



Q2 2011 Earnings

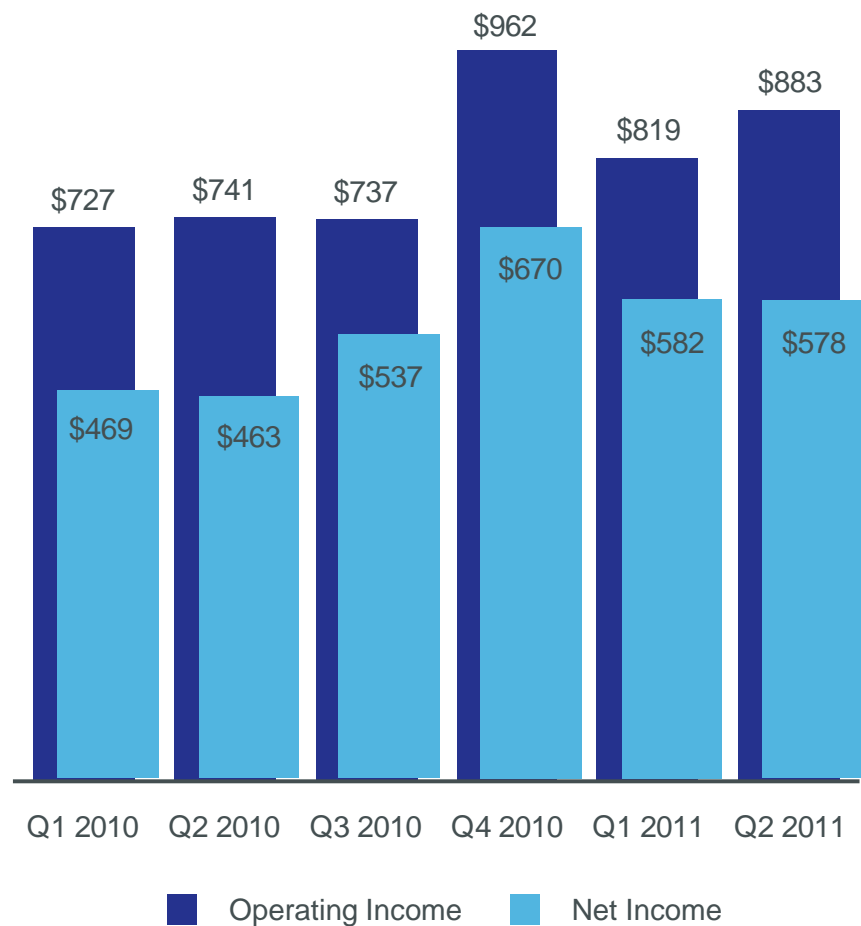
Press Release Supplement

July 20, 2011

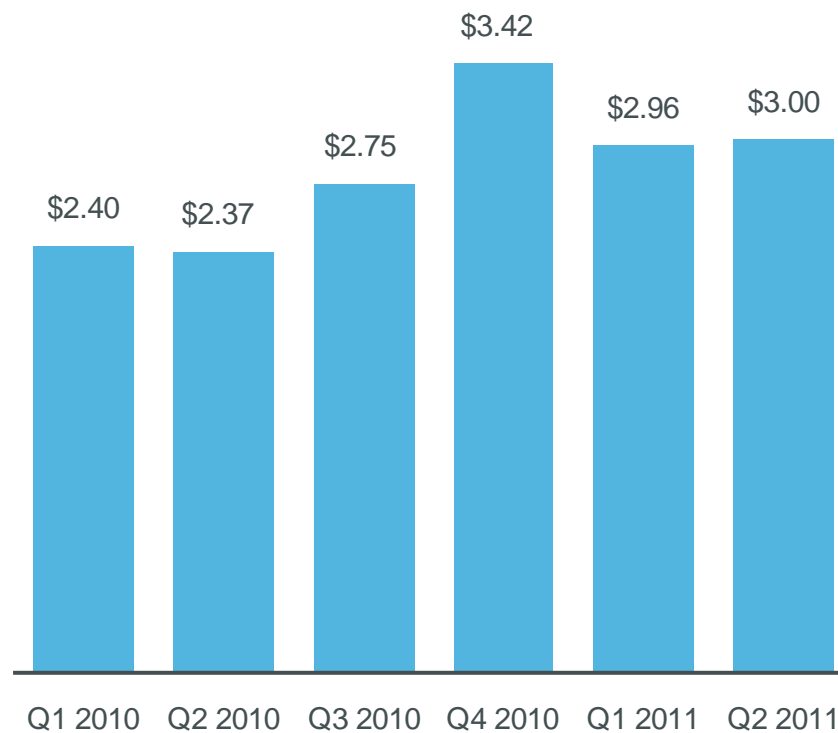
Strong operating income drove earnings

Second quarter EPS results were affected by volatility in non-operating. Q3 2011 will include full effect of Bank of America buy-back.

Operating and Net Income, as Adjusted (\$ in millions)



