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# Franklin Resources, Inc. Second Quarter Results

April 28, 2010

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# Forward-Looking Statements

The financial results in this presentation are preliminary. Statements in this presentation regarding Franklin Resources, Inc. ("Franklin") and its subsidiaries, which are not historical facts, are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used in this presentation, words or phrases generally written in the future tense and/or preceded by words such as "will", "may", "could", "expect", "believe", "anticipate", "intend", "plan", "seek", "estimate" or other similar words are forward-looking statements. Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance.

These and other risks, uncertainties and other important factors are described in more detail in Franklin's recent filings with the U.S. Securities and Exchange Commission, including, without limitation, in Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in Franklin's Annual Report on Form 10-K for the fiscal year ended September 30, 2009 and subsequently filed Form 10-Q's: (1) volatility and disruption of the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results; (2) the amount and mix of our assets under management are subject to significant fluctuations; (3) we are subject to extensive and complex, overlapping and frequently changing rules, regulations and legal interpretations; (4) regulatory and legislative actions and reforms have made the regulatory environment in which we operate more costly and future actions and reforms could adversely impact our assets under management, increase costs and negatively impact our profitability and future financial results; (5) changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity; (6) our ability to maintain the beneficial tax treatment we anticipate with respect to non-U.S. earnings we have repatriated is based on current interpretations of the American Jobs Creation Act of 2004 (the "Jobs Act") and permitted use of such amounts in accordance with our domestic reinvestment plan and the Jobs Act; (7) any significant limitation or failure of our software applications, technology or other systems that are critical to our operations could constrain our operations; (8) our investment management business operations are complex and a failure to properly perform operational tasks or the misrepresentation of our products and services could have an adverse effect on our revenues and income; (9) we face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries; (10) we depend on key personnel and our financial performance could be negatively affected by the loss of their services; (11) strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in our market share, revenues and net income; (12) changes in the third-party distribution and sales channels on which we depend could reduce our revenues and hinder our growth; (13) our increasing focus on international markets as a source of investments and sales of investment products subjects us to increased exchange rate and other risks in connection with earnings and income generated overseas; (14) poor investment performance of our products could affect our sales or reduce the level of assets under management, potentially negatively impacting our revenues and income; (15) we could suffer losses in earnings or revenue if our reputation is harmed; (16) our future results are dependent upon maintaining an appropriate level of expenses, which is subject to fluctuation; (17) our ability to successfully integrate widely varied business lines can be impeded by systems and other technological limitations; (18) our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability; (19) certain of the portfolios we manage, including our emerging market portfolios, are vulnerable to significant market-specific political, economic or other risks, any of which may negatively impact our revenues and income; (20) our revenues, earnings and income could be adversely affected if the terms of our management agreements are significantly altered or these agreements are terminated by the funds and other sponsored investment products we advise; (21) regulatory and governmental examinations and/or investigations, civil litigation relating to previously-settled regulatory and governmental investigations, and the legal risks associated with our business, could adversely impact our assets under management, increase costs and negatively impact our profitability and/or our future financial results; (22) our ability to meet cash needs depends upon certain factors, including the market value of our assets, operating cash flows and our perceived credit worthiness; (23) diverse and strong competition limits the interest rates that we can charge on consumer loans; (24) our business could be negatively affected if we or our banking subsidiaries fail to remain well capitalized, and liquidity needs could affect our banking business; and (25) we are dependent on the earnings of our subsidiaries.

Any forward-looking statement made by us in this presentation speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

# Audio Commentary and Conference Call Details

Pre-recorded audio commentary on the second quarter results from Franklin Resources, Inc.'s President and Chief Executive Officer, Greg Johnson, and Executive Vice President and Chief Financial Officer, Ken Lewis, will be available today at approximately 9:15 a.m. Eastern Time. They will also lead a live teleconference today at 4:30 p.m. Eastern Time to answer questions.

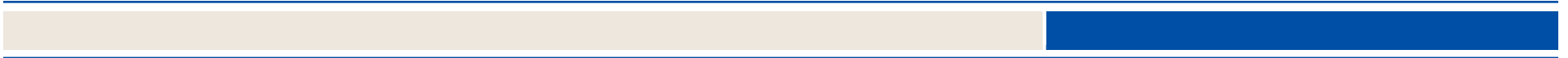
Access to the pre-recorded audio commentary and this presentation will be available at [franklinresources.com](http://franklinresources.com) under the "Investor relations – Earnings releases" section. The pre-recorded audio commentary will also be available by dialing (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally, using access code 65512854, anytime through 11:59 p.m. Eastern Time on May 12, 2010.

Access to the live teleconference will be available at [franklinresources.com](http://franklinresources.com) 10 minutes before the start of the call or by dialing (877) 480-6346 in the U.S. and Canada or (706) 645-0197 internationally. A replay of the call can also be accessed by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally, using access code 64896983, after 5:30 p.m. Eastern Time today through 11:59 p.m. Eastern Time on May 12, 2010.

Questions regarding the pre-recorded audio commentary or live teleconference should be directed to Franklin Resources, Inc., Investor Relations at (650) 312-4091 or Corporate Communications at (650) 312-2245.

# Highlights of the Fiscal Second Quarter 2010

- **Relative investment performance remains strong**
- **Over \$17 billion in net new flows – a record quarter**
- **Strong growth in international sales and assets under management**



