market gains and income have added more than $6.9 billion to assets under management. Quarterly average assets under management were a record $294.1 billion in the 2006 period, $55 billion higher than the average of the 2005 quarter.

Operating expenses for the second quarter were up $45 million, or 22%, to $253 million. On January 1, 2006, the firm adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, and, for the second quarter of 2006, recognized $14.7 million of non-cash stock-based compensation expense using the fair value based method. Had T. Rowe Price applied the fair value method to recognize stock option-based compensation in the second quarter of 2005, compensation expense would have been increased $13.3 million, and the comparable pro forma diluted earnings per share would have been decreased to $.34 from the $.38 previously reported for that period. The fair value provisions of the new accounting standard have been applied on the modified prospective basis; accordingly, the company's financial statements for all periods prior to 2006 have not been restated.

Financial Highlights

For the second quarter of 2006, investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States increased $56 million to $270 million. Average mutual fund assets were $184.7 billion, 23% higher than the $150.1 billion average during the 2005 period. Net inflows to the U.S. mutual funds were $2.6 billion during the second quarter of 2006, including $.6 billion from the fund mergers with the Preferred Group. The U.S. stock and balanced funds added $1.6 billion, the bond and money market funds added more than $.8 billion, and the international stock funds added $.2 billion. The Growth Stock Fund accounted for $840 million of the funds' net inflows. Lower market valuations reduced fund assets by $4.6 billion from the beginning of the 2006 quarter, more than offsetting the net fund inflows. Ending assets in the funds were $183.2 billion, down $2.0 billion from March 31, 2006.

The series of target date Retirement Funds, which provide fund shareholders with single, diversified portfolios that invest in underlying T. Rowe Price funds that automatically adjust fund asset allocations as investors age, continue to be the source of a significant part of mutual fund asset growth. Nearly $1.3 billion of net inflows originated in the Retirement Funds during the second quarter of 2006. Total assets in these funds reached $11.6 billion at June 30, 2006, a net increase of $1.2 billion since March 31, 2006.

Investment advisory revenues earned from other managed investment portfolios, consisting of institutional separate accounts, sub-advised funds, sponsored mutual funds that are offered to non-U.S. investors, and variable insurance portfolios, increased $18 million to more than $99 million. Investors from both the U.S. and other countries added net investments of $5.1 billion to these portfolios during the second quarter of 2006, primarily into separate accounts and sub-advised funds. This was partially offset by a decline of $2.3 billion in assets under management during the 2006 quarter resulting from lower market valuations. Ending assets in these portfolios were $110.5 billion, up $2.8 billion from March 31, 2006.

The company's largest operating expense, compensation and related costs, increased nearly $36 million, or 27% from last year's quarter. The number of associates, their total compensation, and the costs of their employee benefits have all increased. The largest portion of the increase is attributable to the $14.7 million non-cash expense recognized for stock-based compensation. At June 30, 2006, T. Rowe Price employed 4,502 associates.

Advertising and promotion expenditures increased 12% or $2.2 million versus the 2005 quarter. The company expects that its advertising and promotion expenditures in the third quarter of 2006 will be down almost $5 million from the second quarter this year. While market conditions will dictate the exact level of future spending, advertising and promotion expenditures for the year 2006 are expected to be about 10% higher than in 2005. The company varies its level of spending based on market conditions and investor demand as well as its efforts to expand its investor base in the United States and abroad.

Net operating income increased 24% to nearly $193 million from $155.5 million in the 2005 quarter. Net non-operating income, which includes interest income as well as the recognition of investment gains and losses and credit facility expenses, increased $18.1 million to $23.5 million, including a realized gain of $11.5 million upon the liquidation of a sponsored collateralized bond obligation in June 2006. Additionally, larger money market mutual fund balances yielding higher rates of return added $5.8 million of the increase.

Overall, net income for the second quarter of 2006 was $135.7 million, $18.2 million more than the prior record quarterly net income achieved in the fourth quarter of 2005 when stock option-based compensation expense was not recognized in our financial statements.

Chairman Commentary

George A. Roche, the company's chairman and president, commented: "The firm's investment advisory results relative to our peers remain exemplary, with at least 75% of the T. Rowe Price funds across their share classes surpassing their comparable Lipper averages on a total return basis for the three-, five-, and 10-year periods ended June 30, 2006, and 65% outperforming the average for the one-year period. Similarly, the performance of our separately managed and sub-advised accounts has also been strong when compared to their appropriate benchmarks. In addition, 59 of the T. Rowe Price stock and bond funds and their share classes, which account for more than 75% of stock and bond fund assets under management, ended the second quarter with an overall rating of four or five stars from Morningstar. These four and five star-rated investments represent nearly 55% of our rated funds and share classes, compared with 32.5% across the overall mutual fund industry.

"We continue to be encouraged by the healthy pace of net cash inflows across our multiple distribution channels into our separate and sub-advised accounts and sponsored mutual funds. Importantly, our sound financial position enables us to invest further in our business and gives us the flexibility to take advantage of industry or market opportunities. As evidenced by the recently completed asset acquisitions, the firm is interested in transactions where we believe there is a good fit, our fund shareholders and institutional clients will be well served, and the cost is reasonable.

"We are debt free and have cash and net liquid investments of $1.2 billion. With the recent market driven decline in our common stock price, we took the opportunity to repurchase four million shares for $152 million in the latter half of the second quarter, and another 500,000 shares for nearly $19 million in the first week of July.