Diluted Earnings Per Share, as Adjusted

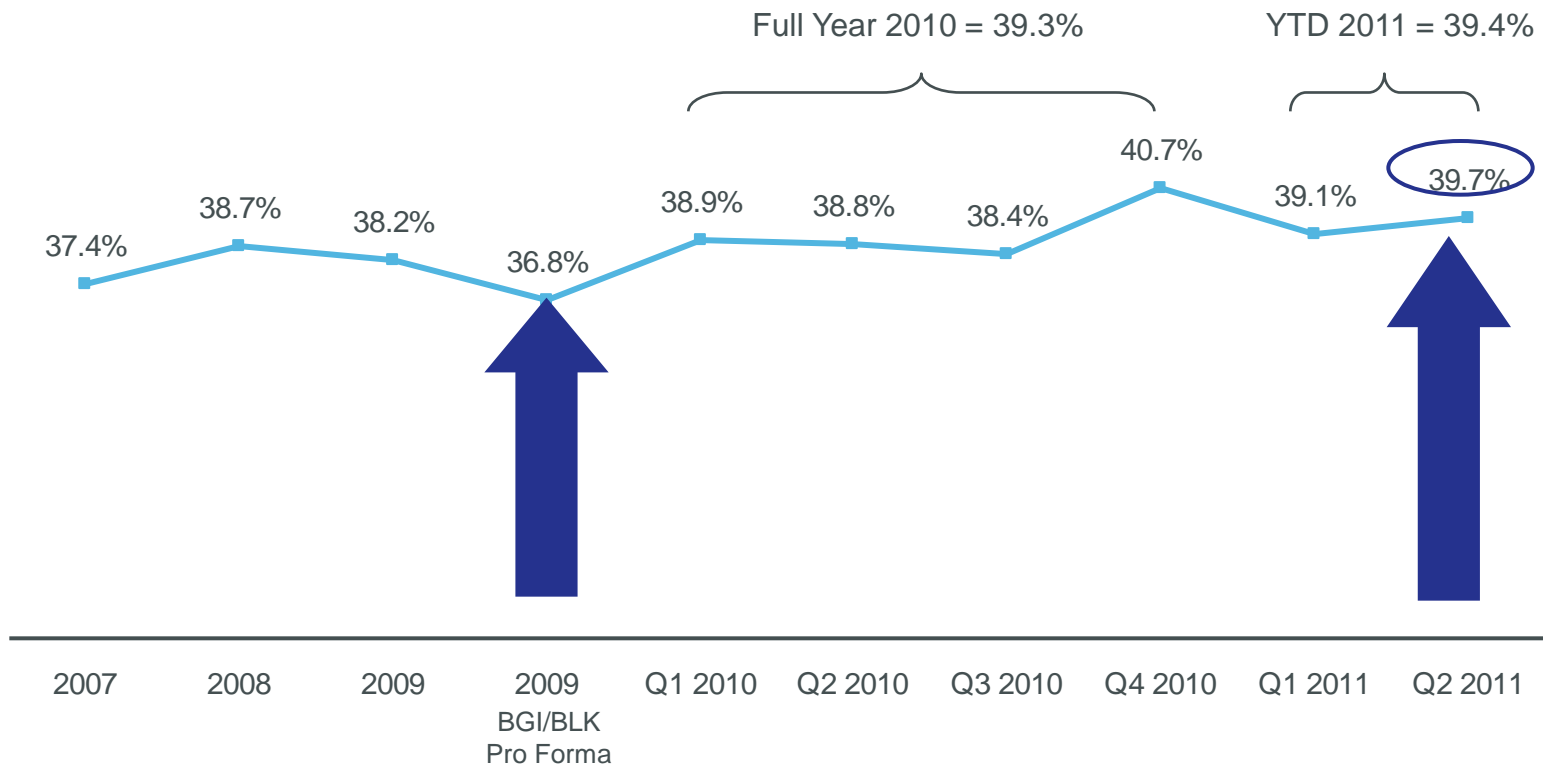


Reconciliation between GAAP and as Adjusted is provided in the appendix

Operating margin remained strong

2011 year-to-date margin is higher than the full year and second quarter 2010 margins.

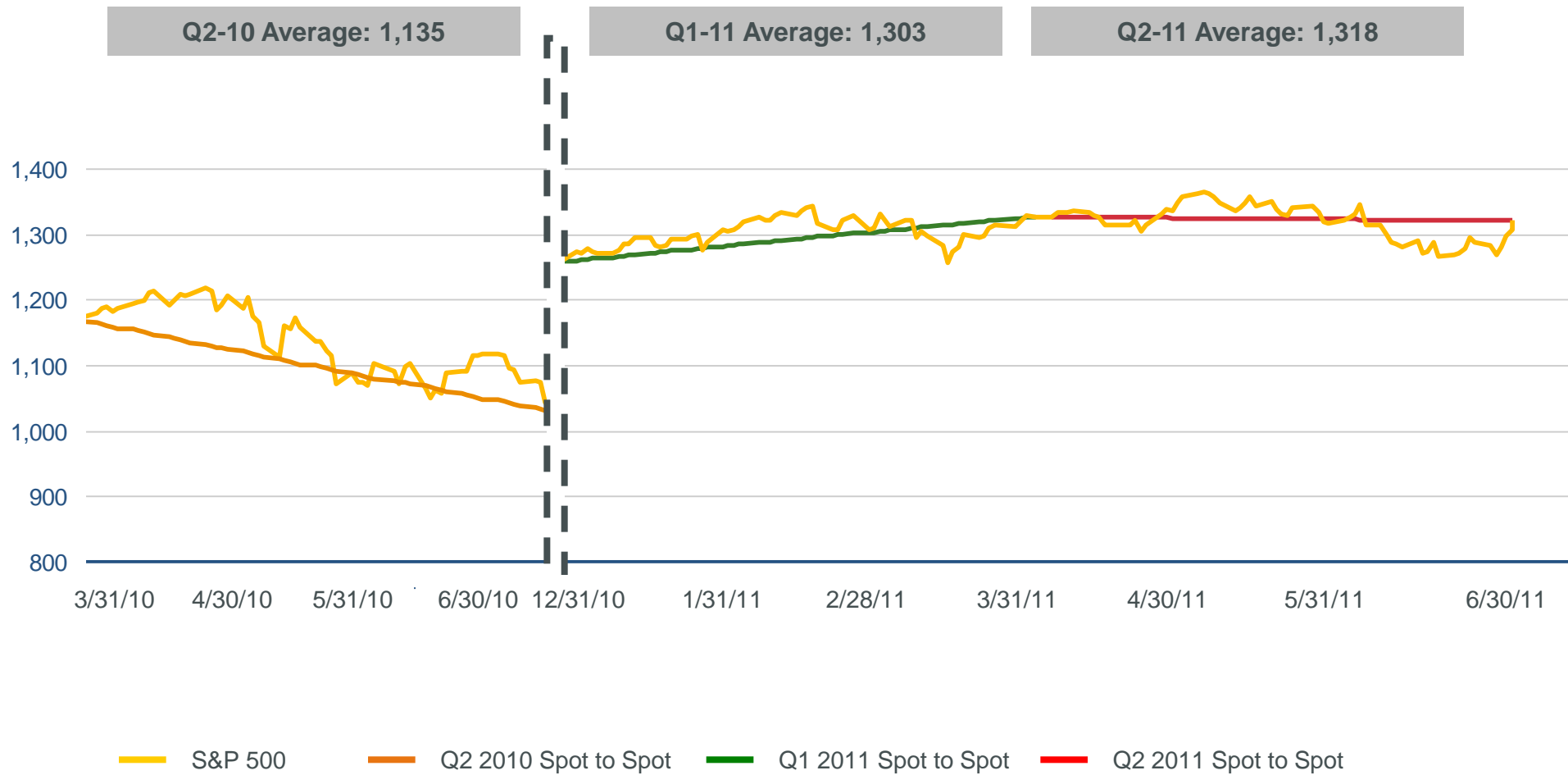
Operating Margin, as Adjusted



For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release as well as the 2010 Form 10-K and first quarter 2011 10-Q

Equity markets improved from 2010

The S&P averaged approximately 1,300 in both the first and second quarter of 2011.

