

JUNE 30, 2009

INTERNATIONAL BOND FUND

*Semiannual Report – Financial
Statements*

T. ROWE PRICE®

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	6 Months Ended	Year Ended				
	6/30/09 [†]	12/31/08 [†]	12/31/07 [†]	12/31/06 [†]	12/31/05 [†]	12/31/04
NET ASSET VALUE						
Beginning of period	\$ 9.57	\$ 10.09	\$ 9.69	\$ 9.40	\$ 10.69	\$ 10.25
Investment activities						
Net investment income	0.13	0.37	0.35	0.31	0.27	0.25
Net realized and unrealized gain (loss)	0.03	(0.19)	0.60	0.39	(1.13)	0.88
Total from investment activities	0.16	0.18	0.95	0.70	(0.86)	1.13
Distributions						
Net investment income	(0.13)	(0.37)	(0.35)	(0.32)	(0.15)	(0.25)
Net realized gain	(0.19)	(0.33)	(0.20)	(0.09)	(0.28)	(0.44)
Total distributions	(0.32)	(0.70)	(0.55)	(0.41)	(0.43)	(0.69)
NET ASSET VALUE						
End of period	\$ 9.41	\$ 9.57	\$ 10.09	\$ 9.69	\$ 9.40	\$ 10.69

Ratios/Supplemental Data

Total return⁽¹⁾	1.90%	1.77%	10.05%	7.55%	(8.18)%	11.40%
Ratio of total expenses to average net assets	0.84% ⁽²⁾	0.81%	0.82%	0.84%	0.86%	0.88%
Ratio of net investment income to average net assets	2.99% ⁽²⁾	3.70%	3.57%	3.31%	2.67%	2.46%
Portfolio turnover rate	28.9%	69.2%	78.4%	120.8%	103.7%	69.7%
Net assets, end of period (in millions)	\$ 2,292	\$ 2,142	\$ 2,366	\$ 2,030	\$ 1,594	\$ 1,663

[†] Per share amounts calculated using average shares outstanding method.

⁽¹⁾ Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions and payment of no redemption or account fees.

⁽²⁾ Annualized

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

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Advisor Class

	6 Months Ended 6/30/09 [†]	Year Ended 12/31/08 [†]	12/31/07 [†]	12/31/06 [†]	12/31/05 [†]	12/31/04
NET ASSET VALUE						
Beginning of period	\$ 9.56	\$ 10.07	\$ 9.67	\$ 9.39	\$ 10.68	\$ 10.24
Investment activities						
Net investment income	0.12	0.34	0.32	0.30	0.25	0.24
Net realized and unrealized gain (loss)	0.02	(0.18)	0.61	0.37	(1.12)	0.88
Total from investment activities	0.14	0.16	0.93	0.67	(0.87)	1.12
Distributions						
Net investment income	(0.12)	(0.34)	(0.33)	(0.30)	(0.14)	(0.24)
Net realized gain	(0.19)	(0.33)	(0.20)	(0.09)	(0.28)	(0.44)
Total distributions	(0.31)	(0.67)	(0.53)	(0.39)	(0.42)	(0.68)

NET ASSET VALUE

End of period	\$ 9.39	\$ 9.56	\$ 10.07	\$ 9.67	\$ 9.39	\$ 10.68
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Ratios/Supplemental Data

Total return ⁽¹⁾	1.63%	1.57%	9.82%	7.25%	(8.36)%	11.24%
Ratio of total expenses to average net assets	1.17% ⁽²⁾	1.13%	1.09%	1.03%	1.05%	1.03%
Ratio of net investment income to average net assets	2.67% ⁽²⁾	3.40%	3.33%	3.13%	2.50%	2.31%
Portfolio turnover rate	28.9%	69.2%	78.4%	120.8%	103.7%	69.7%
Net assets, end of period (in thousands)	\$ 413,936	\$ 431,987	\$ 461,694	\$ 119,997	\$ 85,009	\$ 68,270

[†] Per share amounts calculated using average shares outstanding method.

⁽¹⁾ Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions and payment of no redemption or account fees.

⁽²⁾ Annualized

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

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

June 30, 2009

PORTFOLIO OF INVESTMENTS †	Par/Shares	Value
(Cost and value in \$000s)		
AUSTRALIA 0.9%		
Corporate Bonds 0.5%		
Australia & New Zealand Banking, 4.375%, 5/24/12 (EUR)	2,235,000	3,208
Australia & New Zealand Banking, 4.75%, 12/7/18 (GBP)	700,000	1,002
Australia & New Zealand Banking, STEP, 4.45%, 2/5/15 (EUR)	1,223,000	1,672
National Australia Bank, FRN, 4.50%, 6/23/16 (EUR)	3,500,000	5,110
St. George Bank, 6.50%, 6/24/13 (EUR)	200,000	304
Westfield, 3.625%, 6/27/12 (EUR)	550,000	692
Westfield, 5.50%, 6/27/17 (GBP)	450,000	593
Westpac Banking, 4.875%, 9/28/12 (EUR)	1,800,000	2,617
		15,198
Government 0.4%		
Queensland Treasury, 6.00%, 9/14/17	12,749,000	10,148
		10,148
Total Australia (Cost \$26,221)		25,346
AUSTRIA 1.5%		
Corporate Bonds 0.1%		
Telekom Finanzmanagement, 6.375%	1,900,000	2,779
		2,779
Government Bonds 1.4%		
Republic of Austria, 5.25%, 1/4/11	21,550,000	32,008
Republic of Austria, 6.25%, 7/15/27	2,774,000	4,617
		36,625
Total Austria (Cost \$41,451)		39,404
BELGIUM 0.8%		
Corporate Bonds 0.3%		
Anheuser Busch InBev, 8.625%, 1/30/17	1,800,000	2,944

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Delhaize Group, 5.625%, 6/27/14	1,200,000	1,717
Elia System Operator, 4.75%, 5/13/14	1,040,000	1,494
Fortis Bank, 5.757%, 10/4/17	1,400,000	1,947
		8,102

Government Bonds 0.5%

Kingdom of Belgium, 5.00%, 3/28/35	8,789,000	13,041
		13,041
Total Belgium (Cost \$20,579)		21,143

BRAZIL 2.1%

Corporate Bonds 0.3%

Banco Nacional De Desenvolvimento, 6.369%, 6/16/18 (USD)	675,000	667
Petrobras International Finance, 5.875%, 3/1/18 (USD)	1,552,000	1,533
Petrobras International Finance, 7.875%, 3/15/19 (USD)	830,000	909
Telemar Norte Leste SA, 9.50%, 4/23/19 (USD)	900,000	984
Usiminas Commercial, 7.25%, 1/18/18 (USD)(1)	2,910,000	2,946
		7,039

Government Bonds 1.8%

Brazil Notas do Tesouro Nacional, 9.762%, 1/1/14	66,104,000	31,287
Brazil Notas do Tesouro Nacional, 9.762%, 1/1/17	23,710,000	10,512
Republic of Brazil, 6.00%, 1/17/17 (USD)	7,800,000	8,030
		49,829
Total Brazil (Cost \$51,301)		56,868

CANADA 2.1%

Corporate Bonds 0.8%

Bank of Montreal, FRN, 5.20%, 6/21/17	1,180,000	1,063
Bank of Nova Scotia, 8.30%, 9/27/13	2,320,000	2,328

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Canadian Natural Resources, 4.50%, 1/23/13	1,060,000	932
Enbridge, 7.20%, 6/18/32	660,000	627
EnCana, 5.80%, 1/18/18 (2)	710,000	651
Greater Toronto Airport, 6.25%, 12/13/12 (2)	1,120,000	1,053
Greater Toronto Airport, 6.47%, 2/2/34 (2)	945,000	837
Hydro One, 5.18%, 10/18/17	1,655,000	1,506
Rogers Wireless, 7.625%, 12/15/11	825,000	782
Royal Bank of Canada, 5.00%, 1/20/14	2,360,000	2,168
Royal Bank of Canada, 5.75%, 7/25/11 (EUR)	1,200,000	1,788
Sun Life Assurance, FRN, 6.15%, 6/30/22	990,000	894
Telus, 5.95%, 4/15/15	825,000	749
Thomson Reuters, 5.20%, 12/1/14	945,000	854
Toronto Dominion Bank, 4.875%, 1/23/13 (EUR)	1,700,000	2,496
Toronto Dominion Bank, FRN, 5.69%, 6/3/18	2,845,000	2,611
Wells Fargo Financial Canada, 4.33%, 12/6/13	1,060,000	907
		22,246
Government Bonds 1.3%		
Government of Canada, 5.75%, 6/1/33	9,892,000	10,814
Province of Ontario, 5.00%, 3/8/14	25,313,000	23,609
		34,423
Total Canada (Cost \$59,906)		56,669
CAYMAN ISLANDS 0.1%		
Corporate Bonds 0.1%		
BES Finance, 6.25%, 5/17/11 (EUR)	1,129,000	1,614
Total Cayman Islands (Cost \$1,424)		1,614

