

Franklin Resources, Inc.

Preliminary First Quarter Results – January 27, 2011



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, 2010: (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) any significant limitation or failure of our software applications, technology or other systems that are critical to our operations could constrain our operations; (7) 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; (8) we face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries; (9) we depend on key personnel and our financial performance could be negatively affected by the loss of their services; (10) 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; (11) changes in the third-party distribution and sales channels on which we depend could reduce our revenues and hinder our growth; (12) 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; (13) 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; (14) we could suffer losses in earnings or revenue if our reputation is harmed; (15) our future results are dependent upon maintaining an appropriate level of expenses, which is subject to fluctuation; (16) our ability to successfully integrate widely varied business lines can be impeded by systems and other technological limitations; (17) 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; (18) 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; (19) 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; (20) 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; (21) our ability to meet cash needs depends upon certain factors, including the market value of our assets, operating cash flows and our perceived creditworthiness; (22) diverse and strong competition limits the interest rates that we can charge on consumer loans; (23) 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 (24) 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.

The information in this presentation is provided solely in connection with this presentation, and is not directed toward existing or potential investment advisory clients or fund shareholders.

Audio Commentary and Conference Call Details

Pre-recorded audio commentary on the 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 8:30 a.m. Eastern Time. They will also lead a live teleconference today at 4:30 p.m. Eastern Time to answer questions. Analysts and investors are encouraged to contact Investor Relations for any clarifications or questions on the contents of the earnings release or this presentation.

Access to the pre-recorded audio commentary and accompanying slides are available at franklinresources.com. The pre-recorded audio commentary can also be accessed by dialing (888) 843-7419 in the U.S. and Canada or (630) 652-3042 internationally using access code 28808142, any time through 11:59 p.m. Eastern Time on February 10, 2011.

Access to the live teleconference will be available at franklinresources.com or by dialing (800) 446-2782 in the U.S. and Canada or (847) 413-3235 internationally. A replay of the call can also be accessed by calling (888) 843-7419 in the U.S. and Canada or (630) 652-3042 internationally using access code 28808145, any time through 11:59 p.m. Eastern Time on February 10, 2011.

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 Quarter

- Record assets under management of \$670.7 billion and long-term sales of \$54.9 billion
- Long-term net new flows of \$3.4 billion, net of the previously announced advisory account redemption of \$12.0 billion
- Tax-free fixed-income funds experienced net outflows of \$2.0 billion, but almost half of that was exchanged into other Franklin Templeton funds
- Announced a new strategic relationship with Pelagos Capital Management and the acquisition of Rensburg Fund Management, a U.K. equity manager