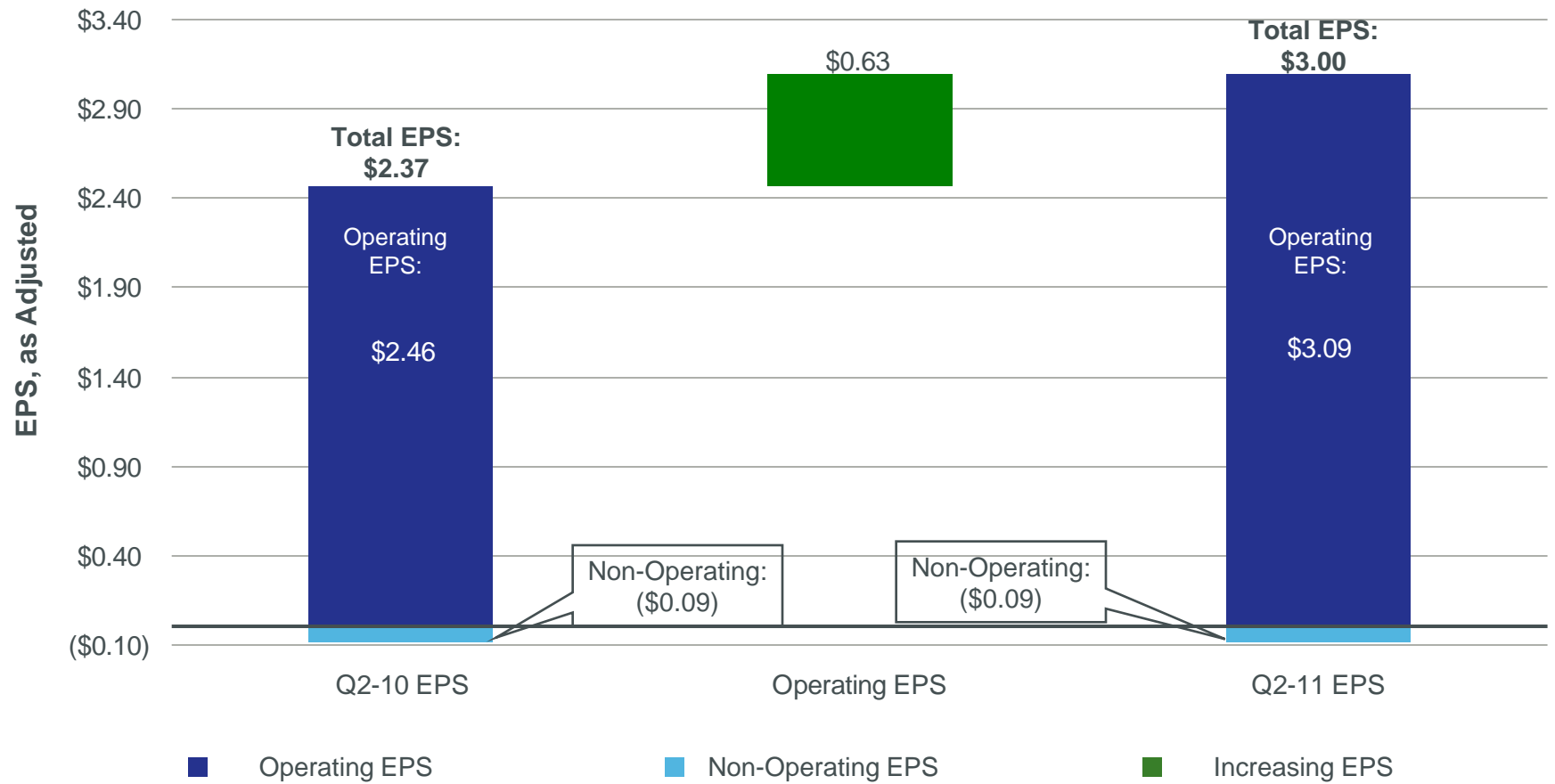


Year-over-year

Q2 2011 vs. Q2 2010

27% year-over-year growth in EPS driven by operating EPS

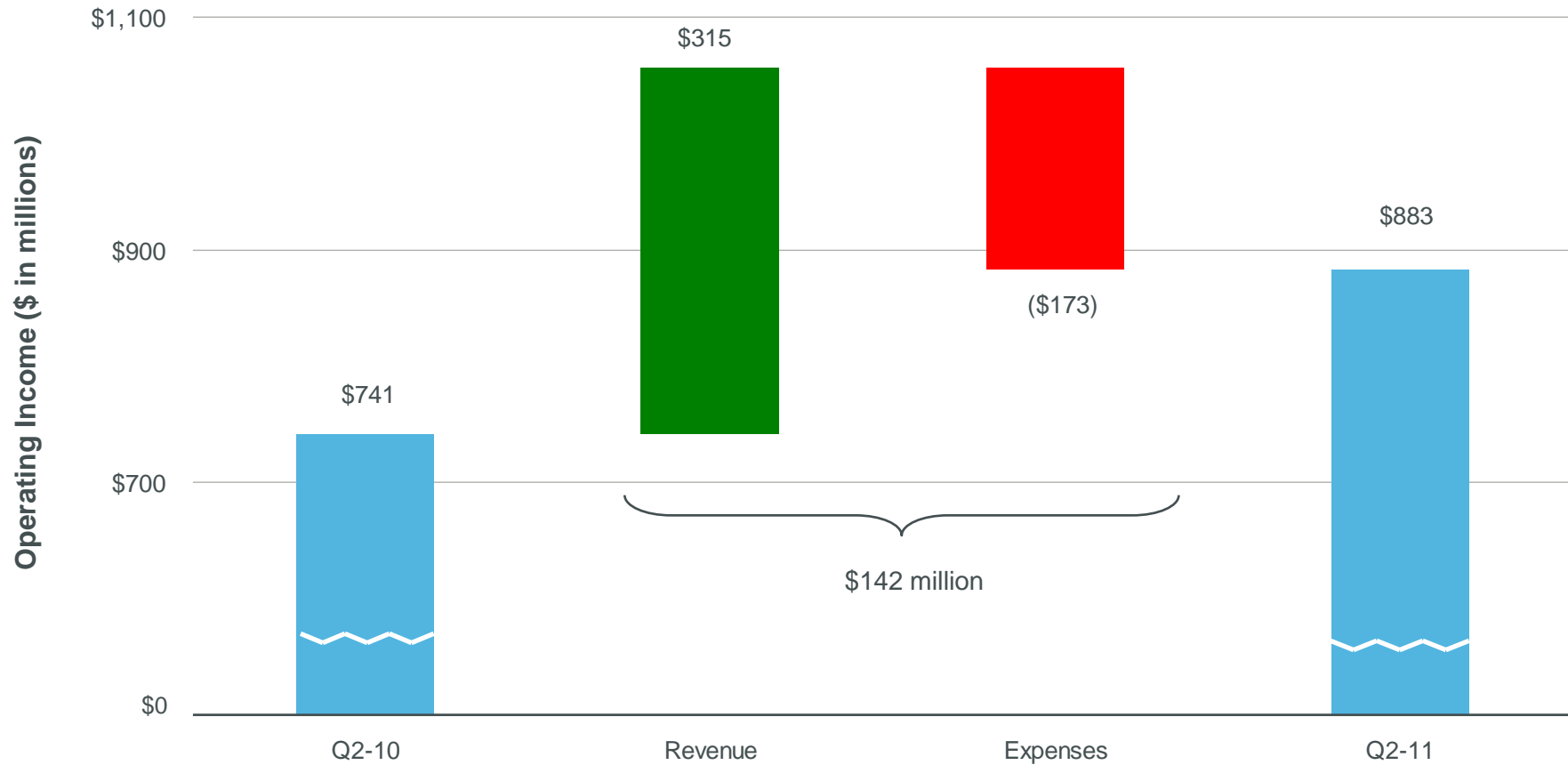
Q2-11 Compared to Q2-10, as Adjusted



For further information and reconciliation between GAAP and as Adjusted, see notes (a) through (e) in the current earnings release