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
CZECH REPUBLIC 0.1%		
Corporate Bonds 0.1%		
CEZ, 4.125% (EUR)	1,600,000	2,202
Total Czech Republic (Cost \$1,922)		2,202
DENMARK 0.9%		
Corporate Bonds 0.1%		
Danske Bank, FRN, 6.00%, 3/20/16 (EUR)	1,825,000	2,233
Nordic Telephone, 8.25%, 5/1/16 (EUR) (2)	765,000	1,046
		3,279
Government Bonds 0.8%		
Kingdom of Denmark, 5.00%, 11/15/13	83,415,000	17,064
Kingdom of Denmark, 7.00%, 11/10/24	11,285,000	2,807
		19,871
Total Denmark (Cost \$20,419)		23,150
EGYPT 0.1%		
Corporate Bonds 0.1%		
Orascom Telecom Finance, 7.875%, 2/8/14 (USD)	3,025,000	2,586
Total Egypt (Cost \$2,919)		2,586
FRANCE 12.1%		
Corporate Bonds 2.3%		
Autoroutes du Sud de la France, 7.375%, 3/20/19	1,500,000	2,233
Aventis, 4.25%, 9/15/10	1,411,000	2,034
BNP Paribas, 4.75%, 4/4/11	2,375,000	3,488
BNP Paribas, 5.431%, 9/7/17	2,525,000	3,671
Casino Guichard-Perrachon, 4.875%, 4/10/14	750,000	1,037

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Casino Guichard-Perrachon, 6.375%, 4/4/13	1,500,000	2,211
Credit Agricole, 5.971%, 1/2/18	2,300,000	3,533
Credit Agricole, STEP, 5.00%, 6/20/49 (GBP)	2,500,000	3,085
France Telecom, 7.25%, 1/28/13	1,825,000	2,890
GDF Suez, 5.625%, 1/18/16	750,000	1,146
Pinault Printemps Redoute, 8.625%, 4/3/14	1,500,000	2,304
Societe de Financement de l'Economie, 3.25%, 1/16/14	15,140,000	21,500
Societe Generale, 5.25%, 3/28/13	2,500,000	3,734
Societe Generale, 6.125%, 8/20/18	1,000,000	1,461
Suez Environnement, 6.25%, 4/8/19	2,000,000	3,066
Veolia Environnement, 4.875%, 5/28/13	1,600,000	2,328
Vivendi Environment, 5.875%, 2/1/12	931,000	1,384
Vivendi Universal, 7.75%, 1/23/14	1,200,000	1,871
		62,976
Government Bonds 9.8%		
Government of France, 3.50%, 7/12/11	30,000,000	43,764
Government of France, 3.75%, 1/12/12	65,182,000	95,921
Government of France, 4.00%, 10/25/14	13,335,000	19,752
Government of France, 4.25%, 10/25/17	10,504,000	15,449
Government of France, 4.25%, 4/25/19	3,800,000	5,553
Government of France, 5.50%, 4/25/10	19,620,000	28,537
Government of France, 5.50%, 4/25/29	16,849,000	27,174
Government of France, 5.75%, 10/25/32	16,165,000	27,135
		263,285
Total France (Cost \$318,996)		326,261

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
GERMANY 18.0%		
Corporate Bonds 4.6%		
Bayer, 5.625%, 5/23/18 (GBP)	2,400,000	4,036
BMW Finance, 8.875%, 9/19/13	2,400,000	3,882
DaimlerChrysler International Finance, 7.875%, 1/16/14	1,700,000	2,636
Deutsche Bank, 4.50%, 3/7/11	2,000,000	2,888
Deutsche Bank, 5.125%, 1/31/13	2,000,000	2,885
Deutsche Genossenschafts-Hypobank, 4.00%, 10/31/16 (1)	19,850,000	28,304
Deutsche Telekom International Finance, 4.50%, 10/25/13	2,300,000	3,320
Deutsche Telekom International Finance, 7.125% 9/26/12 (GBP)	3,100,000	5,480
Deutsche Telekom International Finance, 8.125%, 5/29/12	800,000	1,270
E.ON International Finance, 5.125%, 10/2/12	1,100,000	1,650
E.ON International Finance, 5.50%, 1/19/16	1,600,000	2,404
Eurohypo, 3.875%, 11/21/13	12,401,000	17,949
Eurohypo, 4.50%, 1/21/13 (2)	7,295,000	10,749
KfW, 4.375%, 7/4/18	6,440,000	9,207
KfW, 4.70%, 6/2/37 (CAD)	7,238,000	5,472
KfW, 5.50%, 12/7/15 (GBP)	7,200,000	12,847
Linde Finance, 4.75%, 4/24/17	2,100,000	2,948
Linde Finance, 6.50%, 1/29/16 (GBP)	1,600,000	2,757
Merck KGaA, 4.75%, 11/26/10	1,115,000	1,626
Munich Reinsurance, FRN, 5.767%, 6/29/49	1,500,000	1,578
		123,888
Government Bonds 13.4%		
Bundesobligation Germany, 4.25%, 10/12/12	24,010,000	36,060
Bundesrepublik, 3.50%, 1/4/16	15,323,000	22,205
Bundesrepublik, 3.75%, 1/4/15	18,679,000	27,601
Bundesrepublik, 3.75%, 1/4/19	15,200,000	22,039

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Bundesrepublik, 4.00%, 1/4/37	33,454,000	45,143
Bundesrepublik, 4.25%, 1/4/14	34,504,000	52,043
Bundesrepublik, 4.25%, 7/4/14	8,987,000	13,596
Bundesrepublik, 4.75%, 7/4/34	6,558,000	9,797
Bundesrepublik, 5.25%, 1/4/11	89,507,000	133,413
		361,897
Total Germany (Cost \$470,944)		485,785

GREECE 2.4%

Government Bonds 2.4%

Hellenic Republic, 4.60%, 5/20/13	22,644,000	33,336
Hellenic Republic, 6.00%, 5/19/10	18,625,000	27,177
Hellenic Republic, 6.50%, 10/22/19	3,065,000	4,801
Total Greece (Cost \$59,940)		65,314

HUNGARY 0.1%

Government Bonds 0.1%

Republic of Hungary, 6.75%, 2/24/17	733,700,000	3,140
Total Hungary (Cost \$2,397)		3,140

INDONESIA 0.2%

Government 0.2%

Republic of Indonesia, 6.875% (USD)	3,070,000	2,982
Republic of Indonesia, 10.375% (USD) (1)(2)	2,400,000	2,769
Total Indonesia (Cost \$4,891)		5,751

IRELAND 1.1%

Corporate Bonds 0.6%

Bank of Ireland, 6.45%, 2/10/10	1,504,000	2,146
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T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
GE Capital Euro Funding, 3.50%, 2/14/13	3,050,000	4,182
GE Capital Euro Funding, 4.75%, 1/18/11	1,700,000	2,435
GE Capital Euro Funding, 5.25%, 5/18/15	1,692,000	2,387
GE Capital Euro Funding, 5.625%, 12/12/14 (GBP)	2,304,000	3,659
Irish Life & Permanent, 6.25%, 2/15/11	2,000,000	2,617
		17,426
Government Bonds 0.5%		
Republic of Ireland, 4.00%, 4/18/10	2,962,000	4,217
Republic of Ireland, 5.00%, 4/18/13	5,737,000	8,430
		12,647
Total Ireland (Cost \$26,121)		30,073
ITALY 5.7%		
Corporate Bonds 1.1%		
Alantia, 5.00%, 6/9/14	1,200,000	1,749
Banca Monte dei Paschi di Siena, FRN, 4.50%, 9/24/15	1,598,000	2,242
Edison, 5.125%, 12/10/10	588,000	856
Finmeccanica Finance, 8.125%, 12/3/13	2,000,000	3,156
Intesa Sanpaolo, 6.625%, 5/8/18	2,000,000	2,315
Intesa Sanpaolo, FRN, 4.375%, 6/26/18	2,000,000	2,681
IntesaBci Capital Trust, 6.988%, 7/29/49	1,000,000	982
MPS Capital Trust, 7.99%, 12/29/49	800,000	685
Olivetti Finance, 6.875%, 1/24/13	2,200,000	3,300
Sanpaolo IML, 3.75%, 6/9/15	1,504,000	2,072
Telecom Italia, 7.875%, 1/22/14	1,000,000	1,566
Telecom Italia, 8.25%, 3/21/16	2,200,000	3,483
UniCredito Italiano, 5.75%, 9/26/17	2,735,000	3,811