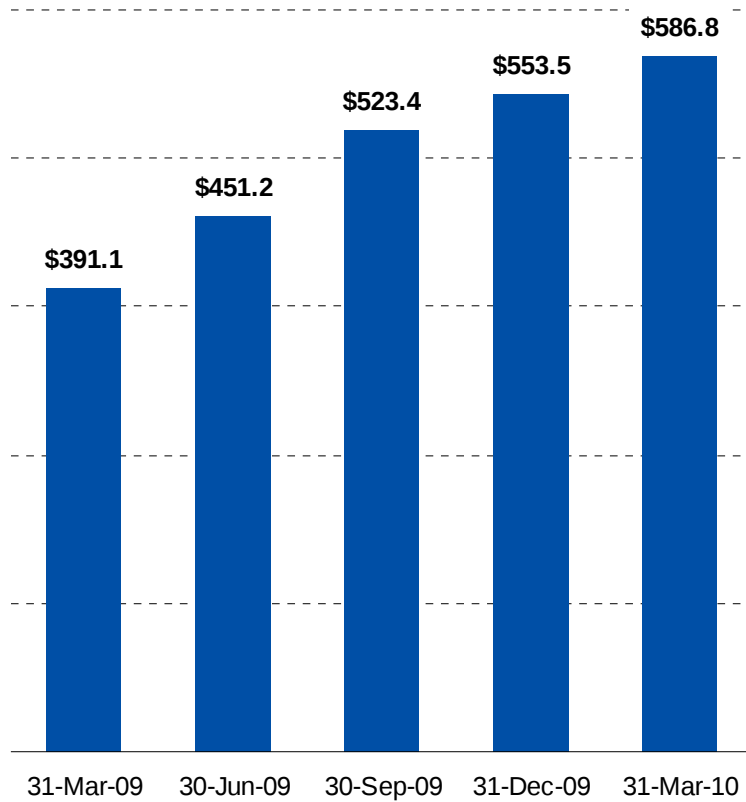
## ASSETS UNDER MANAGEMENT

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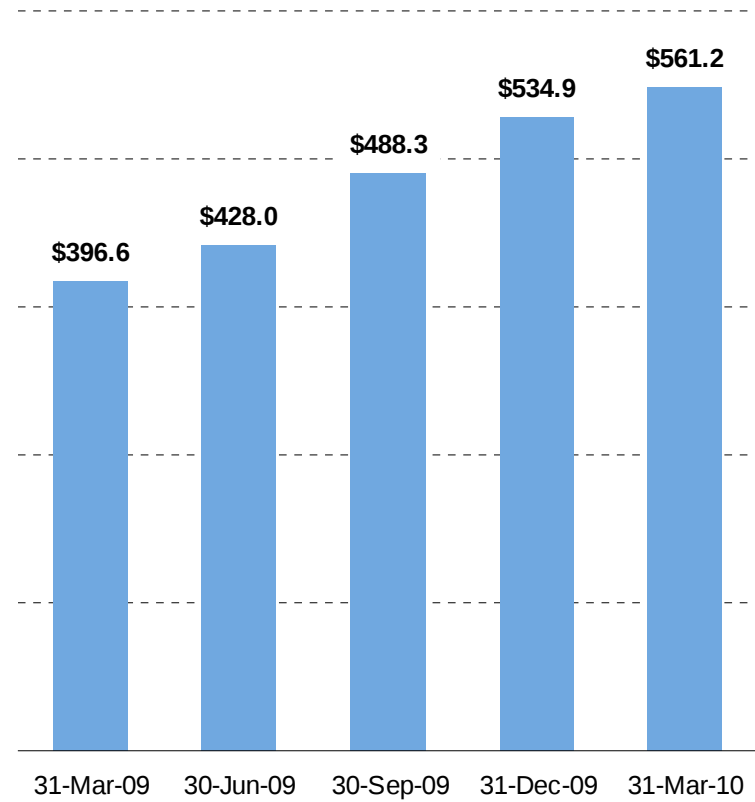
# Assets Under Management

(in billions, for the three months ended)

End of Period



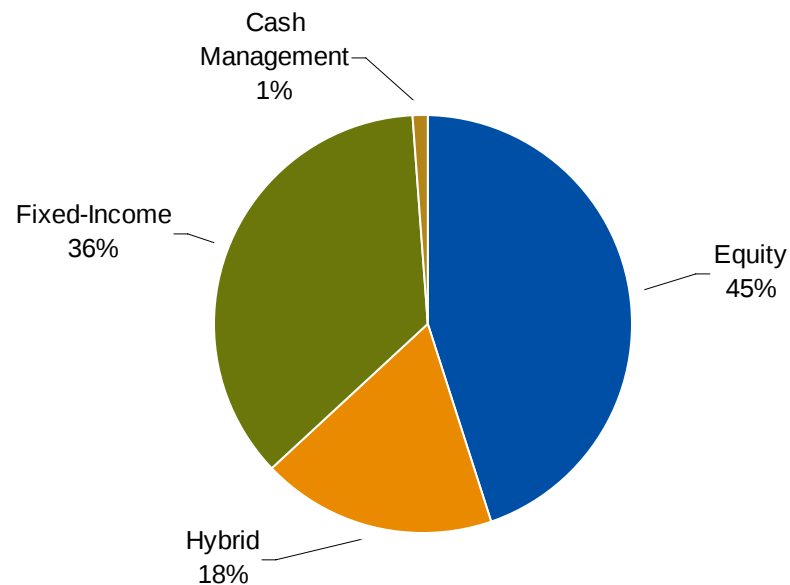
Simple Monthly Average



# Assets Under Management

## by Investment Objective

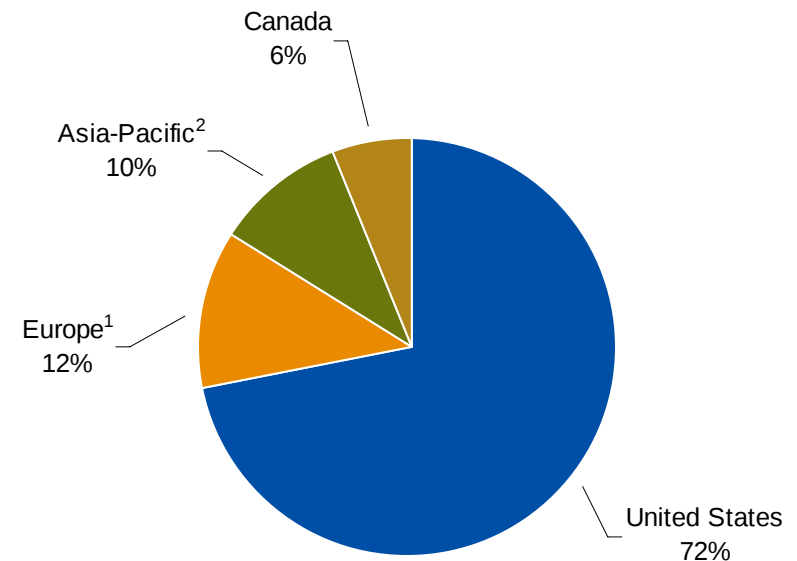
(chart is as of March 31, 2010)



| (in billions)   | 31-Mar-10       | 31-Dec-09       | % Change  |
|-----------------|-----------------|-----------------|-----------|
| Equity          | \$ 263.0        | \$ 255.8        | 3%        |
| Hybrid          | 107.3           | 104.0           | 3%        |
| Fixed-Income    | 210.7           | 187.6           | 12%       |
| Cash Management | 5.8             | 6.1             | (5%)      |
| <b>Total</b>    | <b>\$ 586.8</b> | <b>\$ 553.5</b> | <b>6%</b> |