19% year-over-year growth in operating income

Q2-11 Compared to Q2-10, as Adjusted



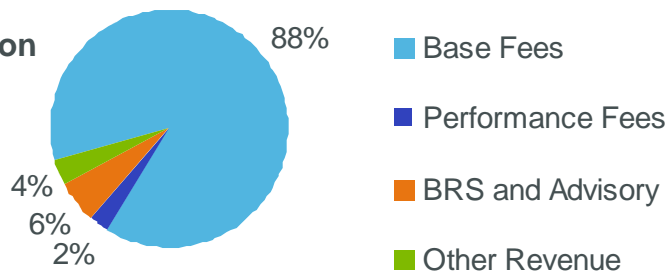
For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release as well as the 2010 Form 10-K and first quarter 2011 10-Q

16% year-over-year revenue growth

Total Revenue

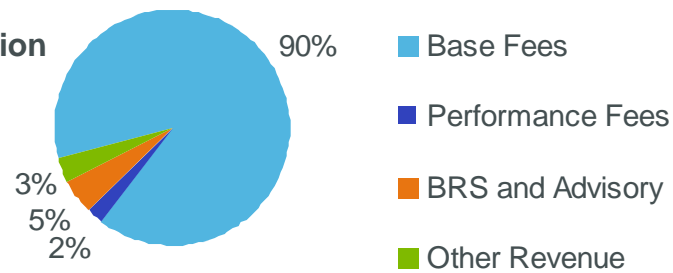
Q2-10

\$2.03 billion

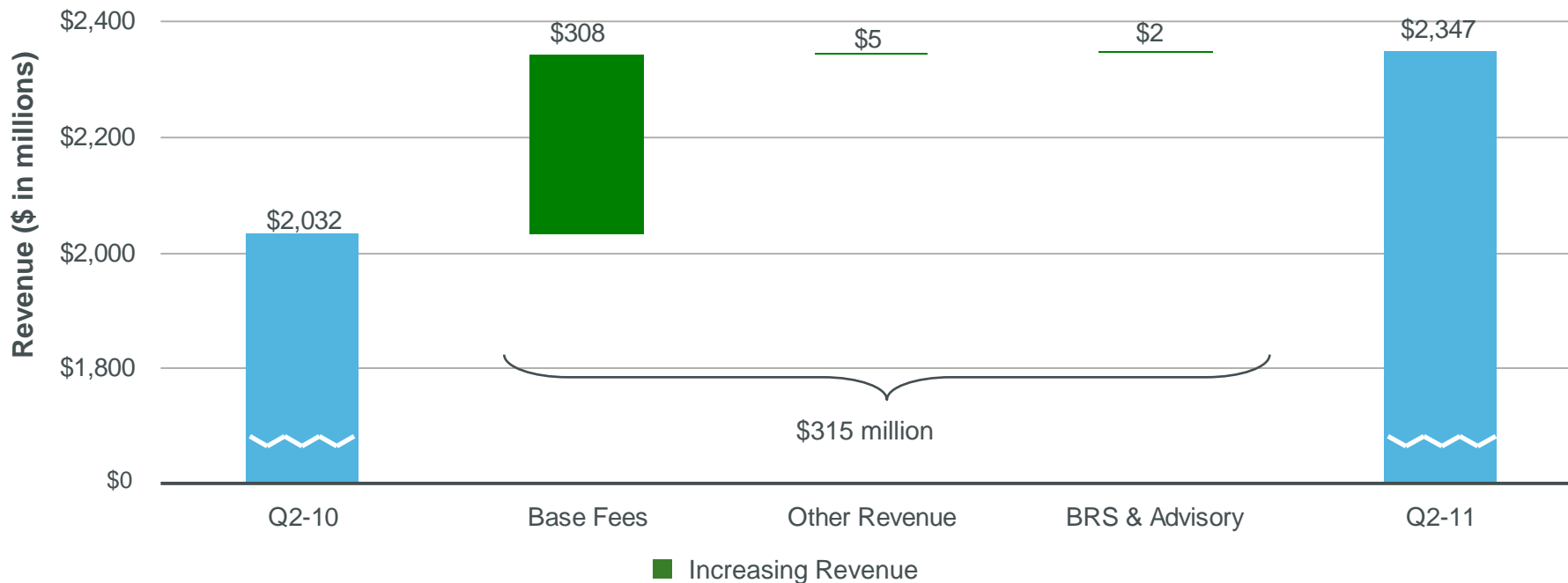


Q2-11

\$2.35 billion

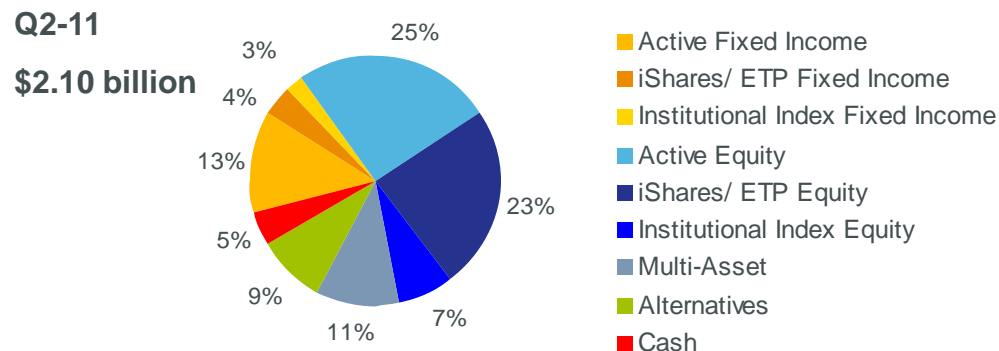
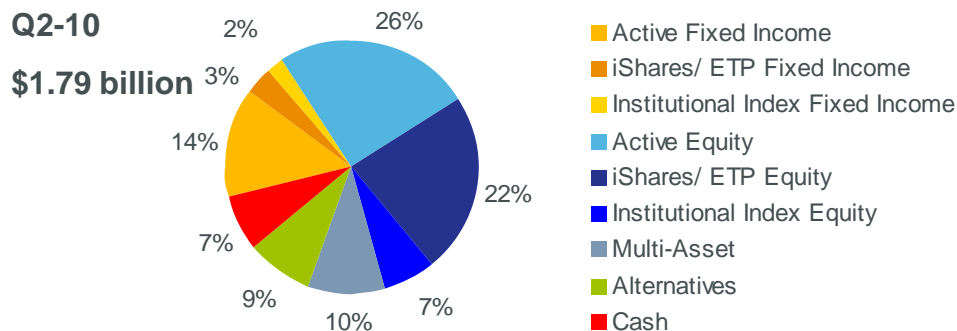