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
UniCredito Italiano, 6.10%, 2/28/12	581,000	842
		29,740
Government Bonds 4.6%		
Republic of Italy, 4.00%, 2/1/37	28,620,000	33,405
Republic of Italy, 4.25%, 8/1/14	19,425,000	28,550
Republic of Italy, 5.25%, 8/1/17	36,982,000	56,752
Republic of Italy, 6.00%, 5/1/31	2,050,000	3,140
Republic of Italy, 7.25%, 11/1/26	2,335,653	4,080
		125,927
Total Italy (Cost \$158,059)		155,667
JAMAICA 0.1%		
Corporate Bonds 0.1%		
Digicel, 8.875%, 1/15/15 (USD)	3,225,000	2,693
Total Jamaica (Cost \$3,119)		2,693
JAPAN 22.3%		
Corporate Bonds 0.1%		
Sumitomo Mitsui Bank, FRN, 4.375%, 12/31/49 (EUR)	1,450,000	1,495
		1,495
Government Bonds 22.2%		
Government of Japan, 1.00%, 12/20/12	5,844,650,000	61,695
Government of Japan, 1.10%, 9/20/12	742,850,000	7,865
Government of Japan, 1.10%, 9/20/13	3,280,700,000	34,746
Government of Japan, 1.30%, 3/20/15	2,680,950,000	28,557
Government of Japan, 1.40%, 3/20/12	3,231,400,000	34,445
Government of Japan, 1.40%, 9/20/15	6,131,550,000	65,646
Government of Japan, 1.40%, 3/20/18	9,010,750,000	95,128

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Government of Japan, 1.50%, 6/20/12	9,612,000,000	102,891
Government of Japan, 1.90%, 3/20/25	5,021,500,000	52,568
Government of Japan, 2.00%, 12/20/33	3,684,350,000	36,880
Government of Japan, 2.20%, 6/22/20	390,700,000	4,356
Government of Japan, 2.30%, 6/20/28	3,865,950,000	41,921
Government of Japan, Inflation-Indexed, 1.10%, 9/10/16	429,436,500	3,954
Government of Japan, Inflation-Indexed, 1.10%, 12/10/16	3,543,498,700	32,476
		603,128
Total Japan (Cost \$554,534)		604,623
JERSEY 0.1%		
Corporate Bonds 0.1%		
Travelers Insurance, 5.75%, 12/6/11 (GBP)	1,364,000	2,185
Total Jersey (Cost \$2,419)		2,185
KAZAKHSTAN 0.2%		
Corporate Bonds 0.2%		
CenterCredit International, 8.625%, 1/30/14 (USD)	3,300,000	2,376
HSBK Europe, 7.75%, 5/13/13 (USD)	3,260,000	2,494
Total Kazakhstan (Cost \$6,270)		4,870
LUXEMBOURG 0.0%		
Corporate Bonds 0.0%		
Fiat Finance & Trade, 6.625%	1,000,000	1,185
Total Luxembourg (Cost \$1,516)		1,185

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
MALAYSIA 0.3%		
Government Bonds 0.3%		
Malaysia, 3.70%, 5/15/13	28,550,000	8,241
Total Malaysia (Cost \$8,973)		8,241
MEXICO 3.0%		
Corporate Bonds 0.2%		
Pemex Project Funding Master Trust, 6.25%, 8/5/13 (EUR)	2,100,000	3,057
Pemex Project Funding Master Trust, 7.50%, 12/18/13 (GBP)	1,585,000	2,693
		5,750
Government Bonds 2.8%		
United Mexican States, 8.00%, 12/19/13	453,375,000	35,544
United Mexican States, 8.00%, 12/17/15	426,410,000	32,791
United Mexican States, 9.50%, 12/18/14	76,235,000	6,314
		74,649
Total Mexico (Cost \$85,416)		80,399
NETHERLANDS 3.6%		
Corporate Bonds 2.0%		
Ahold Finance, 6.50%, 3/14/17 (GBP)	1,170,000	1,868
Bank Nederlandse Gemeenten, 4.625%, 9/13/12	17,100,000	25,306
EDP Finance, 3.75%, 6/22/15	1,300,000	1,767
Heineken, 7.25%, 3/10/15 (GBP)	1,500,000	2,589
Iberdrola Finanzas, 7.50%, 11/25/15	1,700,000	2,786
ING Bank, 5.50%, 1/4/12	1,129,000	1,601
ING Verzekering, 4.00%, 9/18/13	1,950,000	2,673
Koninklijke, 4.50%, 3/18/13	1,500,000	2,143
Koninklijke, 4.75%, 1/17/17	1,250,000	1,739

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Koninklijke, 5.75%, 3/18/16 (GBP)	2,420,000	4,052
Rabobank Nederland, 3.125%, 7/19/10	800,000	1,137
Rabobank Nederland, 4.25%, 1/16/17	2,500,000	3,507
RWE Finance, 6.625%, 1/31/19	1,800,000	2,883
		54,051
Government Bonds 1.6%		
Kingdom of the Netherlands, 4.50%, 7/15/17	17,510,000	26,153
Kingdom of the Netherlands, 5.50%, 1/15/28	10,447,000	16,767
		42,920
Total Netherlands (Cost \$93,248)		96,971
NIGERIA 0.1%		
Corporate Bonds 0.1%		
GTB Finance, 8.50%, 1/29/12 (USD)	3,015,000	2,435
Total Nigeria (Cost \$2,908)		2,435
NORWAY 0.1%		
Corporate Bonds 0.1%		
DnB NOR Bank, 4.75%, 3/28/11 (EUR)	2,000,000	2,839
Total Norway (Cost \$3,115)		2,839
POLAND 1.5%		
Government Bonds 1.5%		
Government of Poland, 5.25%, 10/25/17	18,340,000	5,448
Government of Poland, 5.75%, 4/25/14	100,561,000	31,550
Government of Poland, 6.25%, 10/24/15	8,520,000	2,717
Total Poland (Cost \$39,319)		39,715

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
PORTUGAL 0.1%		
Corporate Bonds 0.1%		
Portugal Telecom International Finance, 6.00%, 4/30/13	1,500,000	2,210
Total Portugal (Cost \$2,178)		2,210
RUSSIA 0.5%		
Corporate Bonds 0.3%		
Evraz Group, 8.875%, 4/24/13 (USD)	3,075,000	2,614
Gaz Capital, 4.56%, 12/9/12 (EUR)	2,500,000	3,231
Gaz Capital, 5.364%, 10/31/14 (EUR)	470,000	559
TMK Capital, 10.00%, 7/29/11 (USD) (1)	1,600,000	1,400
VIP Finance Ireland, 8.375%, 4/30/13 (USD)	1,580,000	1,469
		9,273
Government Bonds 0.2%		
Russian Federation, FRN, 7.50%, 3/31/30 (USD)	5,334,720	5,265
		5,265
Total Russia (Cost \$15,365)		14,538
SOUTH AFRICA 0.3%		
Government Bonds 0.3%		
Republic of South Africa, 8.00%, 12/21/18	38,160,000	4,656
Republic of South Africa, 13.50%, 9/15/15 (1)	29,250,000	4,699
Total South Africa (Cost \$9,023)		9,355

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
SOUTH KOREA 0.1%		
Government 0.1%		
Republic of Korea, 5.75% (USD)	2,741,000	2,809
Total South Korea (Cost \$2,728)		2,809
SPAIN 1.3%		
Corporate Bonds 0.4%		
Banco Bilbao Vizcaya Argentaria, FRN, 4.375%, 10/20/19	1,700,000	2,206
Obrascon Huarte Lain, 5.00%, 5/18/12	2,500,000	2,525
Repsol International Finance, 6.50%, 3/27/14	900,000	1,368
Santander Issuances, FRN, 4.75%, 5/29/19	2,500,000	3,158
Telefonica Emisiones, 5.496%, 4/1/16	1,500,000	2,205
		11,462
Government Bonds 0.9%		
Kingdom of Spain, 5.75%, 7/30/32	15,888,000	25,138
		25,138
Total Spain (Cost \$37,339)		36,600
SUPRANATIONAL 2.2%		
Corporate Bonds 2.2%		
European Investment Bank, 4.75%, 10/15/17 (EUR)	18,300,000	27,202
European Investment Bank, 8.75%, 8/25/17 (GBP)	5,800,000	12,545
Inter-American Development Bank, 4.40%, 1/26/26 (CAD)	11,700,000	8,896
International Finance, 7.50%, 2/28/13 (AUD)	12,155,000	10,350
Total Supranational (Cost \$60,571)		58,993

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
SWEDEN 1.1%		
Corporate Bonds 0.3%		
Ericsson, 5.375%, 6/27/17 (EUR)	1,022,000	1,348
Nordea Bank, FRN, 4.00%, 9/30/16 (EUR)	500,000	663
Nordea Bank, FRN, 6.25%, 9/10/18 (EUR)	735,000	1,011
Securitas, 6.50%, 4/2/13 (EUR)	1,750,000	2,566
Volvo, 9.875%, 2/27/14 (EUR)	1,500,000	2,224
		7,812
Government Bonds 0.8%		
Kingdom of Sweden, 3.75%, 8/12/17	46,150,000	6,162
Kingdom of Sweden, 5.25%, 3/15/11	118,850,000	16,461
		22,623
Total Sweden (Cost \$33,445)		30,435
SWITZERLAND 0.6%		
Corporate Bonds 0.6%		
Credit Suisse First Boston (London), 5.125%, 9/18/17 (EUR)	1,700,000	2,424
Credit Suisse First Boston (London), 6.125%, 8/5/13 (EUR)	2,000,000	3,007
Credit Suisse Group, 6.375%, 6/7/13 (EUR)	1,979,000	2,923
UBS (Jersey Branch), FRN, 4.50%, 9/16/19 (EUR)	4,600,000	5,236
UBS (Jersey Branch), FRN, 7.152%, 12/29/49 (EUR)	400,000	341
UBS (London), 6.25%, 9/3/13 (EUR)	500,000	733
Xstrata Finance Canada, 5.25%, 6/13/17 (EUR)	1,700,000	2,040
Total Switzerland (Cost \$17,565)		16,704
UNITED ARAB EMIRATES 0.1%		
U.S. Government Agency Obligations 0.1%		
Atlantic Finance, 8.75%, 5/27/14 (USD) (2)	2,500,000	2,459

