

T. ROWE PRICE GROUP

THIRD QUARTER REPORT

September 30, 2008



Fellow Stockholders:

The third quarter of 2008 was one of the more challenging periods for the financial markets in recent history. As debt, liquidity, and deleveraging issues spread throughout the world, global equity markets fell dramatically. Bond indexes also generally lost ground. It is no surprise that the ensuing corporate and consumer crisis of confidence led to widespread pessimism and further deterioration in investor sentiment, conditions which have extended into the month of October.

In this unsettled environment, T. Rowe Price reported solid financial results. During extended periods of steep market declines, such as those we last saw in 2001 and 2002, it is typical to see market depreciation cause a corresponding drop in our assets under management. Not surprisingly, our assets declined to \$345 billion at September 30 from \$387.7 billion at the end of June—a drop of 11%. On the positive side, we remain encouraged by the confidence clients continue to place in us. Although net flows to the mutual funds were flat during the quarter, institutional clients added \$1.7 billion to our portfolios.

Net revenues for the third quarter decreased to \$555 million from the 2007 third-quarter level of \$571 million. Third-quarter

net income and diluted earnings per share declined to \$153 million and \$.56, respectively, below the comparable 2007 third-quarter figures of \$175 million and \$.63.

We have been prudently managing our cash-rich balance sheet and paying careful attention to our expenses. The company has no debt and substantial liquidity, including cash and investment holdings of \$1.5 billion at the end of September. We are fortunate that our strong capital position enables us to both weather these volatile periods and continue investing in our business for the future. Operating expenses were up less than 3% from the 2007 third quarter, with compensation and related costs accounting for two-thirds of the total. We also expended \$454 million in the first nine months of the year to repurchase 8.75 million shares of our common stock.

Our financial stability also enables us to stay focused on identifying investment opportunities and serving our clients, and we are pleased that we continue to deliver strong investment results relative to our peers. At least 84% of the T. Rowe Price funds surpassed their comparable Lipper averages on a total return basis for the three- and five-year periods ended September 30, 2008, while 79% outperformed for the 10-year period. In addition, 68% of our rated mutual fund assets under

management were in funds that ended the third quarter with an overall rating of four or five stars from Morningstar.

Looking ahead, the bold actions recently taken by central banks and governments to inject liquidity and capital and to restore confidence are encouraging. However, the start of the fourth quarter has seen further substantial market declines, and we anticipate that heightened volatility will continue in the near term. We remain concerned about consumer confidence and slower corporate earnings growth in coming months, and expect world economic growth to slow. Many developed economies will likely experience a recession, while recent sharp declines in many commodity prices will probably restrain growth in a number of emerging economies.

Nevertheless, periods of severe market dislocation have proven to be good times to invest with a long-term perspective in quality companies. We believe that this time will be no different, and are fortunate to have a highly capable global investment team working to identify compelling investment opportunities.

We are very proud of how our dedicated associates have weathered this storm. To be sure, the pace of cash inflows from investors has slowed considerably from earlier in the year and the market's

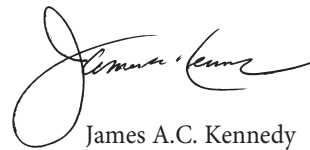
decline has diminished the value of our clients' assets, as well as our own investments in sponsored mutual funds. Yet while the near-term outlook is uncertain, the long-term outlook for T. Rowe Price remains strong thanks to our financial stability, diversified investment and distribution capabilities, strong long-term performance record, and talented associates.

As we manage through this turbulent environment, we thank you for the confidence you continue to place in our organization.

Sincerely,



Brian C. Rogers
Chairman



James A.C. Kennedy
CEO and President

October 24, 2008

ASSETS UNDER MANAGEMENT (in billions) at September 30

	2007	2008	Change
Sponsored mutual funds in the U.S.			
Stock and blended asset	\$ 202.9	\$ 158.9	-22%
Bond and money market	43.4	48.5	12%
Total	246.3	207.4	-16%
Other portfolios	150.5	137.6	-9%
	\$ 396.8	\$ 345.0	-13%

FINANCIAL HIGHLIGHTS (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2007	2008	Change	2007	2008	Change
Net revenues	\$ 571.0	\$ 554.8	-3%	\$ 1,630.5	\$ 1,700.4	4%
Net operating income	\$ 263.8	\$ 238.8	-9%	\$ 733.8	\$ 727.5	-1%
Net income	\$ 174.8	\$ 152.8	-13%	\$ 479.9	\$ 466.5	-3%
Net cash provided by operating activities	\$ 265.4	\$ 283.2	7%	\$ 687.2	\$ 736.4	7%
Diluted earnings per share	\$.63	\$.56	-11%	\$ 1.72	\$ 1.71	-1%

BALANCE SHEET HIGHLIGHTS (in millions)	At December 31,	At September 30,
	2007	2008
Cash and cash equivalents	\$ 785.1	\$ 852.7
Investments in sponsored mutual funds	773.0	599.4
Property and equipment	358.3	415.0
Goodwill and other intangible assets	668.8	668.3
Accounts receivable and other assets	592.1	587.1
Total assets	3,177.3	3,122.5
Total liabilities	400.2	466.0
Stockholders' equity—260.1 common shares outstanding at September 30, 2008	\$ 2,777.1	\$ 2,656.5

UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF INCOME (in millions)

Three months ended September 30,
2007 2008

Nine months ended September 30,
2007 2008

	2007	2008	2007	2008
Revenues				
Investment advisory fees	\$ 483.4	\$ 465.7	\$ 1,372.5	\$ 1,431.1
Administrative fees	87.4	88.7	257.2	268.4
Investment income of savings bank subsidiary	1.4	1.5	4.4	4.5
Total revenues	572.2	555.9	1,634.1	1,704.0
Interest expense on savings bank deposits	1.2	1.1	3.6	3.6
Net revenues	571.0	554.8	1,630.5	1,700.4
Operating expenses				
Compensation and related costs	208.8	210.9	590.0	636.3
Advertising and promotion	18.4	16.7	72.1	73.4
Depreciation and amortization of property and equipment	12.0	15.3	39.7	45.9
Occupancy and facility costs	24.8	25.7	68.9	75.7
Other operating expenses	43.2	47.4	126.0	141.6
	307.2	316.0	896.7	972.9
Net operating income	263.8	238.8	733.8	727.5
Non-operating investment income	17.9	5.7	41.4	27.8
Income before income taxes	281.7	244.5	775.2	755.3
Provision for income taxes	106.9	91.7	295.3	288.8
Net income	\$ 174.8	\$ 152.8	\$ 479.9	\$ 466.5
Basic earnings per share	\$.66	\$.59	\$ 1.81	\$ 1.79
Diluted earnings per share	\$.63	\$.56	\$ 1.72	\$ 1.71
Dividends declared per share	\$.17	\$.24	\$.51	\$.72

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