Q2-11 Compared to Q2-10

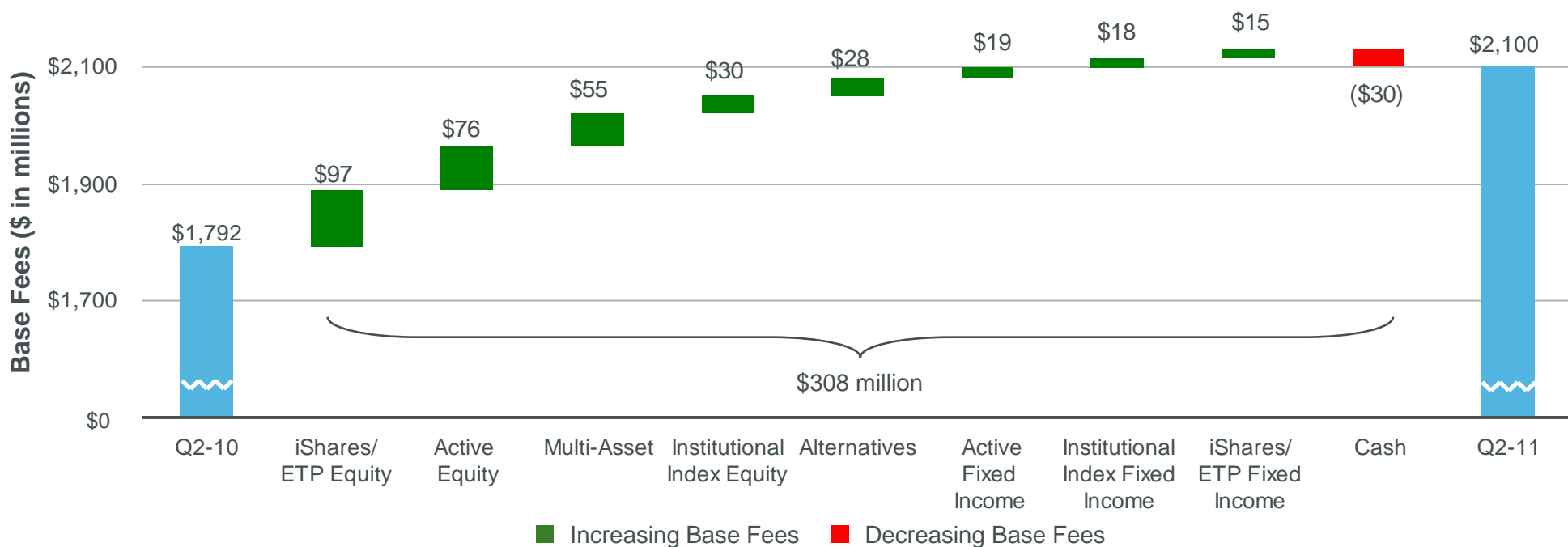


17% year-over-year base fee growth included higher fees in all long-term asset classes

Base fees



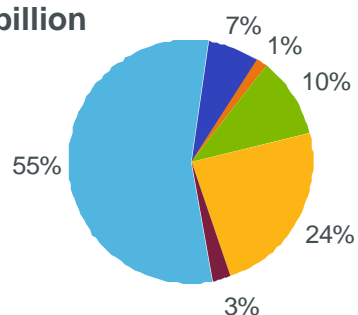
Q2-11 Compared to Q2-10



13% year-over-year expense growth driven by continued business expansion

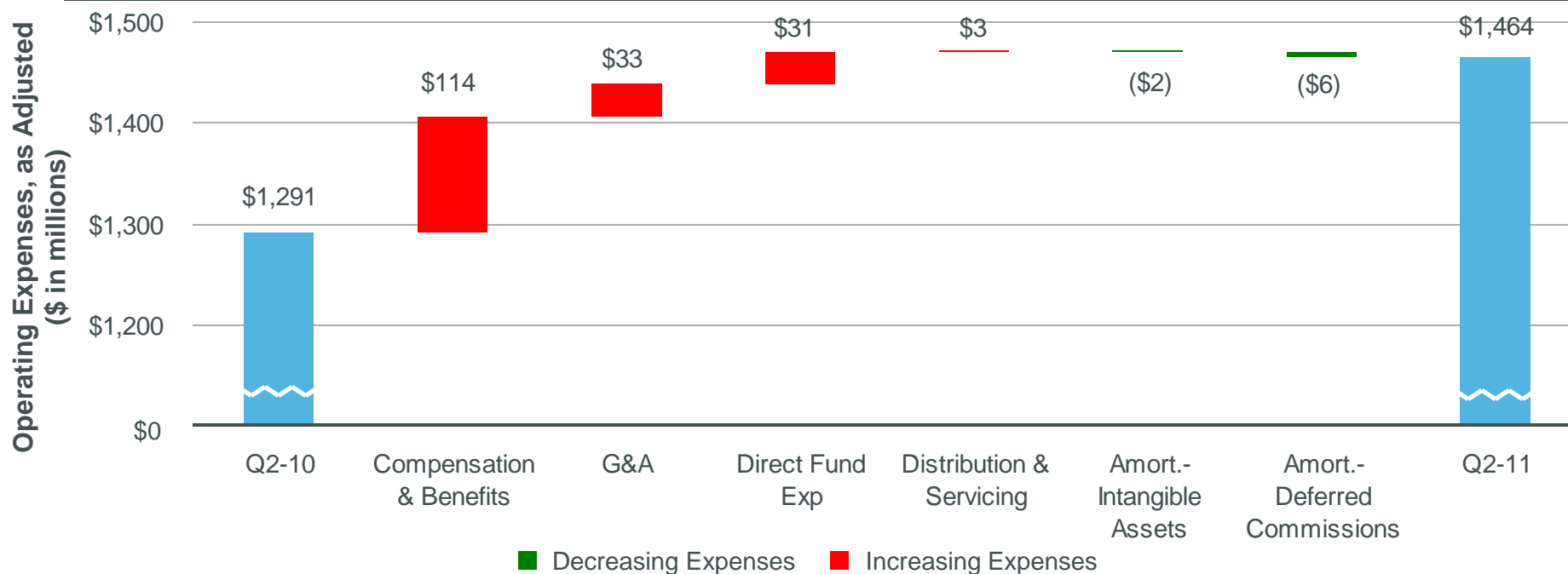
Q2-11 Expense, as Adjusted, by Category

\$1.46 billion



- Employee Comp. & Benefits
- Distribution & Servicing Costs
- Amort. of Deferred Sales Commissions
- Direct Fund Expenses
- General & Administration
- Amortization of Intangibles