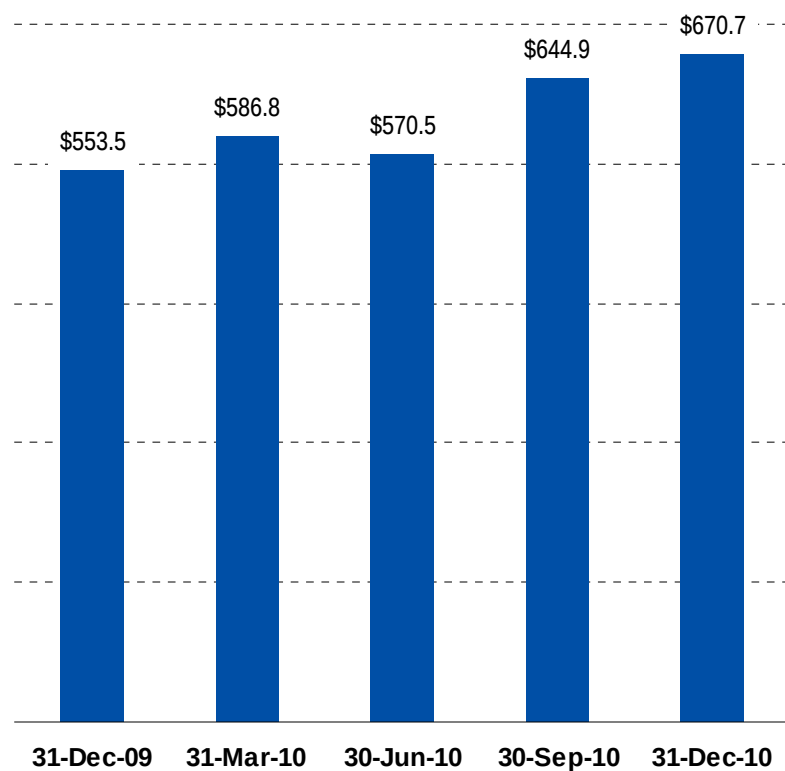
Assets Under Management and Flows



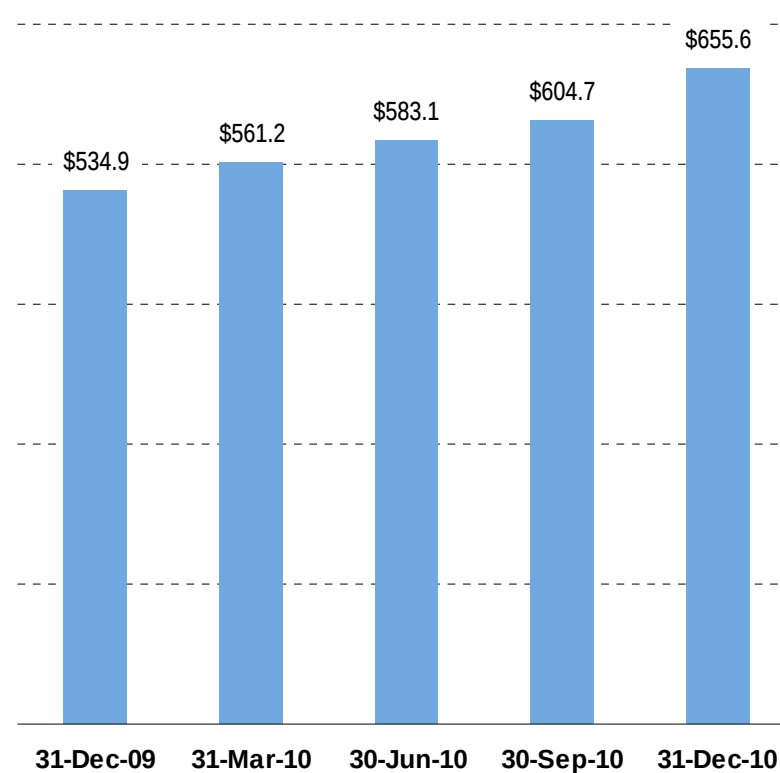
Assets Under Management

(in billions, for the three months ended)

End of Period



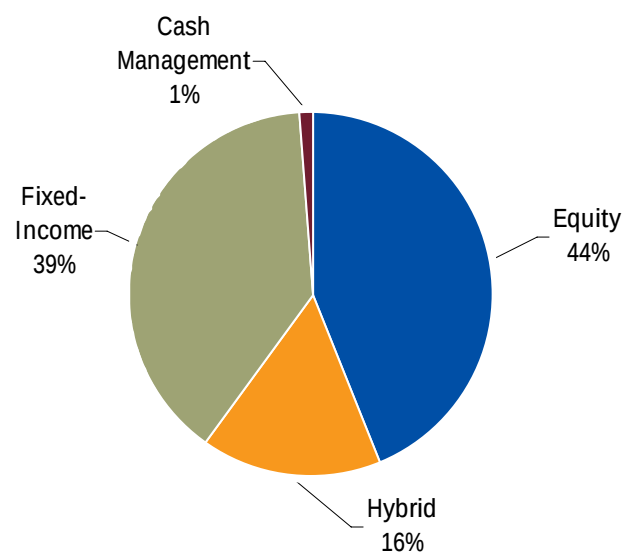
Simple Monthly Average



Assets Under Management

By Investment Objective

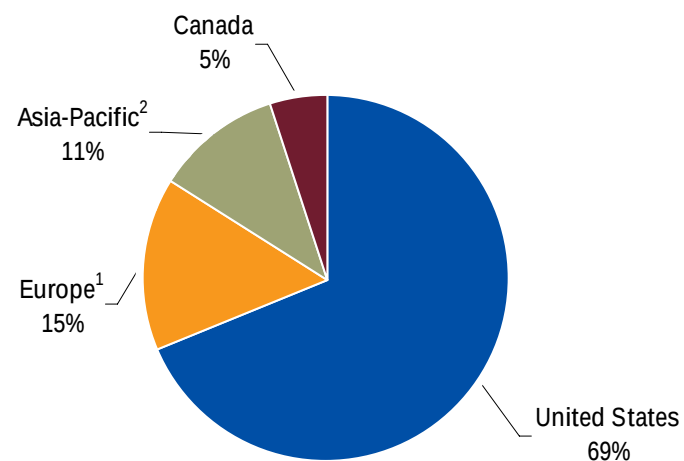
(chart is as of December 31, 2010)



(in billions)	31-Dec-10	30-Sep-10	% Change
Equity	\$ 296.1	\$ 273.7	8%
Hybrid	106.1	110.8	(4%)
Fixed-Income	262.0	253.8	3%
Cash Management	6.5	6.6	(2%)
Total	\$ 670.7	\$ 644.9	4%

By Sales Region

(chart is as of December 31, 2010)