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Total United Arab Emirates (Cost \$2,500)		2,459
UNITED KINGDOM 7.0%		
Corporate Bonds 3.1%		
AstraZeneca, 5.125%, 1/15/15 (EUR)	1,155,000	1,718
B.A.T International Finance, 5.375%, 6/29/17 (EUR)	2,250,000	3,188
Barclays, 4.875%, 3/31/13 (EUR)	1,500,000	2,043
Barclays, 5.75%, 3/8/11 (EUR)	1,400,000	1,998
British Sky Broadcasting Finance, 5.75%, 10/20/17	2,500,000	4,060
British Telecommunications, 5.25%, 6/23/14 (EUR)	1,800,000	2,480
Centrica, 7.125%, 12/9/13 (EUR)	1,550,000	2,430
Compass Group, 6.375%, 5/29/12	2,000,000	3,443
Diageo, 6.625%, 12/5/14 (EUR)	1,100,000	1,719
GlaxoSmithKline Capital, 5.125%, 12/13/12 (EUR)	1,110,000	1,667
GlaxoSmithKline Capital, 5.625%, 12/13/17 (EUR)	2,200,000	3,289
HBOS, FRN, 4.375%, 10/30/19 (EUR)	1,250,000	1,283
HSBC, 4.50%, 4/30/14 (EUR)	2,000,000	2,857
HSBC, 9.875%, 4/8/18	2,320,000	4,211
HSBC, FRN, 3.625%, 6/29/20 (EUR)	1,900,000	2,282
HSBC Bank, FRN, 4.25%, 3/18/16 (EUR)	1,560,000	2,082
Imperial Tobacco Finance, 4.375%, 11/22/13 (EUR)	2,850,000	3,851
Imperial Tobacco Finance, 6.875%, 6/13/12	1,504,000	2,566
ITV, 6.00%, 10/3/11 (EUR)	1,100,000	1,438
National Grid, 5.00%, 7/2/18 (EUR)	2,286,000	3,071
Nationwide Building Society, FRN, 3.375%, 8/17/15 (EUR)	1,692,000	1,955
OTE, 4.625%, 5/20/16 (EUR)	2,900,000	3,903
Rentokil Initial, 4.625%, 3/27/14 (EUR)	1,500,000	1,905
Rolls-Royce, 4.50%, 3/16/11 (EUR)	819,000	1,178
Royal Bank of Scotland, 5.25%, 5/15/13 (EUR)	2,300,000	3,233

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Scottish & Southern Energy, 6.125%, 7/29/13 (EUR)	800,000	1,201
Scottish & Southern Energy, 8.375%, 2/20/17	1,223,000	2,366
Severn Trent Water Utilities, 5.25%, 3/11/16 (EUR)	1,535,000	2,181
Standard Chartered Bank, 5.875%, 9/26/17 (EUR)	3,000,000	3,802
Standard Chartered Bank, FRN, 3.625%, 2/3/17 (EUR)	2,200,000	2,581
Tesco, 5.50%, 12/13/19	2,500,000	4,180
Vodafone, 4.75%, 6/14/16 (EUR)	880,000	1,232
Vodafone, 6.25%, 1/15/16 (EUR)	620,000	942
		82,335
Government Bonds 3.9%		
United Kingdom Treasury, 4.25%, 3/7/11	10,305,000	17,772
United Kingdom Treasury, 4.25%, 6/7/32	46,869,000	76,060
United Kingdom Treasury, 4.50%, 3/7/13	6,310,000	11,006
United Kingdom Treasury, 5.00%, 9/7/14	950,000	1,719
		106,557
Total United Kingdom (Cost \$200,478)		188,892
UNITED STATES 3.6%		
Corporate Bonds 3.3%		
Allstate Life Funding, 6.375%, 1/17/11 (GBP)	1,224,000	2,027
American Honda Finance, 3.75%, 3/16/11 (EUR)	1,000,000	1,412
American Honda Finance, 6.25%, 7/16/13 (EUR)	1,000,000	1,479
Bacardi, 7.75%, 4/9/14 (EUR)	1,500,000	2,267
Bank of America, 4.625%, 2/18/14 (EUR)	1,600,000	2,128
Bank of America, 5.25%, 11/9/16 (GBP)	2,450,000	3,324
Bank of America, FRN, 4.00%, 3/28/18 (EUR)	2,500,000	2,420
Bank of America, FRN, 4.75%, 5/23/17 (EUR)	1,000,000	980
Bunge Limited Finance, 8.50%, 6/15/19	1,500,000	1,569

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Citigroup, 3.50%, 8/5/15 (EUR)	2,200,000	2,517
Citigroup, 6.40%, 3/27/13 (EUR)	3,240,000	4,502
Citigroup, FRN, 4.75%, 2/10/19 (EUR)	950,000	887
DaimlerChrysler, 4.375%, 3/21/13 (EUR)	1,800,000	2,513
Danaher, 4.50%, 7/22/13 (EUR)	1,560,000	2,161
GE Capital, 4.625%, 9/15/66 (EUR)	2,300,000	1,763
GE Capital, 4.65%, 2/11/15 (CAD)	3,185,000	2,665
Goldman Sachs, 3.75%, 2/4/13 (EUR)	1,300,000	1,740
Goldman Sachs, 4.50%, 1/30/17 (EUR)	2,500,000	3,152
Goldman Sachs, 5.125%, 10/16/14 (EUR)	2,100,000	2,877
IBM, 6.625%, 1/30/14 (EUR)	650,000	1,018
Johnson & Johnson, 4.75%, 11/6/19 (EUR)	250,000	364
JPMorgan Chase, 4.25%, 6/9/11 (EUR)	1,223,000	1,742
JPMorgan Chase, 4.375%, 1/30/14 (EUR)	2,600,000	3,619
JPMorgan Chase, FRN, 4.375%, 11/12/19 (EUR)	2,800,000	3,310
Kraft Foods, 6.25%, 3/20/15 (EUR)	1,100,000	1,652
Manpower, 4.75%, 6/14/13 (EUR)	1,600,000	1,945
Mellon Funding, 6.375%, 11/8/11 (GBP)	2,904,000	4,975
Merrill Lynch, 4.625%, 10/2/13 (EUR)	2,000,000	2,621
Merrill Lynch, 4.875%, 5/30/14 (EUR)	1,300,000	1,681
MetLife Global Funding I, 4.625%, 5/16/17 (EUR)	2,300,000	2,501
Molson Coors Capital Finance, 5.00%, 9/22/15 (CAD)	1,060,000	911
Morgan Stanley, 3.75%, 3/1/13 (EUR)	900,000	1,175
Morgan Stanley, 4.00%, 11/17/15 (EUR)	3,300,000	4,063
Morgan Stanley, 5.125%, 11/30/15 (GBP)	2,000,000	3,013
Morgan Stanley, 6.50%, 4/15/11 (EUR)	1,000,000	1,442
New York Life Global Funding, 4.375%, 1/19/17 (EUR)	2,300,000	2,687
Pacific Life Funding, 5.125%, 1/20/15 (GBP)	1,504,000	2,207
Philip Morris International, 5.625%, 9/6/11 (EUR)	1,500,000	2,219

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
Polo Ralph Lauren, 4.50%, 10/4/13 (EUR)	475,000	604
Principal Financial Global Funding, 4.50%, 1/26/17 (EUR)	2,500,000	2,809
Verizon Wireless, 8.75%, 12/18/15 (EUR)	750,000	1,261
		90,202
Government Bonds 0.3%		
U.S. Treasury Notes, 4.00%, 9/30/09 ⁽³⁾	6,905,000	6,970
		6,970
Total United States (Cost \$106,342)		97,172
SHORT-TERM INVESTMENTS 3.5%		
Money Market Funds 3.5%		
T. Rowe Price Reserve Investment Fund, 0.41% ⁽⁴⁾⁽⁵⁾	94,152,261	94,152
Total Short-Term Investments (Cost \$94,152)		94,152
SECURITIES LENDING COLLATERAL 0.8%		
Investments in Pooled Account Managed by JPMorgan Chase Bank, London 0.8%		
Money Market Funds 0.6%		
T. Rowe Price Reserve Investment Fund, 0.41%, 7/1/09 ⁽⁴⁾⁽⁵⁾	15,699,945	15,700
		15,700
Repurchase Agreements 0.2%		
Credit Suisse, Tri-Party, Dated 6/30/09, 0.02%, Delivery Value of \$1,230,560 on 7/1/09, Collateralized by U.S. Government securities, 1.125%-3.125%, 1/15/12-9/30/13, valued at \$1,255,176	1,230,559	1,231
Merrill Lynch, Tri-Party, Dated, 6/30/09, 0.07%, Delivery Value of \$2,777,413 on 7/1/09, Collateralized by U.S. Government securities, 0.00%-6.50%, 12/15/11-11/25/37, valued at \$2,832,962	2,777,408	2,777