Q2-11 Compared to Q2-10, as Adjusted



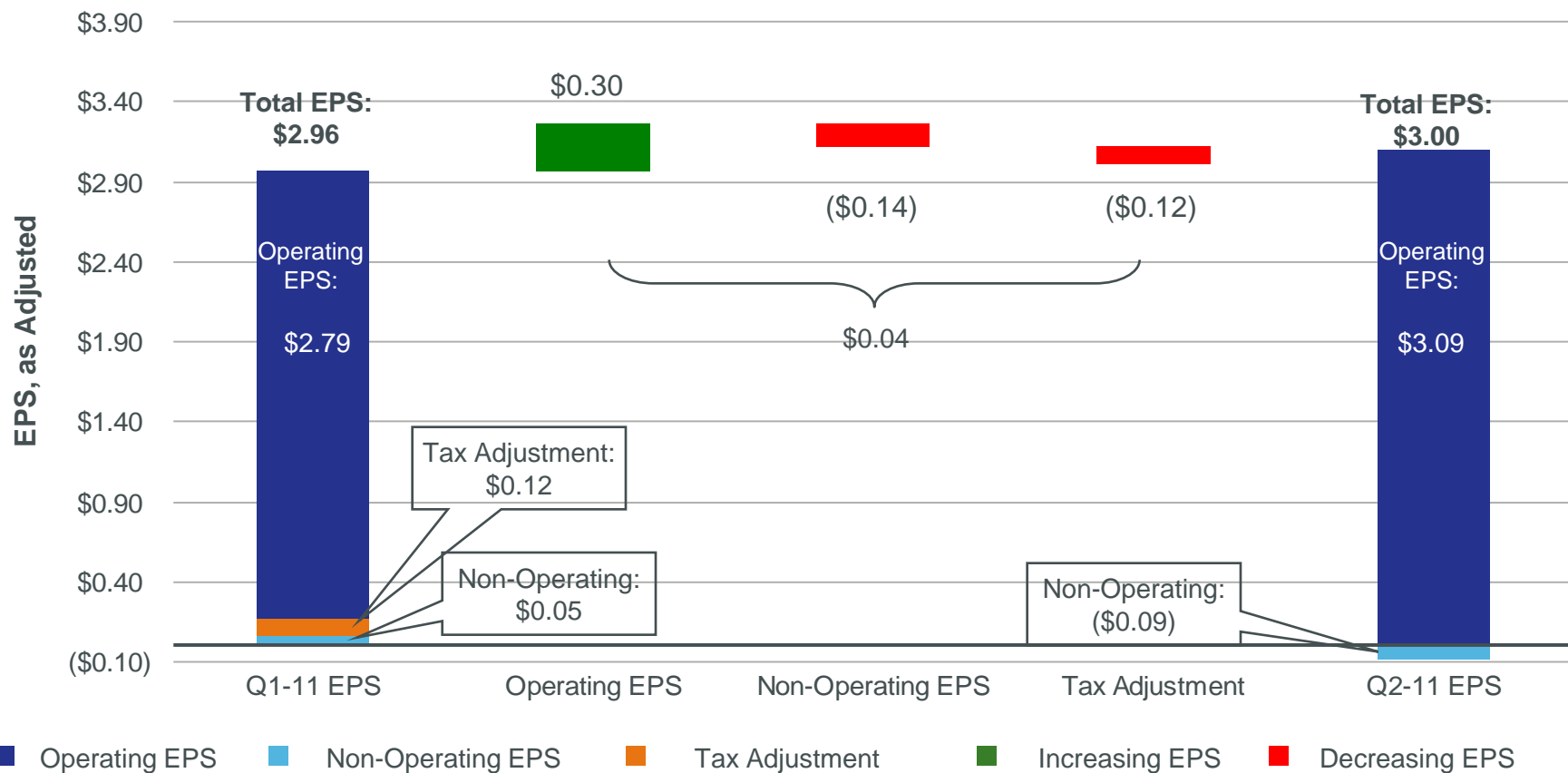
For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release

Sequential Quarters

Q2 2011 vs. Q1 2011

Sequential growth in operating income offset partially by lower mark-to-market gains on investments

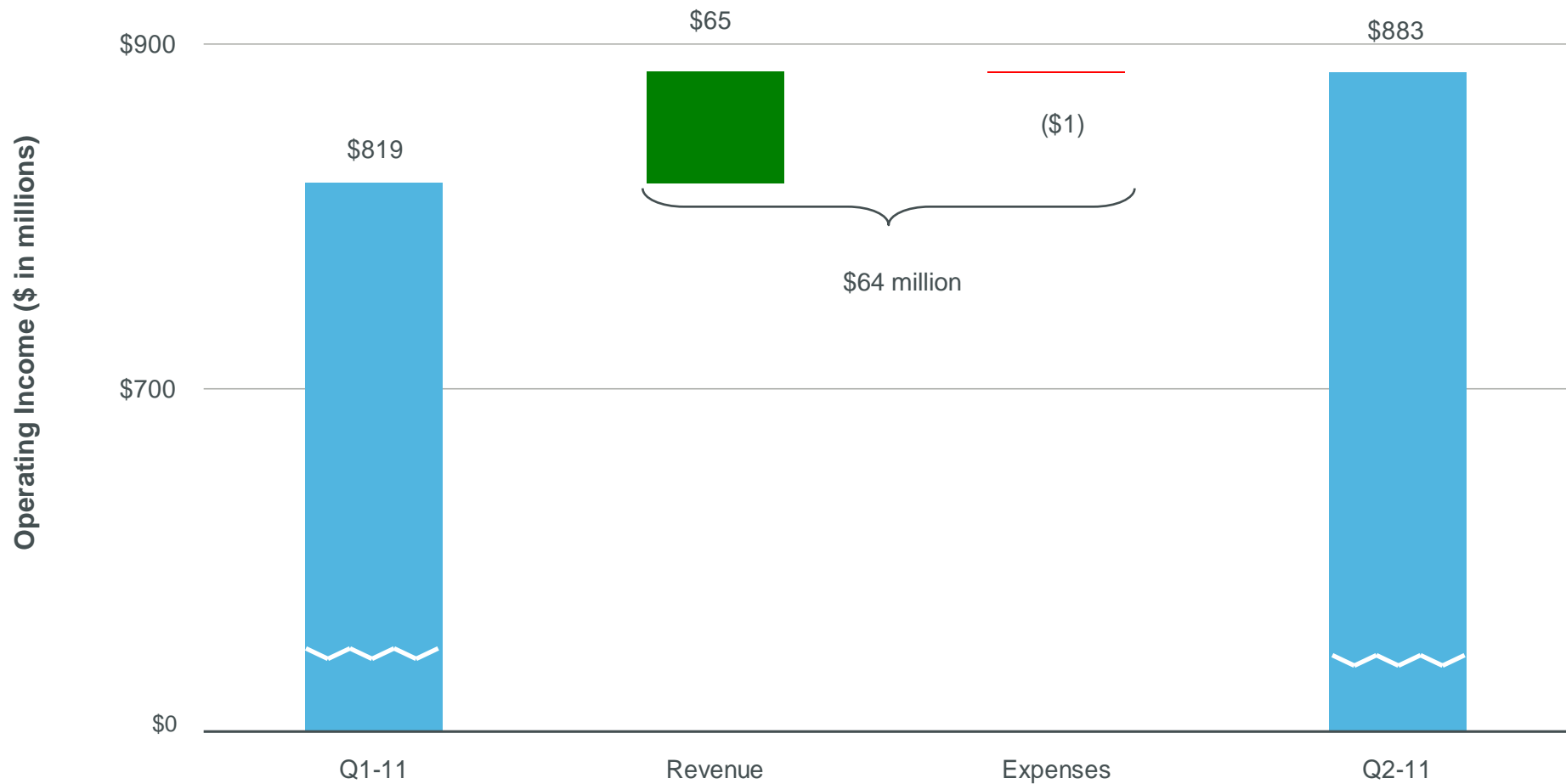
Q2-11 Compared to Q1-11, as Adjusted



For further information and reconciliation between GAAP and as Adjusted, see notes (a) through (e) in the current earnings release