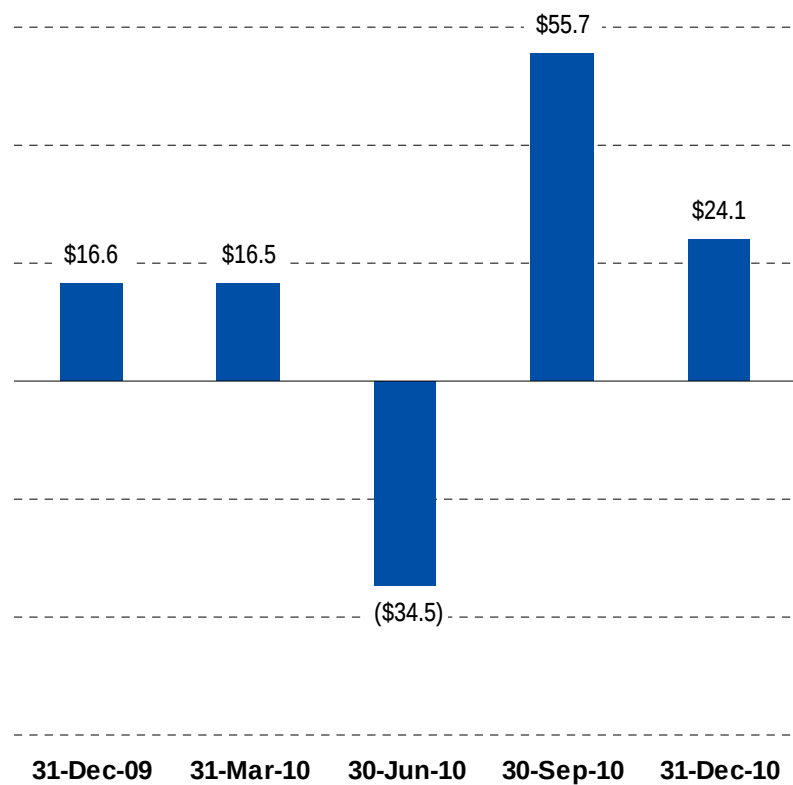
(in billions)	31-Dec-10	30-Sep-10	% Change
United States	\$ 461.4	\$ 451.7	2%
Europe¹	102.0	92.2	11%
Asia-Pacific²	73.7	68.4	8%
Canada	33.6	32.6	3%
Total	\$ 670.7	\$ 644.9	4%

¹ Europe sales region includes Middle East and Africa. ² Asia-Pacific sales region includes Latin America and Australia.

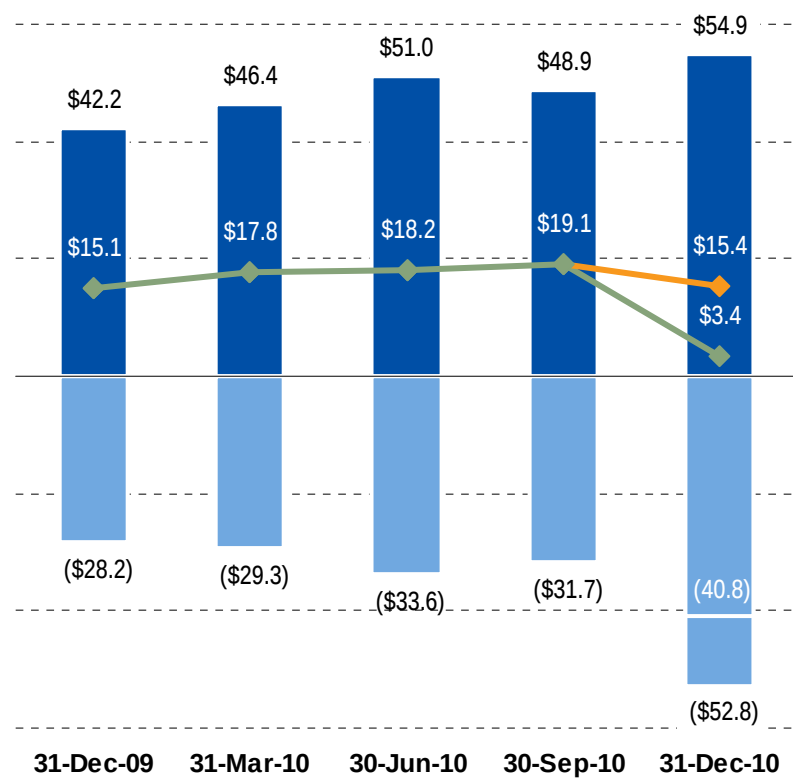
Market Appreciation and Flows Summary

(in billions, for the three months ended)

Appreciation (Depreciation) and Other



Long-Term Flows¹



Long-term sales	\$	42.2	\$	46.4	\$	51.0	\$	48.9	\$	54.9
Long-term redemptions		(28.2)		(29.3)		(33.6)		(31.7)		(52.8)
Net cash management		0.3		0.3		1.4		2.2		1.1
Total net new flows	\$	14.3	\$	17.4	\$	18.8	\$	19.4	\$	3.2