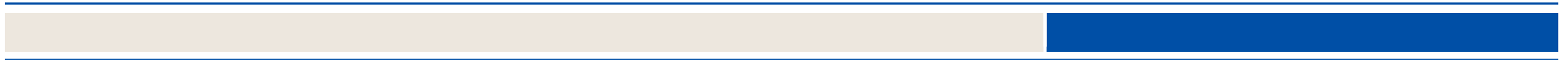
## by Sales Region

(chart is as of March 31, 2010)



| (in billions) | 31-Mar-10       | 31-Dec-09       | % Change  |
|---------------|-----------------|-----------------|-----------|
| United States | \$ 425.2        | \$ 407.9        | 4%        |
| Europe¹       | 69.5            | 60.8            | 14%       |
| Asia-Pacific² | 58.9            | 52.5            | 12%       |
| Canada        | 33.2            | 32.3            | 3%        |
| <b>Total</b>  | <b>\$ 586.8</b> | <b>\$ 553.5</b> | <b>6%</b> |

<sup>1</sup>Europe sales region includes Middle East and Africa. <sup>2</sup>Asia-Pacific sales region includes Latin America.



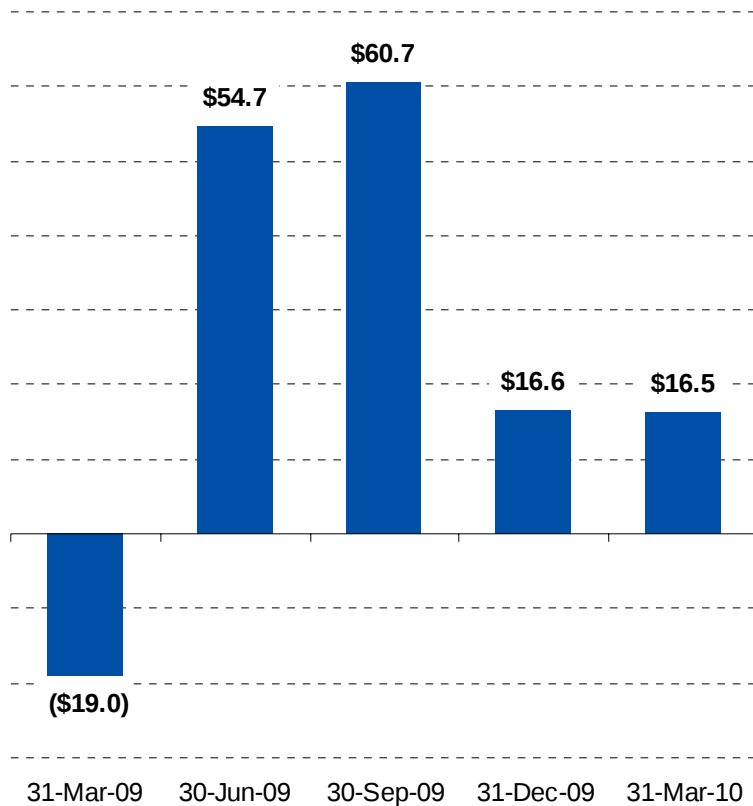
## FLOW SUMMARY

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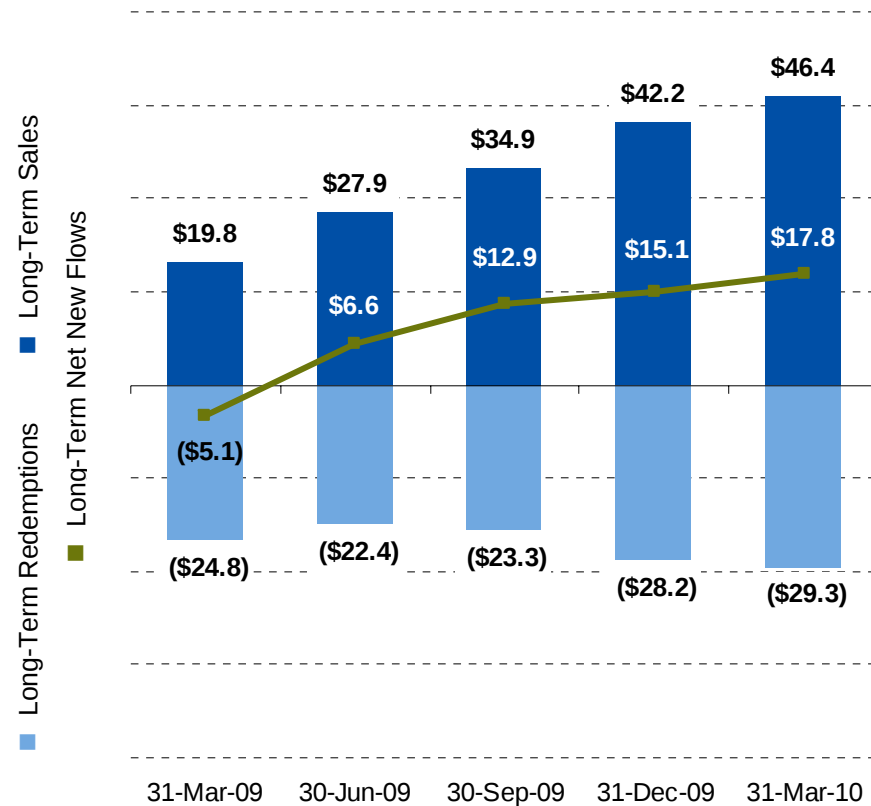
# Flow Summary

(in billions, for the three months ended)