8% sequential growth in operating income as a result of revenue growth

Q2-11 Compared to Q1-11, as Adjusted



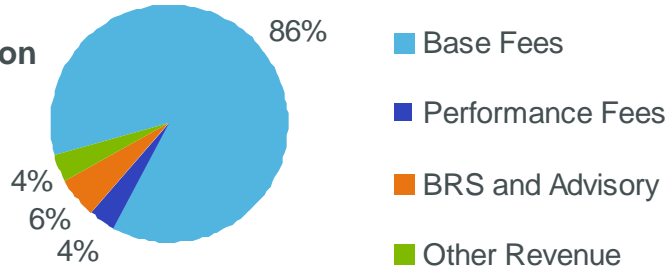
For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release as well as the 2010 Form 10-K and first quarter 2011 10-Q

3% sequential revenue growth driven by base fees

Total Revenue

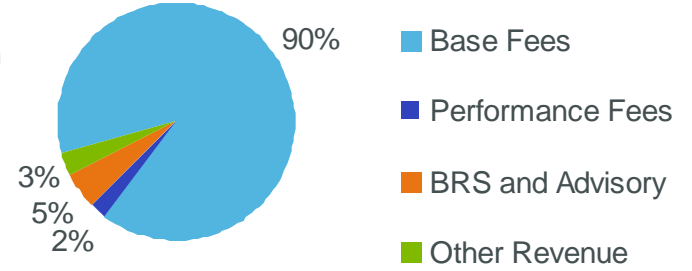
Q1-11

\$2.28 billion

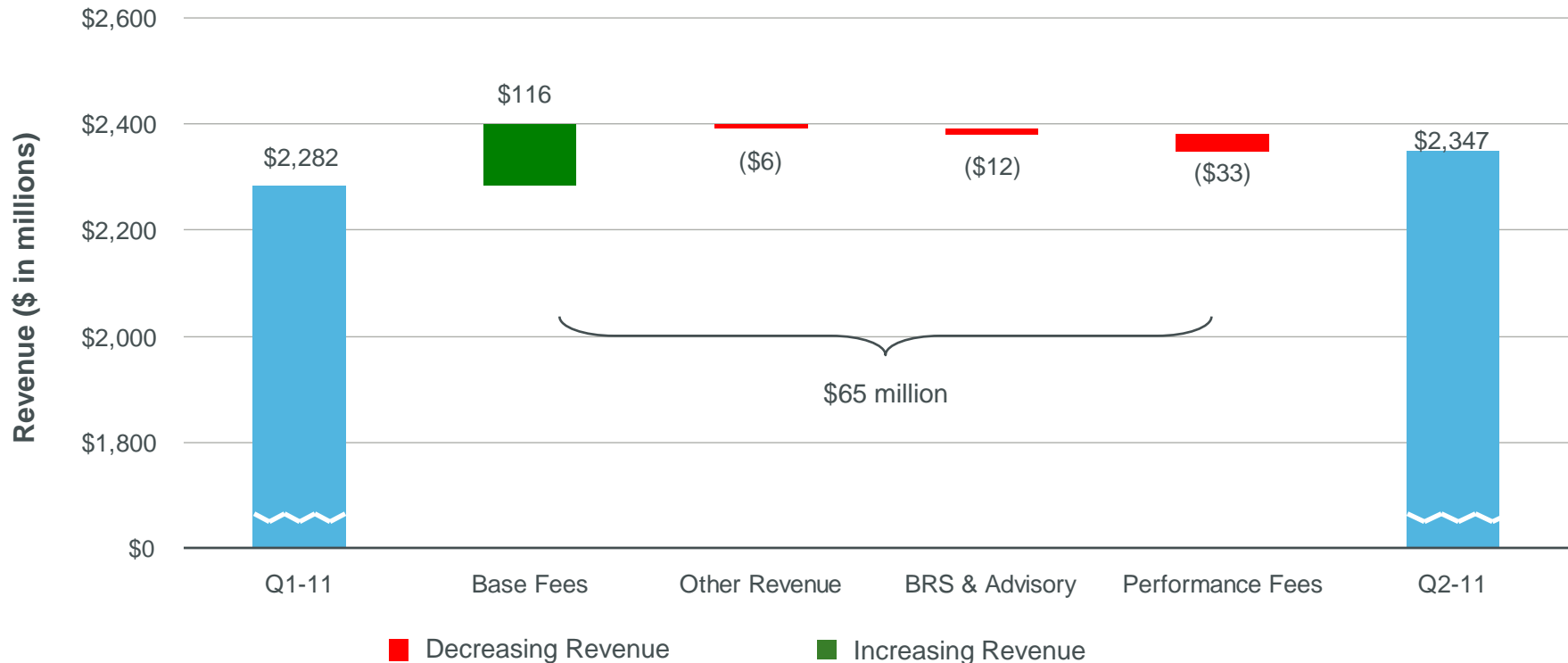


Q2-11

\$2.35 billion



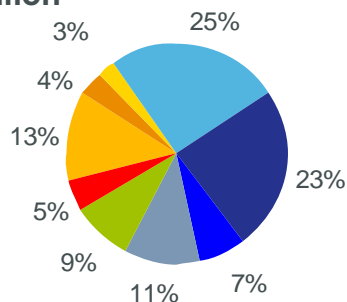
Q2-11 Compared to Q1-11



6% sequential base fee growth reflected higher fees in all long-term asset classes as a result of strong securities lending fees and AUM growth