■ Long-Term Sales ■ Long-Term Redemptions

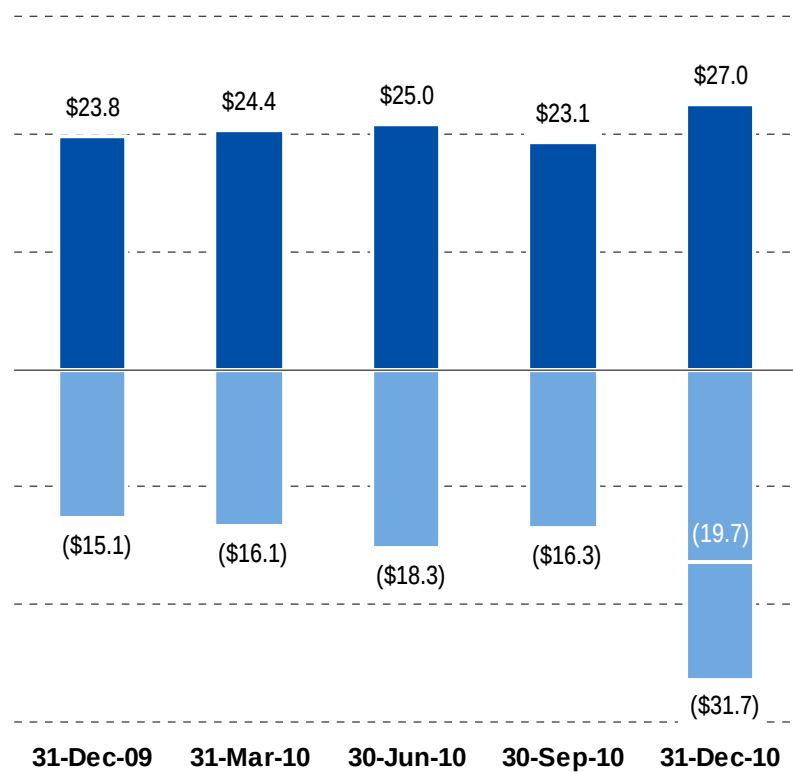
■ Long-Term Net New Flows ■ Pro Forma Long-Term Net New Flows

¹ Long-term net new flows are defined as long-term sales less long-term redemptions plus long-term net exchanges. The quarter ended December 31, 2010 includes pro forma long-term redemptions in white and net new flows in orange, adjusted for the \$12 billion advisory account redemption.

United States and International Flows

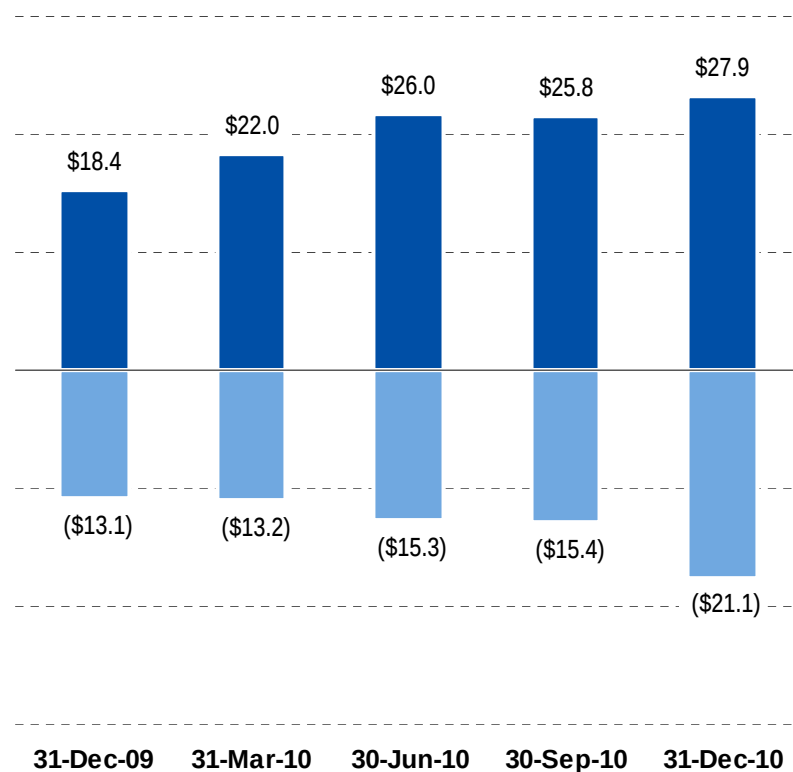
(in billions, for the three months ended)

United States¹



■ Long-Term Sales ■ Long-Term Redemptions

International



■ Long-Term Sales ■ Long-Term Redemptions

¹ The quarter ended December 31, 2010 includes pro forma long-term redemptions in white, adjusted for the \$12 billion advisory account redemption.

Net New Flows by Investment Objective

(in billions, for the three months ended)

	31-Dec-10	30-Sep-10	Dec-10 vs. Sep-10	31-Dec-09	Dec-10 vs. Dec-09
Equity sales	\$ 19.9	\$ 19.6	2%	\$ 13.6	46%
Equity redemptions	(18.4)	(14.7)	25%	(15.7)	17%
Equity net exchanges	0.6	(0.4)	NM	(0.1)	NM
Equity Net New Flows	2.1	4.5	(53%)	(2.2)	NM
Hybrid sales	5.1	4.0	28%	4.4	16%
Hybrid redemptions	(15.8)	(3.4)	365%	(2.7)	485%
Hybrid net exchanges	0.3	(0.1)	NM	-	NM
Hybrid Net New Flows	(10.4)	0.5	NM	1.7	NM
Fixed-income sales	29.9	25.3	18%	24.2	24%
Fixed-income redemptions	(18.6)	(13.6)	37%	(9.8)	90%
Fixed-income net exchanges	0.4	2.4	(83%)	1.2	(67%)
Fixed-Income Net New Flows	11.7	14.1	(17%)	15.6	(25%)
Cash Management Net New Flows	(0.2)	0.3	NM	(0.8)	(75%)
Total Net New Flows	\$ 3.2	\$ 19.4	(84%)	\$ 14.3	(78%)