## Market Appreciation (Depreciation)



## Long-Term Flows<sup>1</sup>



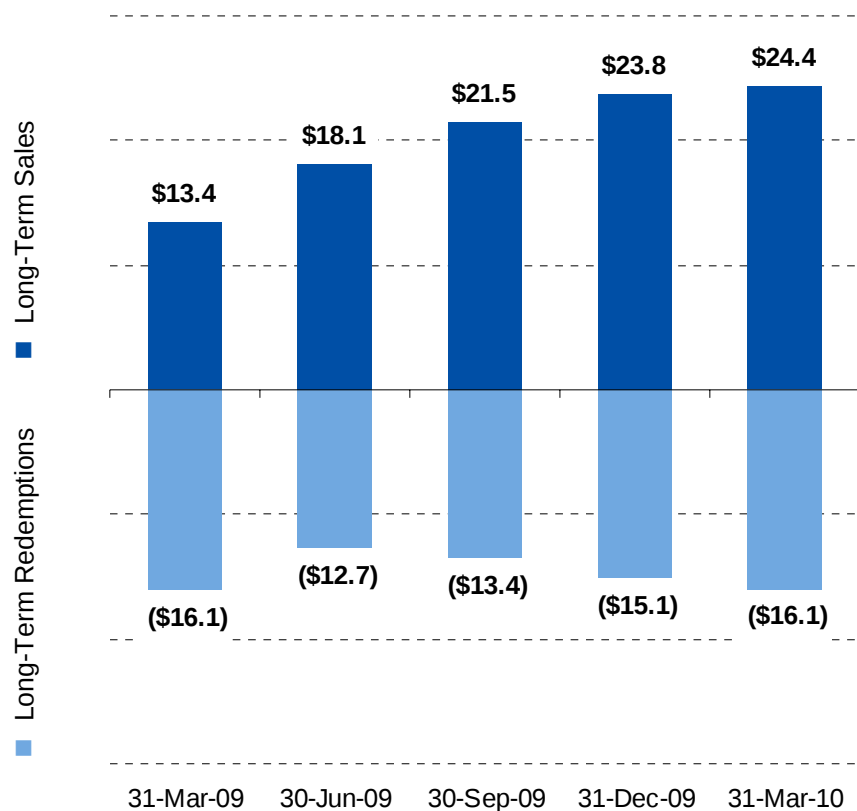
|                       |    |        |    |        |    |        |    |        |    |        |
|-----------------------|----|--------|----|--------|----|--------|----|--------|----|--------|
| Long-term sales       | \$ | 19.8   | \$ | 27.9   | \$ | 34.9   | \$ | 42.2   | \$ | 46.4   |
| Long-term redemptions |    | (24.8) |    | (22.4) |    | (23.3) |    | (28.2) |    | (29.3) |
| Net cash management   |    | (0.5)  |    | 0.5    |    | 0.6    |    | 0.3    |    | 0.3    |
| Total net new flows   | \$ | (5.5)  | \$ | 6.0    | \$ | 12.2   | \$ | 14.3   | \$ | 17.4   |

<sup>1</sup> Long-term net new flows are defined as long-term sales less long-term redemptions plus long-term net exchanges.

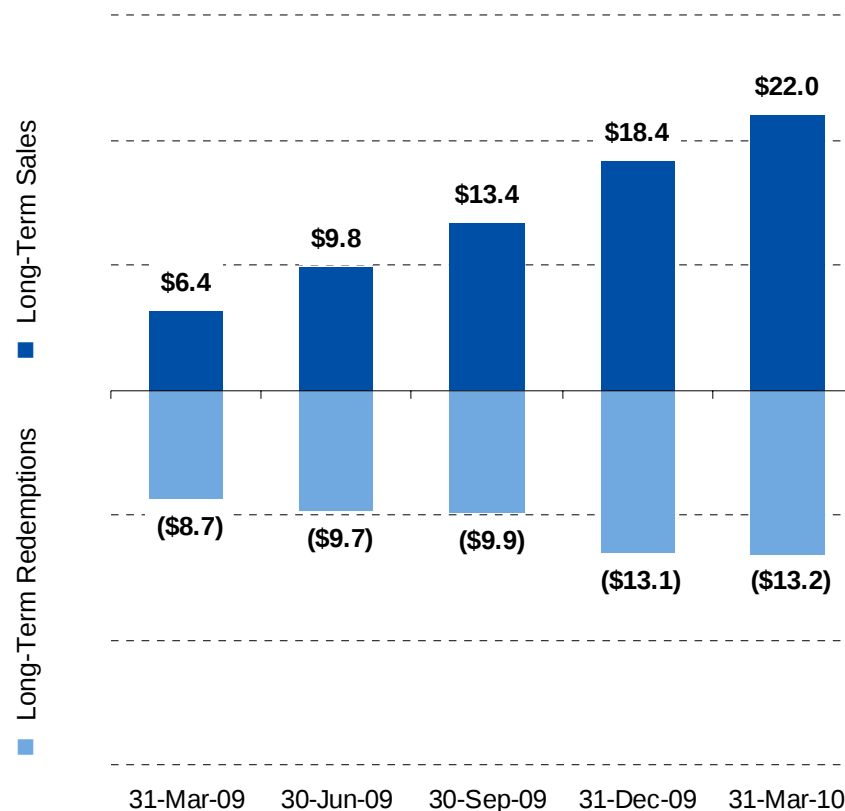
# United States and International Flows

(in billions, for the three months ended)

## United States



## International

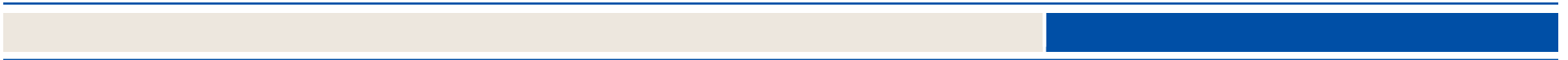


# Net New Flows by Investment Objective

(for the three months ended)