T. ROWE PRICE INTERNATIONAL BOND FUND

	Par/Shares	Value
(Cost and value in \$000s)		
UBS Securities, Tri-Party, Dated 6/30/09, 0.09%, Delivery Value of \$2,777,415 on 7/1/09, Collateralized by U.S. Government securities, 0.00%-6.75%, 9/15/09-7/15/32, valued at \$2,832,966	2,777,408	2,777
		6,785
Total Investments in Pooled Account Managed by JPMorgan Chase Bank, London		22,485
Total Securities Lending Collateral (Cost \$22,485)		22,485
Total Investments in Securities		
100.7% of Net Assets (Cost \$2,672,498)		\$ 2,723,933

‡ Denominated in the currency of the country of incorporation unless otherwise noted.

- (1) All or a portion of this security is on loan at June 30, 2009 -- total value of such securities at period-end amounts to \$21,397. See Note 4.
- (2) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to \$19,564 and represents 0.7% of net assets.
- (3) All or portion of this security is pledged as collateral for swaps at June 30, 2009.
- (4) Seven-day yield
- (5) Affiliated Companies

AUD Australian Dollar

BRL Brazilian Real

CAD Canadian Dollar

CZK Czech Koruna

DKK Danish Krone

EUR Euro

FRN Floating-Rate Note

GBP British Pound

HUF Hungarian Forint

IDR Indonesian Rupiah

INR Indian Rupee

JPY Japanese Yen

KRW Korean Won

MXN Mexican Peso

NOK Norwegian Krone

PLN Polish Zloty

SEK Swedish Krona

STEP Stepped coupon bond for which the coupon rate of interest will adjust on specified future date(s)

TWD Taiwan Dollar

USD U.S. Dollar
 ZAR South African Rand

	Notional Amount	Value
(Notional and value in 000s)		
SWAPS 0.00%		
Credit Default Swaps, Protection Bought 0.0%		
Sweden 0.0%		
JPMorgan Chase, Protection Bought (Relevant Credit: Electrolux 4.98%, 11/23/09), Pay 1.18%, Receive upon credit default 6/20/13 (EUR)	(1,500)	(31)
	(1,500)	(31)
United Kingdom 0.0%		
JPMorgan Chase, Protection Bought (Relevant Credit: United Utilities, 6.875%, 8/15/28), Pay 0.95%, Receive upon credit default, 3/20/13 (EUR)	(1,775)	(38)
JPMorgan Chase, Protection Bought (Relevant Credit: Rentokil 4.625%, 3/27/14), Pay 2.58%, Receive upon credit default, 3/20/13 (EUR)	(1,500)	(52)
Goldman Sachs, Protection Bought (Relevant Credit: British Telecom, 5.75%, 12/7/28), Pay 1.67%, Receive upon credit default, 3/20/14 (EUR)	(1,000)	4
	(4,275)	(86)
	(5,775)	(117)

T. ROWE PRICE INTERNATIONAL BOND FUND

	Notional Amount	Value
(Notional and value in 000s)		
Interest Rate Swaps 0.0%		
Japan 0.0%		
JPMorgan Chase, 10 Year Interest Rate Swap, Receive Fixed 1.385%, Pay Variable 0.716%, 12/5/18	4,600,000	191
JPMorgan Chase, 10 Year Interest Rate Swap, Receive Fixed 1.28%, Pay Variable 0.713%, 12/19/18	730,000	(44)
	5,330,000	147
Total Swaps (Premium Paid/Received \$0)		30

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver	Unrealized Gain (Loss)
Barclays Bank	7/27/09	INR 574,272	USD 11,247	\$ 718
Barclays Bank	8/20/09	CAD 20,890	USD 17,921	44
Barclays Bank	8/20/09	GBP 37,724	USD 58,608	3,453
Barclays Bank	8/20/09	USD 78,215	EUR 56,969	(1,701)
Barclays Bank	8/20/09	USD 2,256	GBP 1,374	(5)
Barclays Bank	8/20/09	USD 9,717	JPY 946,291	(111)
Barclays Bank	8/20/09	USD 5,045	PLN 16,366	(95)
Chase Manhattan Bank	7/20/09	KRW 10,471,705	USD 7,951	277
Chase Manhattan Bank	7/21/09	USD 4,882	MXN 64,689	(17)
Chase Manhattan Bank	7/27/09	TWD 281,479	USD 8,442	185
Chase Manhattan Bank	8/20/09	AUD 1,213	USD 989	(15)
Chase Manhattan Bank	8/20/09	CAD 1,233	USD 1,070	(9)
Chase Manhattan Bank	8/20/09	EUR 8,415	USD 11,904	(99)
Chase Manhattan Bank	8/20/09	GBP 1,421	USD 2,344	(6)
Chase Manhattan Bank	8/20/09	JPY 369,820	USD 3,843	(2)
Chase Manhattan Bank	8/20/09	KRW 5,766,541	USD 4,587	(49)
Chase Manhattan Bank	8/20/09	NOK 108,482	USD 16,658	192
Chase Manhattan Bank	8/20/09	SEK 14,907	USD 1,938	(6)

Forward Currency Exchange Contracts (continued)

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Chase Manhattan Bank	8/20/09	USD	9,395	EUR	6,736	(53)
Chase Manhattan Bank	8/20/09	USD	2,071	GBP	1,262	(5)
Chase Manhattan Bank	8/20/09	USD	19,450	JPY	1,860,473	127
Chase Manhattan Bank	8/20/09	USD	46,037	MXN	612,756	(168)
Chase Manhattan Bank	8/20/09	USD	23,712	PLN	78,483	(935)
Chase Manhattan Bank	8/20/09	USD	891	SEK	6,992	(15)
Credit Suisse	8/4/09	USD	20,067	BRL	45,296	(2,909)
Credit Suisse	8/20/09	INR	347,330	USD	7,221	2
Credit Suisse	8/20/09	USD	2,211	EUR	1,644	(95)
Credit Suisse	9/22/09	INR	692,708	USD	14,265	105
Deutsche Bank	7/20/09	USD	28,219	BRL	62,914	(3,782)
Deutsche Bank	8/20/09	AUD	12,075	USD	9,092	603
Deutsche Bank	8/20/09	CAD	873	USD	791	(41)
Deutsche Bank	8/20/09	DKK	2,516	USD	475	(1)
Deutsche Bank	8/20/09	EUR	3,007	USD	4,230	(12)
Deutsche Bank	8/20/09	GBP	1,514	USD	2,472	19
Deutsche Bank	8/20/09	JPY	521,620	USD	5,361	57
Deutsche Bank	8/20/09	NOK	3,606	USD	568	(8)
Deutsche Bank	8/20/09	USD	1,245	CAD	1,407	35
Deutsche Bank	8/20/09	USD	2,647	DKK	14,637	(108)
Deutsche Bank	8/20/09	USD	1,736	GBP	1,109	(89)
Dresdner Kleinwort	8/20/09	CAD	7,340	USD	6,472	(160)
Dresdner Kleinwort	8/20/09	EUR	979	USD	1,400	(27)
Dresdner Kleinwort	8/20/09	JPY	182,453	USD	1,897	(2)
Goldman Sachs	7/20/09	BRL	58,339	USD	29,689	(15)
Goldman Sachs	7/20/09	USD	8,119	BRL	16,746	(399)

Forward Currency Exchange Contracts (continued)

(Amounts in 000s)