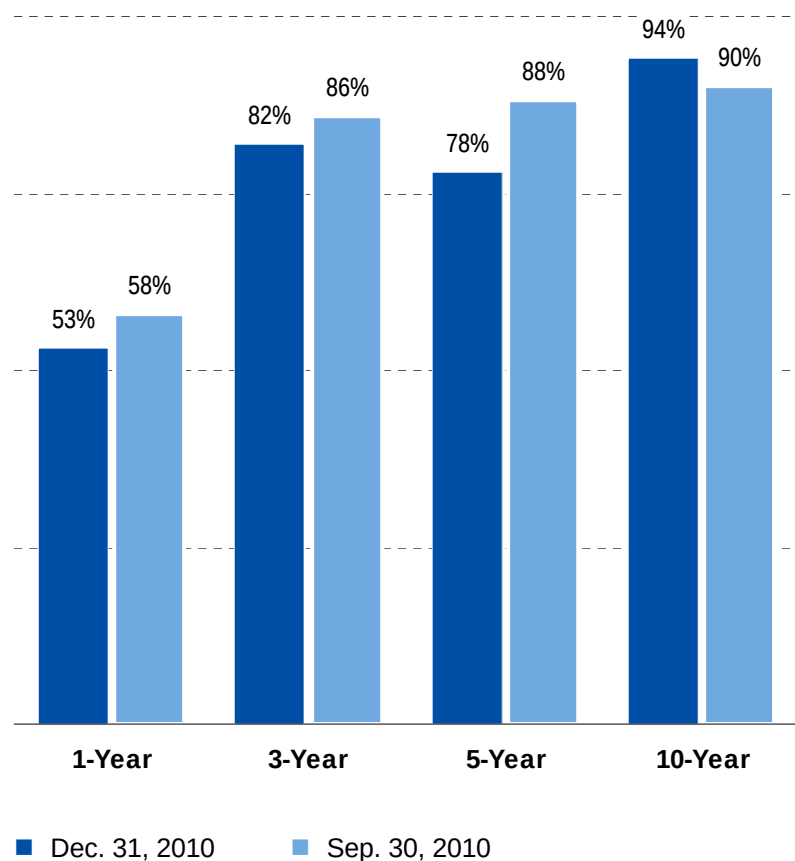
Investment Performance



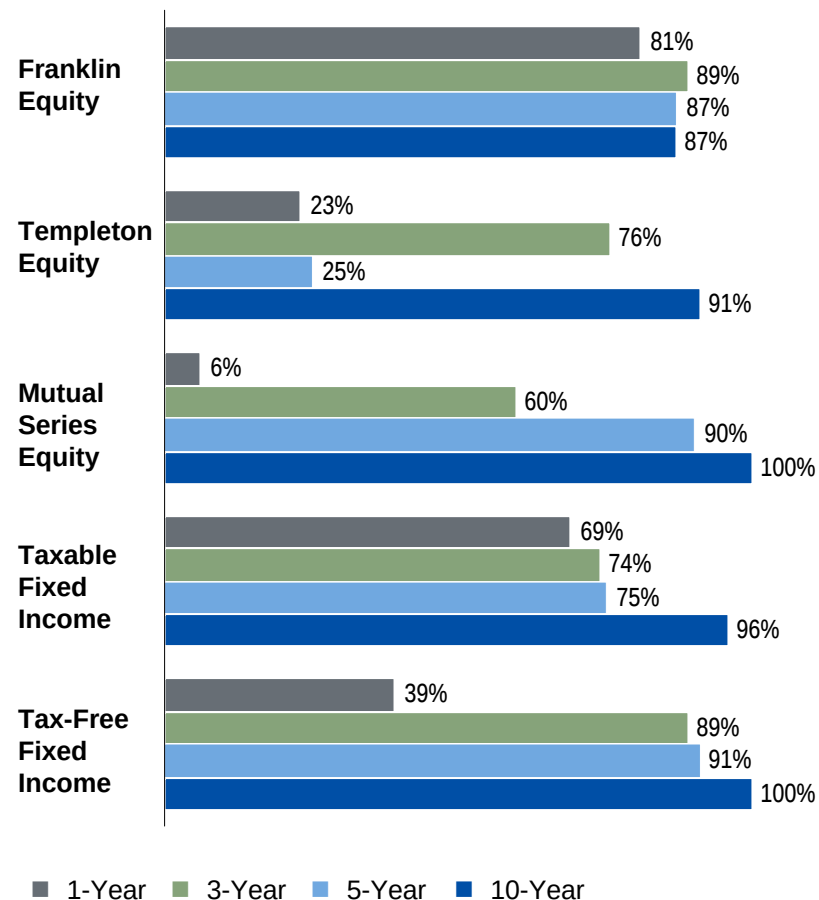
Investment Performance – Lipper Rankings of U.S.-Registered Long-Term Mutual Funds¹

Percentage of Assets in the Top Two Quartiles

Franklin Templeton



By Category as of December 31, 2010



¹ 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 rankings for other share classes may differ. Lipper calculates averages by taking all the funds and share classes in a peer group and averaging their total returns for the periods indicated. Lipper tracks 147 peer groups of U.S. retail mutual funds, and the groups vary in size from 7 to 1,107 funds. Lipper total return calculations include reinvested dividends and capital gains, but do not include sales charges of expense subsidization by the manager. Results may have been different if these or other factors had been considered. *Performance quoted above represents past performance, which cannot predict or guarantee future results.*