| (\$ in billions)                     | 31-Mar-10      | 31-Dec-09      | Mar-10 vs.<br>Dec-09 | 31-Mar-09       | Mar-10 vs.<br>Mar-09 |
|--------------------------------------|----------------|----------------|----------------------|-----------------|----------------------|
| Equity sales                         | \$ 14.7        | \$ 13.6        | 8%                   | \$ 7.5          | 96%                  |
| Equity redemptions                   | (15.1)         | (15.7)         | (4%)                 | (12.3)          | 23%                  |
| Equity net exchanges                 | (0.1)          | (0.1)          | 0%                   | (0.7)           | (86%)                |
| <b>Equity Net New Flows</b>          | <b>(0.5)</b>   | <b>(2.2)</b>   | <b>(77%)</b>         | <b>(5.5)</b>    | <b>(91%)</b>         |
| Hybrid sales                         | 4.1            | 4.4            | (7%)                 | 2.7             | 52%                  |
| Hybrid redemptions                   | (3.1)          | (2.7)          | 15%                  | (3.4)           | (9%)                 |
| Hybrid net exchanges                 | -              | -              | 0%                   | (0.1)           | NM                   |
| <b>Hybrid Net New Flows</b>          | <b>1.0</b>     | <b>1.7</b>     | <b>(41%)</b>         | <b>(0.8)</b>    | <b>NM</b>            |
| Fixed-income sales                   | 27.6           | 24.2           | 14%                  | 9.6             | 188%                 |
| Fixed-income redemptions             | (11.1)         | (9.8)          | 13%                  | (9.1)           | 22%                  |
| Fixed-income net exchanges           | 0.8            | 1.2            | (33%)                | 0.7             | 14%                  |
| <b>Fixed-Income Net New Flows</b>    | <b>17.3</b>    | <b>15.6</b>    | <b>11%</b>           | <b>1.2</b>      | <b>NM</b>            |
| <b>Cash Management Net New Flows</b> | <b>(0.4)</b>   | <b>(0.8)</b>   | <b>(50%)</b>         | <b>(0.4)</b>    | <b>0%</b>            |
| <b>Total Net New Flows</b>           | <b>\$ 17.4</b> | <b>\$ 14.3</b> | <b>22%</b>           | <b>\$ (5.5)</b> | <b>NM</b>            |