<u>Counterparty</u>	<u>Settlement</u>	<u>Receive</u>		<u>Deliver</u>		<u>Unrealized Gain (Loss)</u>
Goldman Sachs	8/20/09	CZK	100,397	USD	5,030	388
Goldman Sachs	8/20/09	EUR	13,886	USD	18,864	616
Goldman Sachs	8/20/09	IDR	67,014,360	USD	6,419	76
Goldman Sachs	8/20/09	INR	304,855	USD	6,418	(78)
Goldman Sachs	8/20/09	JPY	18,487,190	USD	193,492	(1,481)
Goldman Sachs	8/20/09	USD	1,233	AUD	1,523	11
Goldman Sachs	8/20/09	USD	3,038	CAD	3,348	159
Goldman Sachs	8/20/09	USD	54,472	EUR	39,532	(984)
Goldman Sachs	8/20/09	USD	980	GBP	614	(31)
Goldman Sachs	8/20/09	ZAR	55,260	USD	6,505	591
Merrill Lynch Royal Bank of Canada	8/20/09	USD	858	GBP	526	(7)
Royal Bank of Canada	8/4/09	USD	10,084	BRL	22,664	(1,412)
Royal Bank of Canada	8/20/09	CAD	7,394	USD	6,384	(26)
Royal Bank of Canada	8/20/09	EUR	3,642	USD	5,122	(13)
Royal Bank of Canada	8/20/09	GBP	2,928	USD	4,807	10
Royal Bank of Canada	8/20/09	JPY	350,272	USD	3,683	(45)
Royal Bank of Canada	8/20/09	SEK	99,353	USD	12,862	15
Royal Bank of Canada	8/20/09	USD	7,861	EUR	5,625	(31)
Scotland Royal Bank of Scotland	8/20/09	CAD	1,566	USD	1,355	(8)
Royal Bank of Scotland	8/20/09	EUR	12,441	USD	16,956	497
Royal Bank of Scotland	8/20/09	GBP	2,614	USD	4,048	252
Royal Bank of Scotland	8/20/09	JPY	877,335	USD	9,145	(33)
Royal Bank of Scotland	8/20/09	MXN	86,489	USD	6,490	32
Royal Bank of Scotland	8/20/09	PLN	3,453	USD	1,072	12
Royal Bank of Scotland	8/20/09	USD	5,055	EUR	3,648	(62)

Forward Currency Exchange Contracts (continued)

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
State Street Bank	7/20/09	BRL	2,343	USD	1,198	(6)
State Street Bank	7/27/09	TWD	257,387	USD	7,905	(16)
State Street Bank	7/28/09	KRW	8,302,753	USD	6,147	380
State Street Bank	8/20/09	CAD	767	USD	687	(27)
State Street Bank	8/20/09	EUR	1,678	USD	2,350	4
State Street Bank	8/20/09	JPY	288,386	USD	2,939	56
State Street Bank	8/20/09	KRW	30,452,201	USD	24,584	(619)
State Street Bank	8/20/09	SEK	79,345	USD	10,362	(78)
State Street Bank	8/20/09	USD	1,986	AUD	2,541	(54)
State Street Bank	8/20/09	USD	43,725	EUR	30,981	264
State Street Bank	8/20/09	USD	2,551	GBP	1,544	11
State Street Bank	8/20/09	USD	21,009	MXN	285,053	(485)
UBS	8/19/09	HUF	218,760	USD	1,015	101
UBS	8/20/09	USD	11,584	EUR	8,287	(41)
UBS	8/20/09	USD	7,752	ZAR	66,882	(837)
Net unrealized gain (loss) on open forward currency exchange contracts						\$ (8,227)

Futures Contracts

(\$000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Long, 143 Germany Euro BOBL contracts \$564 pledged as initial margin	9/09	\$ 23,160	\$ 134
Long, 86 Germany Euro Schatz contracts \$339 pledged as initial margin	9/09	13,018	(5)
Long, 33 Japanese Treasury ten year contracts, \$130 pledged as initial margin	9/09	47,307	639
Short, 108 Canada Treasury ten year contracts, \$426 pledged as initial margin	9/09	(11,259)	(80)
Short, 78 United Kingdom Treasury contracts, \$308 pledged as initial margin	9/09	(15,153)	(72)
Short, 49 U.S. Treasury five year contracts \$193 pledged as initial margin	9/09	(5,621)	56
Short, 306 U.S. Treasury ten year contracts \$1,207 pledged as initial margin	9/09	(36,577)	351
Net payments (receipts) of variation margin to date			(1,023)
Variation margin receivable (payable) on open futures contracts			\$ 0

Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value	
				6/30/09	12/31/08
T. Rowe Price Reserve Investment Fund, 0.41%	▫	▫	\$ 182 ^	\$ 109,852	\$ 79,355
Totals			\$ 182	\$ 109,852	\$ 79,355

▫ Purchase and sale information not shown for cash management funds.

^ Excludes earnings on securities lending collateral investments, which are subject to rebates and fees as described in Note 4.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	\$ 109,852
Dividend income	182
Interest income	-
Investment income	\$ 182
Realized gain (loss) on securities	\$ -
Capital gain distributions from mutual funds	\$ -

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

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$2,672,498)	\$ 2,723,933
Interest receivable	44,581
Receivable for shares sold	10,189
Foreign currency (cost \$4,318)	4,353
Cash	20
Initial deposit on futures	3,168
Other assets	11,296
Total assets	<u>2,797,540</u>

Liabilities

Payable for investment securities purchased	45,831
Obligation to return securities lending collateral	22,485
Payable for shares redeemed	2,260
Investment management fees payable	1,425
Due to affiliates	158
Other liabilities	19,696
Total liabilities	<u>91,855</u>

NET ASSETS**\$ 2,705,685****Net Assets Consist of:**

Overdistributed net investment income	\$ (242)
Accumulated undistributed net realized loss	(85,471)
Net unrealized gain	46,098
Paid-in capital applicable to 287,693,352 shares of \$0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	<u>2,745,300</u>

NET ASSETS**\$ 2,705,685**

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

NET ASSET VALUE PER SHARE**Investor Class****(\$2,291,748,933 / 243,621,163 shares outstanding)****\$ 9.41****Advisor Class****(\$413,935,979 / 44,072,189 shares outstanding)****\$ 9.39**

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

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

		6 Months Ended 6/30/09
Investment Income (Loss)		
Income		
Interest	\$	45,628
Dividend		182
Securities lending		40
Total income		<u>45,850</u>
Expenses		
Investment management		7,899
Shareholder servicing		
Investor Class	\$	1,228
Advisor Class		<u>387</u>
Rule 12b-1 fees		1,615
Advisor Class		502
Prospectus and shareholder reports		
Investor Class	95	
Advisor Class		<u>33</u>
Custody and accounting		477
Registration		35
Legal and audit		29
Directors		9
Miscellaneous		<u>9</u>
Total expenses		<u>10,703</u>
Net investment income		<u>35,147</u>

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/09
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	(51,437)
Futures	(1,851)
Swaps	2,422
Foreign currency transactions	(1,604)
Net realized loss	<u>(52,470)</u>
Change in net unrealized gain (loss)	
Securities	92,142
Futures	4,337
Swaps	(2,476)
Other assets and liabilities denominated in foreign currencies	(36,610)
Change in net unrealized gain	<u>57,393</u>
Net realized and unrealized gain	<u>4,923</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 40,070</u>

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

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/09	Year Ended 12/31/08
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 35,147	\$ 107,327
Net realized gain (loss)	(52,470)	92,535
Change in net unrealized gain (loss)	57,393	(182,872)
Increase in net assets from operations	40,070	16,990
Distributions to shareholders		
Net investment income		
Investor Class	(30,002)	(91,069)
Advisor Class	(5,387)	(16,251)
Net realized gain		
Investor Class	(41,905)	(73,245)
Advisor Class	(8,498)	(14,748)
Decrease in net assets from distributions	(85,792)	(195,313)
Capital share transactions*		
Shares sold		
Investor Class	500,320	901,376
Advisor Class	84,409	189,165
Distributions reinvested		
Investor Class	66,403	150,412
Advisor Class	13,104	29,429
Shares redeemed		
Investor Class	(379,582)	(1,128,073)
Advisor Class	(107,502)	(218,479)
Redemption fees received	219	947
Increase (decrease) in net assets from capital share transactions	177,371	(75,223)
Net Assets		
Increase (decrease) during period	131,649	(253,546)
Beginning of period	2,574,036	2,827,582
End of period	\$ 2,705,685	\$ 2,574,036
Overdistributed net investment income	(242)	-

T. ROWE PRICE INTERNATIONAL BOND FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(000s)

	6 Months Ended 6/30/09	Year Ended 12/31/08
*Share information		
Shares sold		
Investor Class	54,990	88,199
Advisor Class	9,450	18,599
Distributions reinvested		
Investor Class	7,358	15,229
Advisor Class	1,455	2,990
Shares redeemed		
Investor Class	(42,526)	(114,207)
Advisor Class	(12,036)	(22,222)
Increase (decrease) in shares outstanding	18,691	(11,412)

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The International Bond Fund (the fund), a nondiversified, open-end management investment company, is one portfolio established by the corporation. The fund seeks to provide high current income and capital appreciation by investing primarily in high-quality, non-dollar-denominated bonds outside the U.S. The fund has two classes of shares: the International Bond Fund original share class, referred to in this report as the Investor Class, offered since September 10, 1986, and the International Bond Fund – Advisor Class (Advisor Class), offered since March 31, 2000. Advisor Class shares are sold only through unaffiliated brokers and other unaffiliated financial intermediaries that are compensated by the class for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class, separate voting rights on matters that relate to both classes, and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by fund management. Fund management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the fund ultimately realizes upon sale of the securities. Further, fund management believes no events have occurred between June 30, 2009 and August 20, 2009, the date of issuance of the financial statements, that require adjustment of, or disclosure in, the accompanying financial statements.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Dividends received from mutual fund investments are reflected as

dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Paydown gains and losses are recorded as an adjustment to interest income. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared by each class on a daily basis and paid monthly. Capital gain distributions, if any, are declared and paid by the fund, typically on an annual basis.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting The Advisor Class pays distribution, shareholder servicing, and/or certain administrative expenses in the form of Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets. Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to both classes and investment income are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

New Accounting Pronouncement On January 1, 2009, the fund adopted Statement of Financial Accounting Standards No. 161 (FAS 161), *Disclosures about Derivative Instruments and Hedging Activities*. FAS 161 requires enhanced disclosures about derivative and hedging activities, including how such activities are accounted for and their effect on financial position, performance and cash flows. Adoption of FAS 161 had no impact on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's investments are reported at fair value as defined under Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. The fund values its investments and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Debt securities are generally traded in the over-the-counter (OTC) market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Financial futures contracts are valued at closing settlement prices. Forward currency exchange contracts are valued using the prevailing forward exchange rate. Swaps are valued at prices furnished by independent swap dealers or by an independent pricing service.