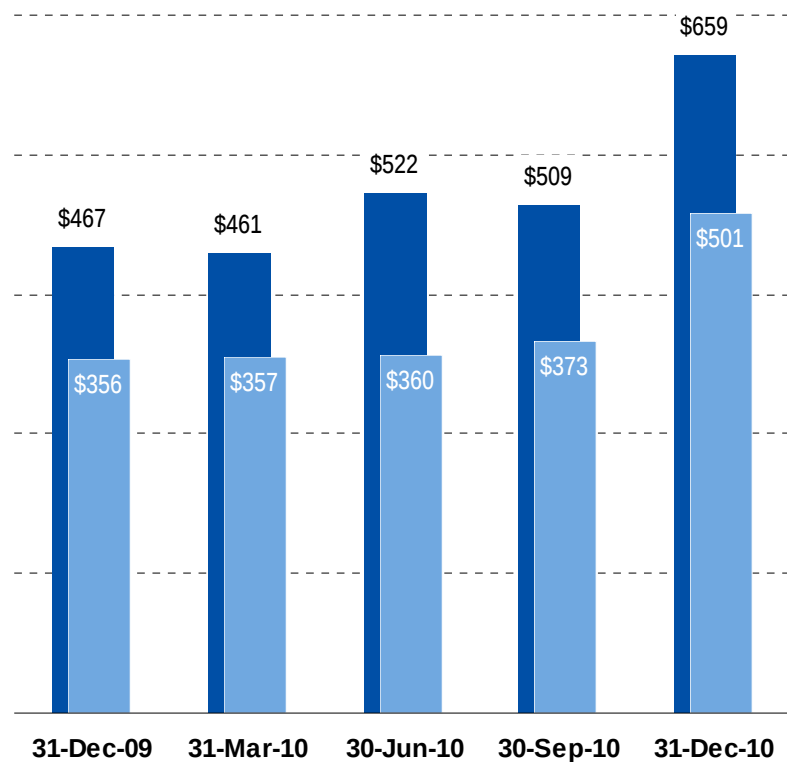
Operating Results



Quarterly Financial Highlights

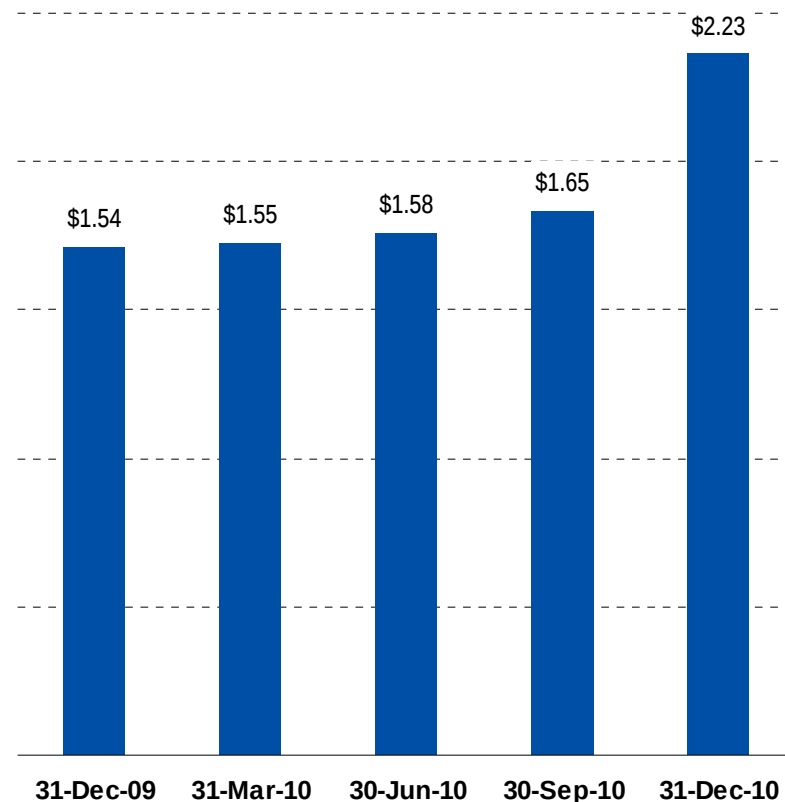
(in millions, except per share data, for the three months ended)

Operating and Net Income¹



■ Operating Income ■ Net Income¹

Diluted Earnings Per Share²



¹ Net Income attributable to Franklin Resources, Inc. ² The computation of earnings per share pursuant to the two-class method excludes from net income attributable to Franklin Resources, Inc. the earnings allocated to participating securities, which consist of nonvested stock and stock unit awards that contain nonforfeitable rights to dividends or dividend equivalents. Earnings allocated to participating securities were \$2.1 million, \$1.4 million, \$2.0 million, \$2.0 million and \$3.3 million for the three months ended December 31, 2010, September 30, 2010, June 30, 2010, March 31, 2010 and December 31, 2009.