NM = not meaningful



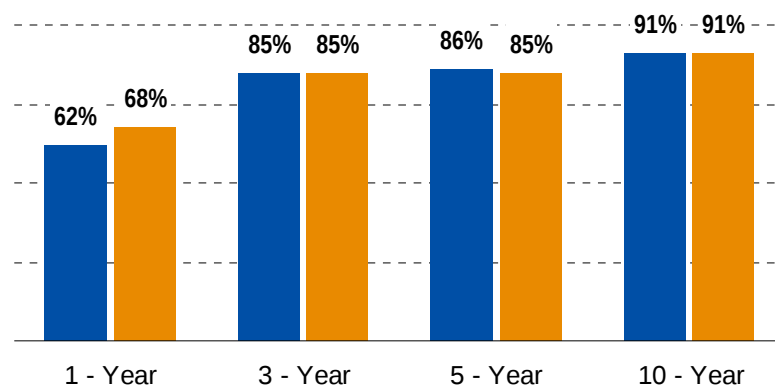
## INVESTMENT PERFORMANCE



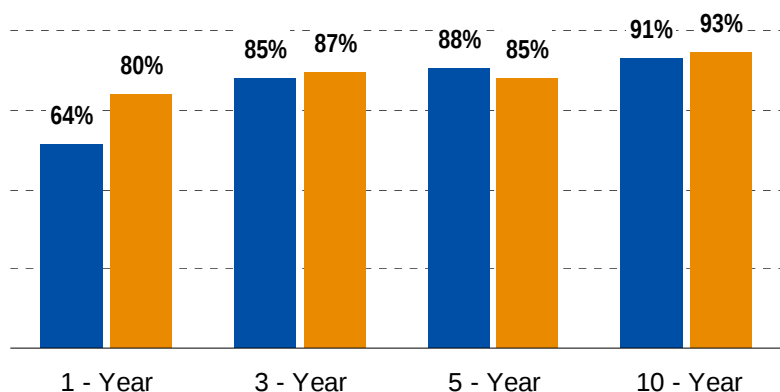
# Investment Performance

% of U.S. Long-Term Assets in Top Two Lipper Quartiles<sup>1</sup>

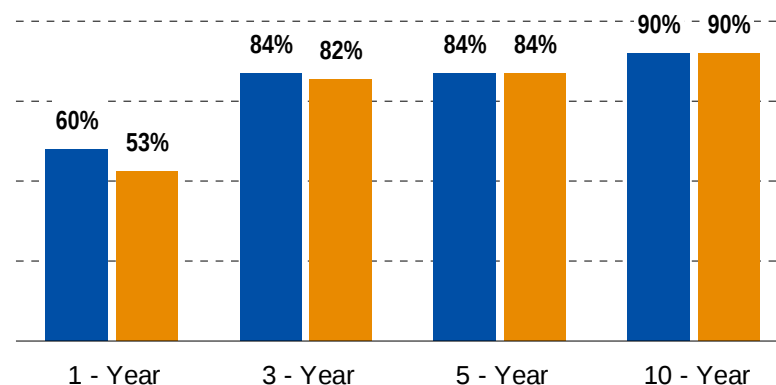
## Franklin Templeton



## Franklin Templeton Equity



## Franklin Templeton Fixed-Income



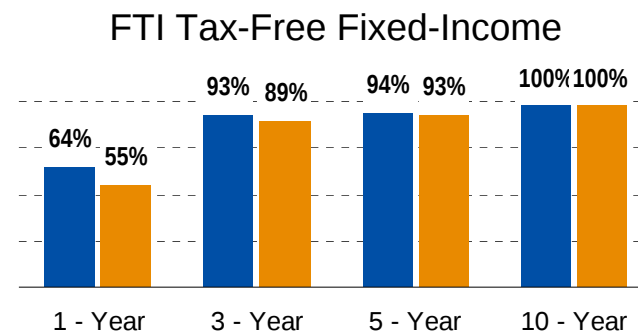
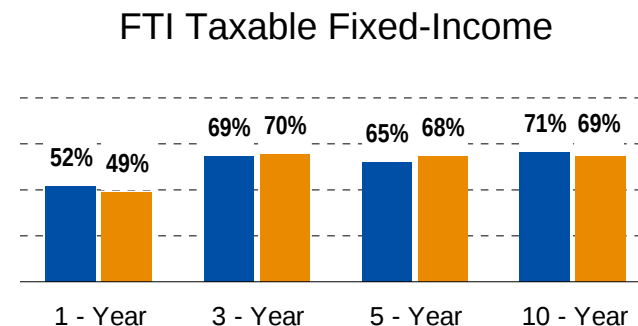
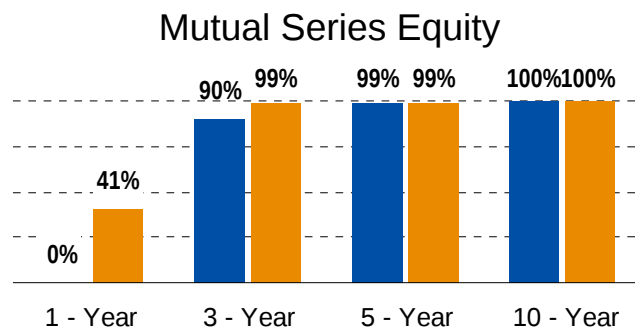
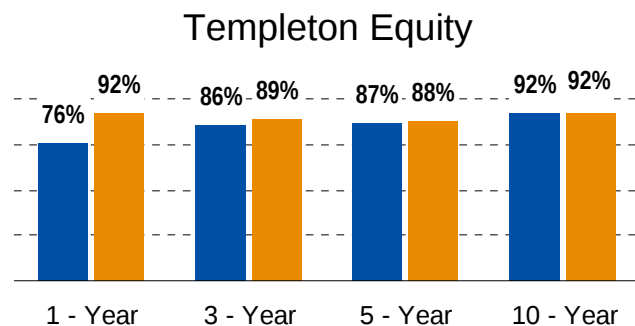
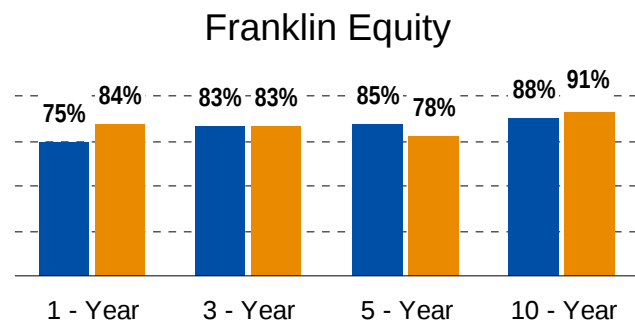
■ 3/31/10

■ 12/31/2009

<sup>1</sup> Lipper rankings for Franklin Templeton U.S.-registered long-term mutual funds are based on Class A shares. Franklin Templeton funds are compared against a universe of all share classes. Performance of other share classes may differ.

# Investment Performance

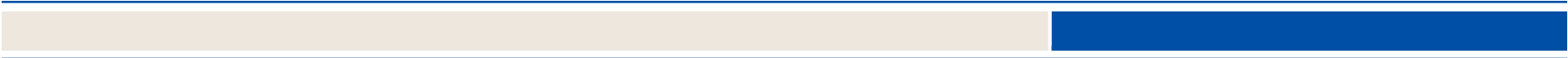
% of U.S. Long-Term Assets in Top Two Lipper Quartiles<sup>1</sup>



■ 3/31/10

■ 12/31/2009

<sup>1</sup>Lipper rankings for Franklin Templeton U.S.-registered long-term mutual funds are based on Class A shares. Franklin Templeton funds are compared against a universe of all share classes. Performance of other share classes may differ.



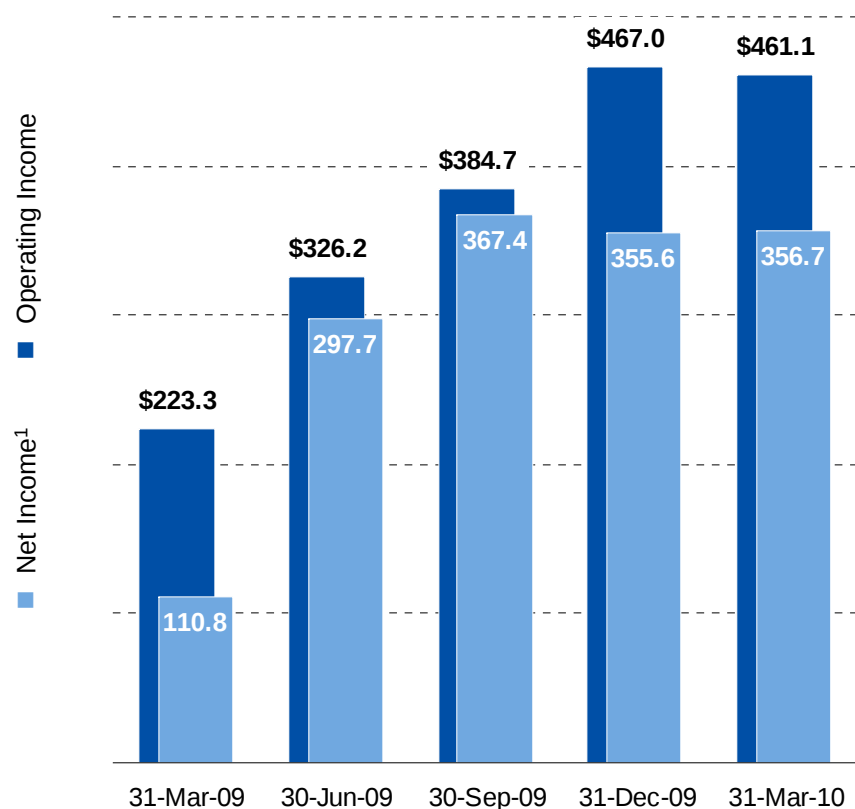
**OPERATING RESULTS**



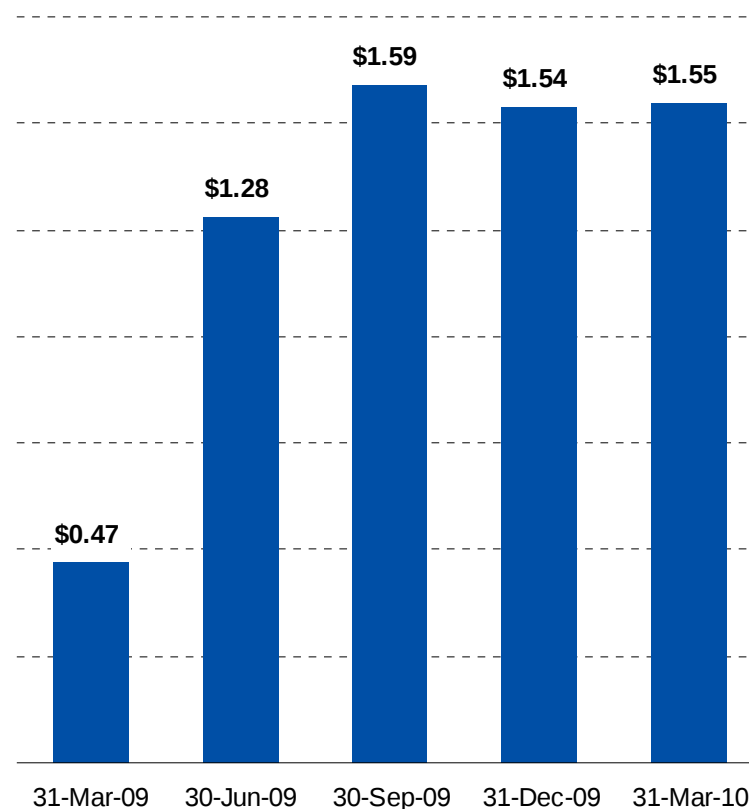
# Quarterly Financial Highlights

(in millions, for the three months ended)