Other investments, including restricted securities, and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing prices and information to evaluate and/or adjust those prices. The fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares closing prices, the next day's opening prices in the same markets, and adjusted prices.

Valuation Inputs Various inputs are used to determine the value of the fund's investments. These inputs are summarized in the three broad levels listed below:

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, credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's investments, based on the inputs used to determine their values on June 30, 2009:

(\$000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in securities, except:	\$ —	\$ 2,607,296	\$ —	\$ 2,607,296
Short-term investments	94,152	—	—	94,152
Securities lending collateral	15,700	6,785	—	22,485
Total securities	109,852	2,614,081	—	2,723,933
Swaps	—	195	—	195
Forward currency exchange contracts	—	9,292	—	9,292
Total	\$ 109,852	\$ 2,623,568	\$ —	\$ 2,733,420
Liabilities				
Swaps	\$ —	\$ 165	\$ —	\$ 165
Forward currency exchange contracts	—	17,519	—	17,519
Total	\$ —	\$ 17,684	\$ —	\$ 17,684

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2009, the fund invested in derivative instruments. As defined by Statement of Financial Accounting Standards No. 133 (FAS 133), *Accounting for Derivative Instruments and Hedging Activities*, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to

adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. Investments in derivatives can magnify returns positively or negatively; however, the fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover the settlement obligations under its open derivative contracts. During the six months ended June 30, 2009, the fund's exposure to derivatives was generally between 34% and 38% of net assets.

The fund values its derivatives at fair value, as described below and in Note 2, and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting as prescribed by FAS 133, even for derivatives employed as economic hedges.

The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

(\$000s)	Location on Statement of Assets and Liabilities	Fair Value
Assets		
Interest rate derivatives	Other assets*	\$ 1,371
Foreign exchange derivatives	Other assets	9,292
Credit derivatives	Other assets	4
Total		\$ 10,667
Liabilities		
Interest rate derivatives	Other liabilities*	\$ 201
Foreign exchange derivatives	Other liabilities	17,519
Credit derivatives	Other liabilities	121
Total		\$ 17,841

*Includes cumulative gain (loss) on futures contracts; however, the value reflected on the Statement of Assets and Liabilities is only the unsettled variation margin receivable (payable).

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2009 and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

(\$000s)	Location of Gain (Loss) on Statement of Operations			
	Futures	Foreign Currency Transactions	Swaps	Total
Realized Gain (Loss)				
Interest rate derivatives	\$ (1,851)	\$ -	\$ 2,310	\$ 459
Foreign exchange derivatives	-	2,230	-	2,230
Credit derivatives	-	-	112	112
Total	\$ (1,851)	\$ 2,230	\$ 2,422	\$ 2,801
Change in Unrealized Gain (Loss)				
Interest rate derivatives	\$ 4,337	\$ -	\$ (1,771)	\$ 2,566
Foreign exchange derivatives	-	(41,116)	-	(41,116)
Credit derivatives	-	-	(705)	(705)
Total	\$ 4,337	\$ (41,116)	\$ (2,476)	\$ (39,255)

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated holdings from adverse currency movements and to gain exposure to currencies for the purposes of risk management or enhanced return. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract

and the forward rates at the reporting date. Appreciated forwards are included in Other Assets, and depreciated forwards are included in Other Liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; and/or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a particular underlying financial instrument at an agreed upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Upon entering into a futures contract, the fund is required to deposit with the broker cash or securities in an amount equal to a certain percentage of the contract value (initial margin deposit); the margin deposit must then be maintained at the established level over the life of the contract. Subsequent payments are made or received by the fund each day (variation margin) to settle daily fluctuations in the value of the contract, which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contracts are closed. For a futures contract, the value included in net assets is the amount of unsettled variation margin; variation margin receivable is included in Other Assets and variation margin payable is included in Other Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates and potential losses in excess of the fund's initial investment.

Swaps The fund is subject to interest rate risk and credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risks. The fund may use swaps in an effort to manage exposure to changes in interest rates and credit quality, to adjust overall exposure to certain markets, to enhance total return or protect the value of portfolio securities, to

serve as a cash management tool, and/or to adjust portfolio duration and credit exposure. The value of a swap included in net assets is the unrealized gain or loss on the contract. Appreciated swaps are included in Other Assets and depreciated swaps are included in Other Liabilities in the accompanying Statement of Assets and Liabilities. Net periodic receipts or payments required by swaps are accrued daily and are recorded as realized gain or loss for financial reporting purposes; fluctuations in the fair value of swaps are reflected in the change in net unrealized gain or loss and are reclassified to realized gain or loss upon termination prior to maturity or cash settlement.

Interest rate swaps are agreements to exchange cash flows based on the difference between specified interest rates applied to a notional principal amount for a specified period of time. Risks related to the use of interest rate swaps include the potential for unanticipated movements in interest and/or currency rates, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, index, or issuer thereof. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

Counterparty Risk and Collateral The fund has entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with over-the-counter (OTC) derivatives, including swaps and forward currency exchange contracts. Subject to certain minimum exposure requirements (which range from \$100,000 to \$500,000), collateral generally is determined based on the

net aggregate unrealized gain or loss on all OTC derivative contracts with a particular counterparty. Collateral, both pledged by and for the benefit of the fund, is held in a segregated account by a third-party agent and can be in the form of cash or debt securities issued by the U.S. government or related agencies. Securities posted as collateral by the fund are so noted in the accompanying Portfolio of Investments and remain in the fund's net assets. As of June 30, 2009, securities valued at \$3,467,000 had been posted by the fund for the benefit of counterparties and securities valued at \$3,086,000 were pledged as collateral by counterparties for the benefit of the fund.

The fund's maximum risk of loss from counterparty credit risk on OTC derivatives is the aggregate unrealized gain on appreciated contracts in excess of any collateral pledged by the counterparty for the benefit of the fund. Counterparty risk related to exchange-traded futures and options contracts is minimal because the exchange's clearinghouse provides protection against defaults. In accordance with standard derivatives agreements, counterparties to OTC derivatives may be able to terminate derivative contracts prior to maturity in the event the fund fails to maintain sufficient asset coverage; its net assets decline by stated percentages; or it otherwise fails to meet the terms of its agreements, which would cause the fund to accelerate payment of any net liability owed to the counterparty under the contract. For exchange-traded derivatives such as futures and options, each broker in its sole discretion may change margin requirements applicable to the fund.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At June 30, 2009, approximately 11% of the fund's net assets were invested, directly or indirectly, in securities of companies located in emerging markets or issued by governments of emerging market countries or denominated in or linked to the currencies of emerging market countries. Future economic or political developments could adversely affect the liquidity or value, or both, of such securities.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Repurchase Agreements All repurchase agreements are fully collateralized by U.S. government securities. Collateral is in the possession of the fund's custodian or, for tri-party agreements, the custodian designated by the agreement. Collateral is evaluated daily to ensure that its market value exceeds the delivery value of the repurchase agreements at maturity. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its value and a possible loss of income or value if the counterparty fails to perform in accordance with the terms of the agreement.

Securities Lending The fund lends its securities to approved brokers to earn additional income. It receives as collateral cash and U.S. government securities valued at 102% to 105% of the value of the securities on loan. Cash collateral is invested by the fund's lending agent(s) in accordance with investment guidelines approved by fund management. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. Securities lending revenue recognized by the fund consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower and compensation to the lending agent. On June 30, 2009, the value of loaned securities was \$21,397,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$792,801,000 and \$678,618,000, respectively, for the six months ended June 30, 2009.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions are determined in accordance with Federal income tax regulations, which differ from generally accepted accounting principles, and, therefore, may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of June 30, 2009.

In accordance with federal tax regulations, the fund deferred recognition of certain capital loss amounts previously recognized in the prior fiscal year for financial reporting purposes until the current fiscal period for tax purposes. Such deferrals amounted to \$2,303,000 and related to net capital losses realized between November 1 and the fund's fiscal year-end date. Further, the fund intends to retain realized gains to the extent of available capital loss carryforwards. As of December 31, 2008, the fund had \$11,375,000 of unused capital loss carryforwards, all of which expire in fiscal 2016.