Operating Revenues

(in millions, for the three months ended)

	31-Dec-10	30-Sep-10	Dec-10 vs. Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	Dec-10 vs. Dec-09
Investment management fees	\$ 1,040.9	\$ 919.4	13%	\$ 915.9	\$ 836.1	\$ 806.7	29%
Sales and distribution fees	577.8	529.5	9%	529.3	496.8	488.1	18%
Shareholder servicing fees	72.1	70.0	3%	73.0	71.4	69.5	4%
Other, net	9.5	9.5	0%	15.9	8.8	13.1	(27%)
Total Operating Revenues	\$ 1,700.3	\$ 1,528.4	11%	\$ 1,534.1	\$ 1,413.1	\$ 1,377.4	23%

Summary of Changes to Operating Revenue Presentation

- Underwriting and distribution fees have been renamed Sales and distribution fees

Items of Note in the Current Quarter

- Investment management fees included \$10.8 million of performance fees and carried interest

Operating Expenses

(in millions, for the three months ended)

	31-Dec-10	30-Sep-10	Dec-10 vs. Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	Dec-10 vs. Dec-09
Sales, distribution and marketing	\$ 647.1	\$ 599.0	8%	\$ 590.9	\$ 557.4	\$ 535.6	21%
Compensation and benefits	292.4	275.3	6%	280.3	271.1	254.3	15%
Information systems and technology	40.4	47.6	(15%)	40.1	39.8	38.0	6%
Occupancy	30.9	33.7	(8%)	35.9	29.8	30.6	1%
General, administrative and other	30.3	63.8	(53%)	65.3	53.9	51.9	(42%)
Total Operating Expenses	\$ 1,041.1	\$ 1,019.4	2%	\$ 1,012.5	\$ 952.0	\$ 910.4	14%

Summary of Changes to Operating Expense Presentation

- Amortization of deferred sales commissions, previously presented as a separate line, and certain distribution-related expenses, previously included in Advertising and promotion expenses, have been combined with Underwriting and distribution expense in a new line named Sales, distribution and marketing
- Occupancy expense, previously combined with Information systems and technology, is now a separate line
- The Advertising and promotion expenses not reclassified to Sales, distribution and marketing are now included with Other expenses in a new line named General, administrative and other

Items of Note in the Current Quarter

- Operating expenses included \$6.3 million related to performance fees and carried interest earned this quarter and were net of \$28 million from insurance and other recoveries of losses and expenses incurred in prior years

Operating Results

(in millions, for the three months ended)

	31-Dec-10	30-Sep-10	Dec-10 vs. Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	Dec-10 vs. Dec-09
Operating Income	\$ 659.2	\$ 509.0	30%	\$ 521.6	\$ 461.1	\$ 467.0	41%
Consolidated sponsored investment products gains (losses), net	(0.7)	2.4	NM	(14.7)	5.6	15.1	NM
Investment and other income (losses), net	47.0	50.9	(8%)	(7.3)	42.5	33.0	42%
Interest expense	(7.9)	(9.9)	(20%)	(4.8)	(0.9)	(0.8)	888%
Other income (expenses), net	38.4	43.4	(12%)	(26.8)	47.2	47.3	(19%)
Income Before Taxes	697.6	552.4	26%	494.8	508.3	514.3	36%
Taxes on income	207.5	176.5	18%	135.1	149.9	156.8	32%
Net Income	490.1	375.9	30%	359.7	358.4	357.5	37%
Less: Net income (loss) attributable to:							
Nonredeemable noncontrolling interests	(11.9)	0.1	NM	0.2	0.2	0.2	NM
Redeemable noncontrolling interests	0.8	2.9	(72%)	(1.0)	1.5	1.7	(53%)
Net Income Attributable to Franklin Resources, Inc.	\$ 501.2	\$ 372.9	34%	\$ 360.5	\$ 356.7	\$ 355.6	41%

Summary of Changes to Noncontrolling Interests Presentation

- Net income (loss) attributable to noncontrolling interests is now presented separately for Nonredeemable and Redeemable noncontrolling interests to provide consistency between the Statement of income and the changes in Stockholders' equity

New Accounting Guidance

- On October 1, 2010, the Company adopted new FASB guidance related to the consolidation of Variable Interest Entities that resulted in the consolidation of automobile loan securitization trusts and collateralized loan obligations that were not previously consolidated

Earnings Per Share

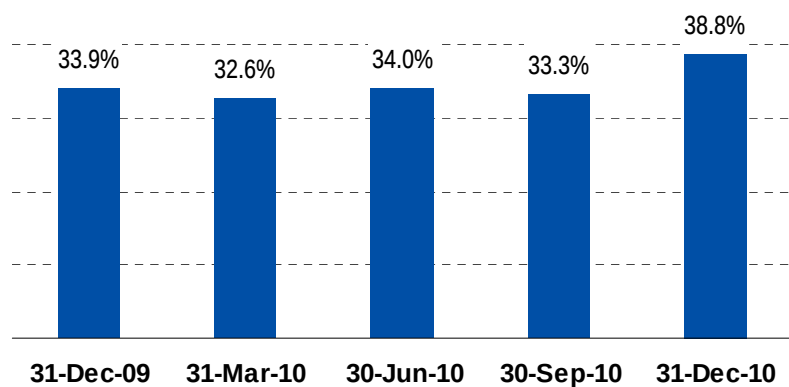
(in millions, except per share data, for the three months ended)