## Operating and Net Income<sup>1</sup>



## Diluted Earnings Per Share<sup>2</sup>



<sup>1</sup> Net income attributable to Franklin Resources, Inc.

<sup>2</sup> Effective October 1, 2009, Franklin Resources, Inc. retrospectively adopted a new accounting standard that modifies the earnings per share calculations to recognize its nonvested stock awards and nonvested stock unit awards that contain nonforfeitable rights to dividends or dividend equivalents as if they were a separate class of stock.

# Operating Revenues

(in millions, for the three months ended)

|                                                           | 31-Mar-10         | 31-Dec-09         | Mar-10 vs.<br>Dec-09 | 30-Sep-09         | 30-Jun-09         | 31-Mar-09       | Mar-10 vs.<br>Mar-09 |
|-----------------------------------------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-----------------|----------------------|
| Investment management fees                                | \$ 836.1          | \$ 806.7          | 4%                   | \$ 725.0          | \$ 625.0          | \$ 552.9        | 51%                  |
| Underwriting and distribution fees                        | 496.8             | 488.1             | 2%                   | 433.4             | 365.2             | 304.7           | 63%                  |
| Shareholder servicing fees                                | 71.4              | 69.5              | 3%                   | 67.4              | 67.1              | 66.5            | 7%                   |
| Consolidated sponsored<br>investment products income, net | 0.5               | 0.4               | 25%                  | 1.6               | 2.9               | 1.8             | (72%)                |
| Other, net                                                | 8.3               | 12.7              | (35%)                | 11.5              | 13.4              | (13.6)          | NM                   |
| <b>Total Operating Revenues</b>                           | <b>\$ 1,413.1</b> | <b>\$ 1,377.4</b> | <b>3%</b>            | <b>\$ 1,238.9</b> | <b>\$ 1,073.6</b> | <b>\$ 912.3</b> | <b>55%</b>           |

# Operating Expenses

(in millions, for the three months ended)

|                                                  | 31-Mar-10       | 31-Dec-09       | Mar-10 vs.<br>Dec-09 | 30-Sep-09       | 30-Jun-09       | 31-Mar-09       | Mar-10 vs.<br>Mar-09 |
|--------------------------------------------------|-----------------|-----------------|----------------------|-----------------|-----------------|-----------------|----------------------|
| Underwriting and distribution                    | \$ 487.0        | \$ 467.0        | 4%                   | \$ 418.3        | \$ 350.7        | \$ 293.5        | 66%                  |
| Compensation and benefits                        | 271.1           | 254.3           | 7%                   | 246.8           | 230.9           | 236.7           | 15%                  |
| Information systems, technology<br>and occupancy | 69.6            | 68.6            | 1%                   | 72.0            | 68.2            | 65.4            | 6%                   |
| Advertising and promotion                        | 38.1            | 34.8            | 9%                   | 37.3            | 27.9            | 26.7            | 43%                  |
| Amortization of deferred sales<br>commissions    | 46.3            | 46.5            | 0%                   | 39.7            | 32.9            | 33.8            | 37%                  |
| Other                                            | 39.9            | 39.2            | 2%                   | 40.1            | 36.8            | 32.9            | 21%                  |
| <b>Total Operating Expenses</b>                  | <b>\$ 952.0</b> | <b>\$ 910.4</b> | <b>5%</b>            | <b>\$ 854.2</b> | <b>\$ 747.4</b> | <b>\$ 689.0</b> | <b>38%</b>           |

# Operating Results

(in millions, except per share data, for the three months ended)