“Our strong second-quarter performance was achieved during a period of increasing stock market volatility in which global equity markets swung considerably and the decline in U.S. stocks erased a large portion of their gains from the first quarter of the year. Although investors’ appetite for risk has certainly been diminished and there are several headwinds such as increased tension in the Middle East and rising global interest rates that could create a more challenging investment environment moving forward, we are optimistic about the rest of 2006 and believe the financial markets can make moderate progress. Nevertheless, equity investing in the near-term may be less rewarding than investors had become accustomed to in recent years.”

In closing, Mr. Roche said: “We believe the outlook for our company remains strong as we continue to take steps to strengthen our competitive position. Although the financial markets heavily influence our results over the short term, the combination of investment management excellence, world-class service and guidance, and a diversified business model has positioned us for continued growth in the months and years ahead.”

Other Matters

The financial results presented in this release are unaudited. The company expects that it will file its Form 10-Q Report for the second quarter of 2006 later today. The Form 10-Q will include more complete information on the company’s financial results.

Certain statements in this press release may represent “forward-looking information,” including information relating to anticipated growth in revenues, net income and earnings per share, anticipated changes in the amount and composition of assets under management, anticipated expense levels, and expectations regarding financial and other market conditions. For a discussion concerning risks and other factors that could affect future results, see “Forward-Looking Information” in Item 2 of the company’s Form 10-Q Report.

Founded in 1937, Baltimore-based T. Rowe Price 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. More information is available at www.troweprice.com.

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

	Three months ended		Six months ended	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Revenues				
Investment advisory fees	$ 369,769	$ 295,531	$ 723,654	$ 584,534
Administrative fees and other income	75,965	67,881	151,128	135,836
Investment income of savings bank subsidiary	1,300	1,046	2,555	2,049
Total revenues	447,034	364,458	877,337	722,419
Interest expense on savings bank deposits	1,039	912	2,021	1,802
Net revenues	445,995	363,546	875,316	720,617
Operating expenses				
Compensation and related costs	165,722	130,123	325,719	257,265
Advertising and promotion	21,062	18,823	49,050	42,294
Depreciation and amortization of property and equipment	10,962	10,502	22,076	20,274
Occupancy and facility costs	20,285	18,166	39,858	36,485
Other operating expenses	35,045	30,411	67,170	61,497
	253,076	208,025	503,873	417,815
Net operating income	192,919	155,521	371,443	302,802
Other investment income	23,676	5,522	31,329	7,577
Credit facility expenses	185	96	280	191
Net non-operating income	23,491	5,426	31,049	7,386
Income before income taxes	216,410	160,947	402,492	310,188
Provision for income taxes	80,699	58,198	150,087	113,142
Net income	$ 135,711	$ 102,749	$ 252,405	$ 197,046
Earnings per share				
Basic	$ .51	$ .40	$ .95	$ .76
Diluted	$ .49	$ .38	$ .91	$ .72
Dividends declared per share	$ .14	$ .115	$ .28	$ .23
Weighted average shares				
Outstanding	264,767	259,630	264,400	260,079
Assuming dilution	279,684	271,431	278,827	272,451

	Three months ended		Six months ended	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Investment Advisory Revenues (in thousands)				
Sponsored mutual funds in the U.S.				
Stock and balanced	$ 232,194	$ 179,148	$ 455,036	$ 352,647
Bond and money market	38,067	34,987	74,304	69,680
	270,261	214,135	529,340	422,327
Other portfolios	99,508	81,396	194,314	162,207
	$ 369,769	$ 295,531	$ 723,654	$ 584,534
Average Assets Under Management (in billions)				
Sponsored mutual funds in the U.S.				
Stock and balanced	$ 150.4	$ 118.2	$ 148.4	$ 116.7
Bond and money market	34.3	31.9	33.7	31.7
	184.7	150.1	182.1	148.4
Other portfolios	109.4	88.6	106.0	88.3
	$ 294.1	$ 238.7	$ 288.1	$ 236.7

	6/30/2006	12/31/2005
Assets Under Management (in billions)		
Sponsored mutual funds in the U.S.		
Stock and balanced	$ 148.5	$ 137.7
Bond and money market	34.7	32.5
	183.2	170.2
Other portfolios	110.5	99.3
	$ 293.7	$ 269.5
Stock and balanced portfolios	$ 230.3	$ 208.3
Fixed income portfolios	63.4	61.2
	$ 293.7	$ 269.5
Condensed Consolidated Balance Sheet Information (in thousands)		
Cash and cash equivalents	$ 814,445	$ 803,589
Investments in sponsored mutual funds	387,186	264,238
Property and equipment	238,843	214,790
Goodwill and other intangible assets	669,122	665,692
Other assets	388,630	362,237
Total assets	2,498,226	2,310,546
Total liabilities	(352,348)	(274,444)
Stockholders' equity	$ 2,145,878	$ 2,036,102

	Six months ended	
	6/30/2006	6/30/2005
Condensed Consolidated Cash Flows Information (in thousands)		
Cash provided by operating activities	$ 356,072	$ 290,753
Cash used in investing activities, including $149,096 for mutual fund and other investments and $45,029 for additions to property and equipment in 2006	(199,883)	(52,966)
Cash used in financing activities, including $125,007 for repurchases of common stock and $73,934 for dividends, net of $50,052 from stock option exercises in 2006	(145,333)	(113,503)
Net increase in cash during the period	$ 10,856	$ 124,284