	31-Dec-10	30-Sep-10	Dec-10 vs. Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	Dec-10 vs. Dec-09
Net income attributable to Franklin Resources, Inc.	\$ 501.2	\$ 372.9	34%	\$ 360.5	\$ 356.7	\$ 355.6	41%
Less: Allocation of earnings to participating nonvested stock and stock unit awards	2.1	1.4	50%	2.0	2.0	3.3	(36%)
Net Income Available to Common Stockholders	\$ 499.1	\$ 371.5	34%	\$ 358.5	\$ 354.7	\$ 352.3	42%
Average shares outstanding (in thousands)							
Basic	223,169	223,864	0%	225,626	227,046	227,892	(2%)
Diluted	224,253	224,958	0%	226,806	228,300	229,251	(2%)
Earnings Per Share							
Basic	\$ 2.24	\$ 1.66	35%	\$ 1.59	\$ 1.56	\$ 1.55	45%
Diluted	\$ 2.23	\$ 1.65	35%	\$ 1.58	\$ 1.55	\$ 1.54	45%

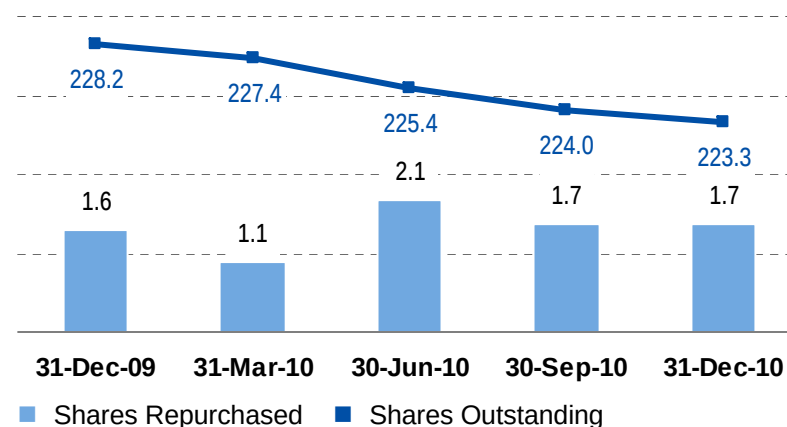
Operating Margin and Capital Management

(in millions, except as noted, as of and for the period ended)

Quarterly Operating Margin

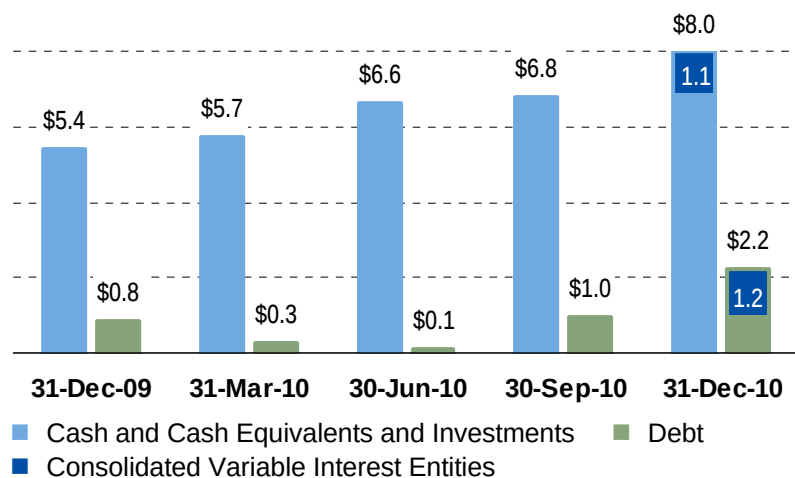


Quarterly Stock Repurchase Activity

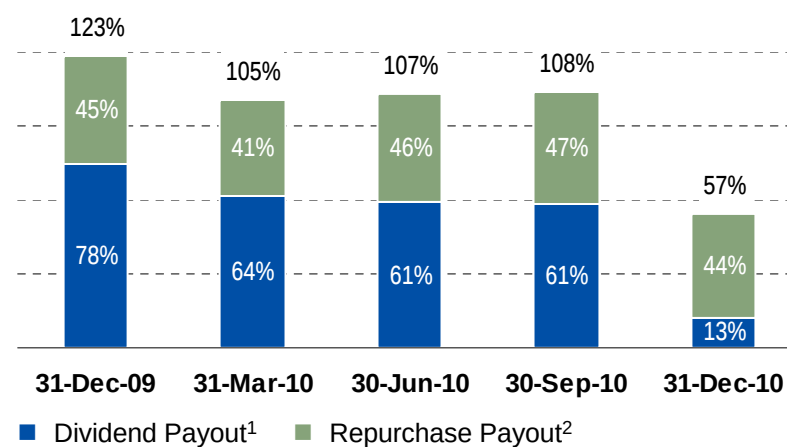


Cash and Cash Equivalents and Investments vs. Debt

(in billions)



Trailing Twelve Months Payout Ratio



¹ Dividend payout is calculated as dividend amount declared divided by net income attributable to Franklin Resources, Inc. ² Repurchase payout is calculated as stock repurchase amount divided by net income attributable to Franklin Resources, Inc.