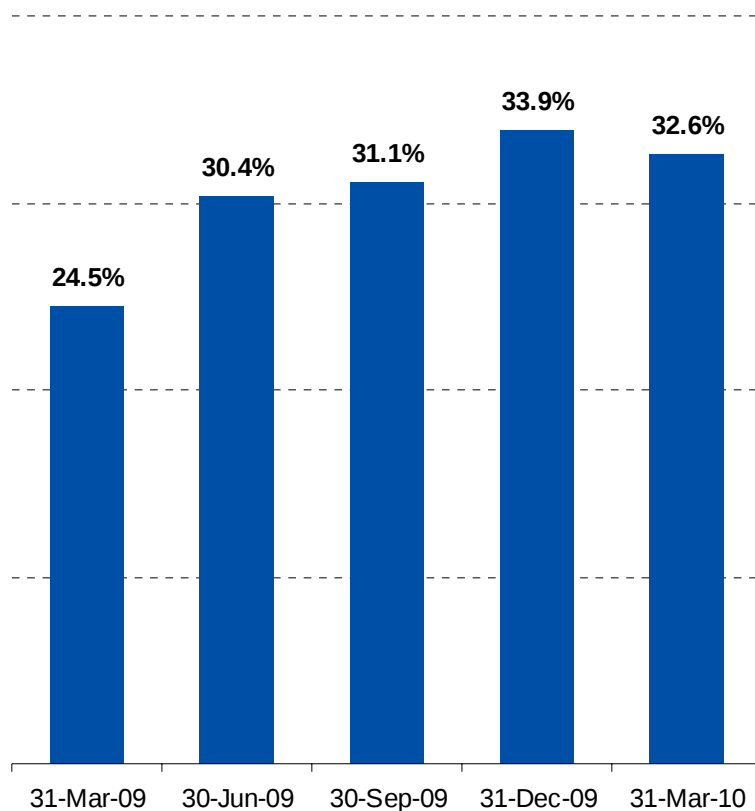
|                                                                  | 31-Mar-10       | 31-Dec-09       | Mar-10 vs.<br>Dec-09 | 30-Sep-09       | 30-Jun-09       | 31-Mar-09       | Mar-10 vs.<br>Mar-09 |
|------------------------------------------------------------------|-----------------|-----------------|----------------------|-----------------|-----------------|-----------------|----------------------|
| <b>Operating Income</b>                                          | <b>\$ 461.1</b> | <b>\$ 467.0</b> | <b>(1%)</b>          | <b>\$ 384.7</b> | <b>\$ 326.2</b> | <b>\$ 223.3</b> | <b>106%</b>          |
| Consolidated sponsored investment products income (losses), net  | 5.6             | 15.1            | (63%)                | 42.8            | 44.5            | (11.1)          | NM                   |
| Investment and other income (losses), net                        | 42.5            | 33.0            | 29%                  | 87.3            | 52.6            | (33.9)          | NM                   |
| Interest expense                                                 | (0.9)           | (0.8)           | 13%                  | (0.2)           | (0.2)           | (2.1)           | (57%)                |
| <b>Other income (expenses), net</b>                              | <b>47.2</b>     | <b>47.3</b>     | <b>0%</b>            | <b>129.9</b>    | <b>96.9</b>     | <b>(47.1)</b>   | <b>NM</b>            |
| <b>Income Before Taxes</b>                                       | <b>508.3</b>    | <b>514.3</b>    | <b>(1%)</b>          | <b>514.6</b>    | <b>423.1</b>    | <b>176.2</b>    | <b>188%</b>          |
| Taxes on income                                                  | 149.9           | 156.8           | (4%)                 | 136.2           | 116.3           | 67.1            | 123%                 |
| <b>Net Income</b>                                                | <b>358.4</b>    | <b>357.5</b>    | <b>0%</b>            | <b>378.4</b>    | <b>306.8</b>    | <b>109.1</b>    | <b>229%</b>          |
| Less: Net income (loss) attributable to noncontrolling interests | 1.7             | 1.9             | (11%)                | 11.0            | 9.1             | (1.7)           | NM                   |
| <b>Net Income Attributable to Franklin Resources, Inc.</b>       | <b>\$ 356.7</b> | <b>\$ 355.6</b> | <b>0%</b>            | <b>\$ 367.4</b> | <b>\$ 297.7</b> | <b>\$ 110.8</b> | <b>222%</b>          |
| Basic earnings per share                                         | \$ 1.56         | \$ 1.55         | 1%                   | \$ 1.60         | \$ 1.29         | \$ 0.48         | 225%                 |
| <b>Diluted Earnings per Share<sup>1</sup></b>                    | <b>\$ 1.55</b>  | <b>\$ 1.54</b>  | <b>1%</b>            | <b>\$ 1.59</b>  | <b>\$ 1.28</b>  | <b>\$ 0.47</b>  | <b>230%</b>          |
| Average shares outstanding (in thousands)                        |                 |                 |                      |                 |                 |                 |                      |
| Basic                                                            | 227,046         | 227,892         | 0%                   | 228,741         | 229,804         | 231,178         | (2%)                 |
| Diluted                                                          | 228,300         | 229,251         | 0%                   | 230,061         | 230,819         | 231,890         | (2%)                 |

<sup>1</sup> Effective October 1, 2009, Franklin Resources, Inc. retrospectively adopted a new accounting standard that modifies the earnings per share calculations to recognize its nonvested stock awards and nonvested stock unit awards that contain nonforfeitable rights to dividends or dividend equivalents as if they were a separate class of stock.

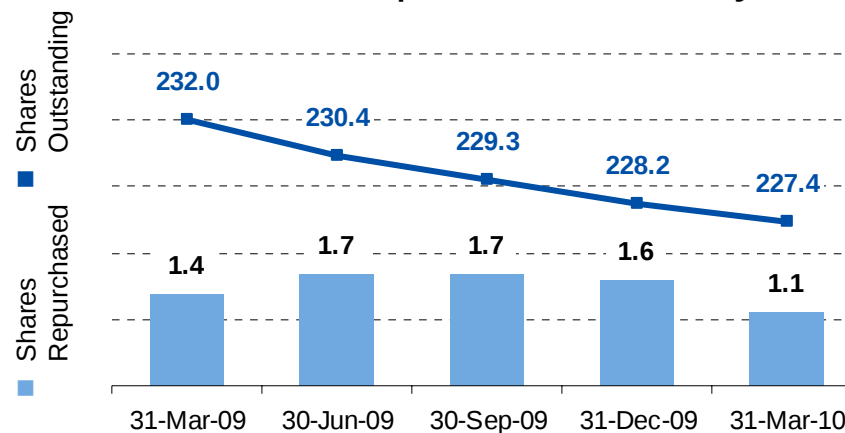
# Operating Margin and Capital Management

(in millions, except payout ratio data, for the three months ended)

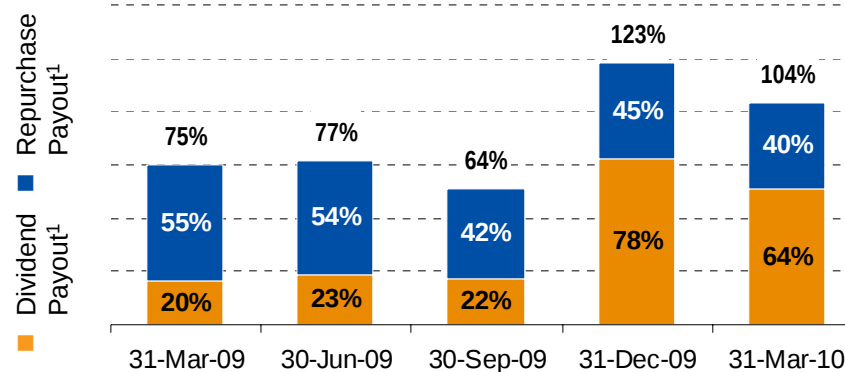
## Operating Margin



## Stock Repurchase Activity



## Trailing 12 Months Payout Ratio



<sup>1</sup> Dividend and repurchase payout are calculated as amount of dividend declared divided by net income attributable to Franklin Resources, Inc. and amount of stock repurchase divided by net income attributable to Franklin Resources, Inc., respectively, for the trailing 12 months period.