At June 30, 2009, the cost of investments for federal income tax purposes was \$2,672,498,000. Net unrealized gain aggregated \$46,098,000 at period-end, of which \$141,131,000 related to appreciated investments and \$95,033,000 related to depreciated investments.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price International, Inc. (the manager), a wholly owned subsidiary of T. Rowe Price Associates, Inc. (Price Associates), which is wholly owned by T. Rowe Price Group, Inc. The investment management agreement between the fund and the manager provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.35% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first \$1 billion of assets to 0.285% for assets in excess of \$220 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At June 30, 2009, the effective annual group fee rate was 0.31%.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share prices and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the Investor Class. For the six months ended June 30, 2009, expenses incurred pursuant to these service agreements were \$107,000 for Price Associates, \$358,000 for T. Rowe Price Services, Inc., and \$42,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount

payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) and T. Rowe Price Retirement Funds (Retirement Funds) may invest. Neither the Spectrum Funds nor the Retirement Funds invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to separate special servicing agreements, expenses associated with the operation of the Spectrum and Retirement Funds are borne by each underlying Price fund to the extent of estimated savings to it and in proportion to the average daily value of its shares owned by the Spectrum and Retirement Funds, respectively. Expenses allocated under these agreements are reflected as shareholder servicing expenses in the accompanying financial statements. For the six months ended June 30, 2009, the fund was allocated \$503,000 of Spectrum Funds' expenses and \$19,000 of Retirement Funds' expenses. Of these amounts, \$392,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. At June 30, 2009, approximately 23% of the outstanding shares of the Investor Class were held by the Spectrum Funds and 10% were held by the Retirement Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information, which you may request by calling 1-800-225-5132 or by accessing the SEC's Web site, www.sec.gov. The description of our proxy voting policies and procedures is also available on our Web site, www.troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our Web site and through the SEC's Web site. To access it through our Web site, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's Web site (www.sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 450 Fifth St. N.W., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

On March 10, 2009, the fund's Board of Directors (Board) unanimously approved the investment advisory contract (Contract) between the fund and its investment manager, T. Rowe Price International, Inc. (Manager). The Board considered a variety of factors in connection with its review of the Contract, also taking into account information provided by the Manager during the course of the year, as discussed below:

Services Provided by the Manager

The Board considered the nature, quality, and extent of the services provided to the fund by the Manager. These services included, but were not limited to, management of the fund's portfolio and a variety of related activities, as well as financial and administrative services, reporting, and communications. The Board also reviewed the background and experience of the Manager's senior management team and investment personnel involved in the management of the fund. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Manager.

Investment Performance of the Fund

The Board reviewed the fund's average annual total returns over the 1-, 3-, 5-, and 10-year periods as well as the fund's year-by-year returns and compared these returns with previously agreed upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data. On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the severity of the market turmoil in 2008, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Manager under the Contract and other benefits that the Manager (and its affiliates) may have realized from its relationship with the fund, including research received under "soft dollar" agreements. The Board noted that soft dollars were not used to pay for third-party, non-broker research during 2008. The Board also received information on the estimated costs incurred and profits realized by the Manager and its affiliates from advising T. Rowe Price mutual funds, as well as estimates of the gross profits realized from managing the fund in particular. The Board concluded that the Manager's profits were reasonable in light of the services provided to the fund. The Board also considered whether the fund or other funds benefit under the fee levels set forth in the Contract from any economies of scale realized by the Manager. Under the Contract, the fund pays a fee to the Manager composed of two components—a group fee rate based on the aggregate assets of certain T. Rowe Price mutual funds (including the fund) that declines at certain asset levels and an individual fund fee rate that is assessed on the assets of the fund. The Board concluded that the advisory fee structure for the fund continued to provide for a reasonable sharing of benefits from any economies of scale with the fund's investors.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

Fees

The Board reviewed the fund's management fee rate, operating expenses, and total expense ratio (for the Investor Class and the Advisor Class) and compared them with fees and expenses of other comparable funds based on information and data supplied by Lipper. The information provided to the Board indicated that the fund's management fee rate (for both classes) was above the median for certain groups of comparable funds but at or below the median for other groups of comparable funds. The information also indicated that the fund's expense ratio for the Investor Class was generally below the median for comparable funds and that the expense ratio for the Advisor Class was above the median for certain groups of comparable funds but at or below the median for other groups of comparable funds. The Board also reviewed the fee schedules for comparable privately managed accounts of the Manager and its affiliates. Management informed the Board that the Manager's responsibilities for privately managed accounts are more limited than its responsibilities for the fund and other T. Rowe Price mutual funds that it or its affiliates advise. On the basis of the information provided, the Board concluded that the fees paid by the fund under the Contract were reasonable.

Approval of the Contract

As noted, the Board approved the continuation of the Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund to approve the continuation of the Contract, including the fees to be charged for services thereunder.

INVESTMENT SERVICES AND INFORMATION

KNOWLEDGEABLE SERVICE REPRESENTATIVES

By Phone: 1-800-225-5132. Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

In Person at a T. Rowe Price Investor Center. Please visit the Web at troweprice.com/investorcenter or call 1-800-225-5132 to locate a center near you.

ACCOUNT SERVICES

Automated 24-Hour Services Including Tele* AccessSM and account access through the T. Rowe Price Web site at troweprice.com.

Automatic Investing. From your bank account or paycheck.

Automatic Withdrawal. Scheduled, periodic redemptions.

IRA Rebalancing. Automatically rebalance to ensure that your accounts reflect your desired asset allocations.

BROKERAGE SERVICES[‡]

Trade stocks, mutual funds, ETFs, bonds, options, CDs, precious metals, and more at competitive commissions.

INVESTMENT INFORMATION

Consolidated Statement. Overview of all of your accounts.

Shareholder Reports. Manager reviews of their strategies and results.

T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Insights. Educational reports on investment strategies and markets.

Investment Guides. Investors Portfolio Review; International Investing Guide; Guide to Bond Funds; On Track Retirement Savings Guide; and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone: 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

Please contact your intermediary or financial professional for assistance.

[‡] Option trading involves additional risk and is not suitable for all investors. Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

troweprice.com

LOG IN AND MANAGE YOUR INVESTMENTS ONLINE

troweprice.com/access

We offer a consolidated view of your T. Rowe Price mutual fund and brokerage accounts. You can sort accounts, customize their groupings, and/or grant View Access to others as you see fit. Analyze your portfolio with **Portfolio Growth Tracker**. Track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

ONLINE SERVICING

troweprice.com/paperless

Enroll to receive your transaction confirmations, investor statements, prospectuses, and shareholder reports online instead of by U.S. mail. You will receive an e-mail with a link to our Web site informing you that your document is available to view online, print, or download. For your convenience and recordkeeping purposes, you will continue to receive your end-of-year summary statement by mail.

Join our E-mail Program to receive market and fund information by e-mail.

Receive timely market reports, performance on T. Rowe Price mutual funds, investment and market insights from T. Rowe Price managers, and more.

INVESTMENT GUIDANCE AND TOOLS

troweprice.com/planningtools

Personal Guides provide you with information that can help you, in a few easy steps, match investments with your financial objectives.

Morningstar® Portfolio Manager (formerly Portfolio Tracker) enables you to track, rebalance, and analyze your portfolio.

Morningstar Portfolio X-Ray® is a comprehensive tool that provides an in-depth examination of your exposure to different sectors, stock types, sub-asset classes, and global diversification.

FINANCIAL INTERMEDIARIES AND ADVISORS

troweprice.com/financialintermediaries

This secure site is designed for professional financial intermediaries and advisors. Financial professionals may access daily prices and historical performance on mutual funds; view market research, manager commentary, and sales ideas; and access literature and forms. For U.S. technical assistance, call 1-888-358-8490 or e-mail us at onlinehelp@troweprice.com. For non-U.S. technical assistance, call +1 (410) 345 4400 or contact us via e-mail.

T. ROWE PRICE MUTUAL FUNDS

This page contains supplementary information that is not part of the shareholder report.

STOCK FUNDS

Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-Cap Growth
Dividend Growth*
Equity Income*
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock*
Health Sciences
Media & Telecommunications
Mid-Cap Growth*
Mid-Cap Value*
New America Growth*
New Era
New Horizons
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Multi-Cap Growth
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Retirement 2005*
Retirement 2010*
Retirement 2015*
Retirement 2020*

ASSET ALLOCATION FUNDS (CONT.)

Retirement 2025*
Retirement 2030*
Retirement 2035*
Retirement 2040*
Retirement 2045*
Retirement 2050*
Retirement 2055*
Retirement Income*

BOND FUNDS

Domestic Taxable

Corporate Income
GNMA
High Yield*
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
Maryland Short-Term
Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Summit Municipal Intermediate
Tax-Free High Yield
Tax-Free Income*
Tax-Free Short-Intermediate
Virginia Tax-Free Bond

MONEY MARKET FUNDS

Taxable

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe & Mediterranean
Emerging Markets Stock
European Stock
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. Request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds.

* T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.



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