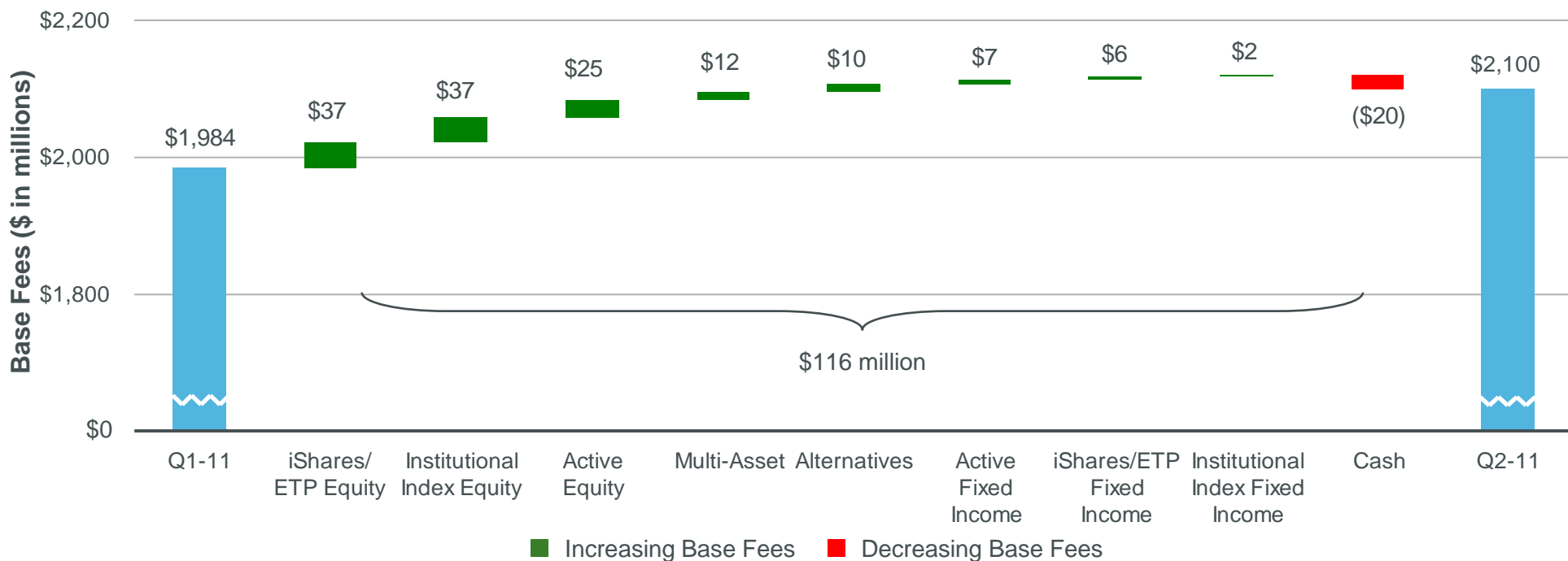
Q2-11 Base Fees

\$2.10 billion



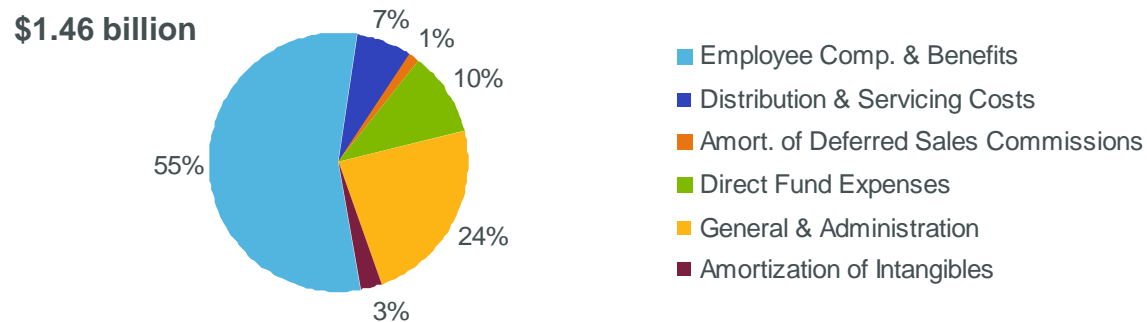
- Active Fixed Income
- iShares/ ETP Fixed Income
- Institutional Index Fixed Income
- Active Equity
- iShares/ ETP Equity
- Institutional Index Equity
- Multi-Asset
- Alternatives
- Cash

Q2-11 Compared to Q1-11

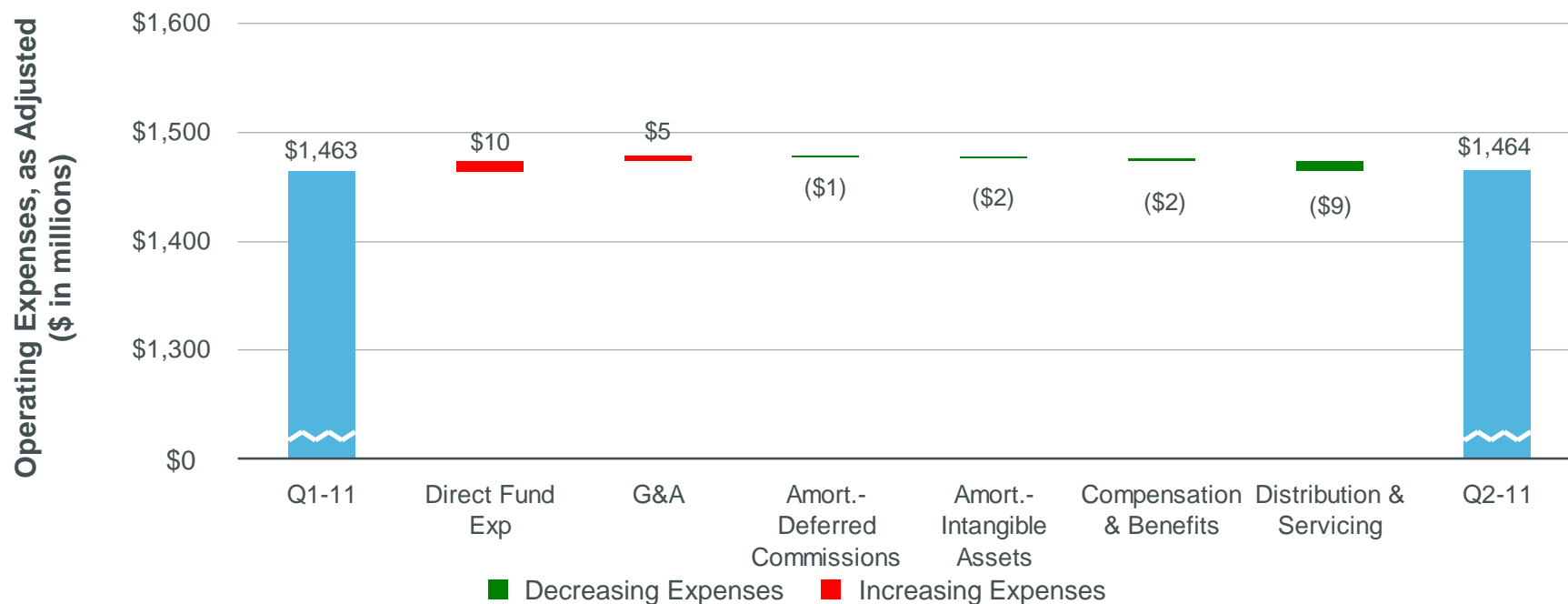


Sequential total expenses remained flat

Q2-11 Expense, as Adjusted, by Category



Q2-11 Compared to Q1-11, as Adjusted

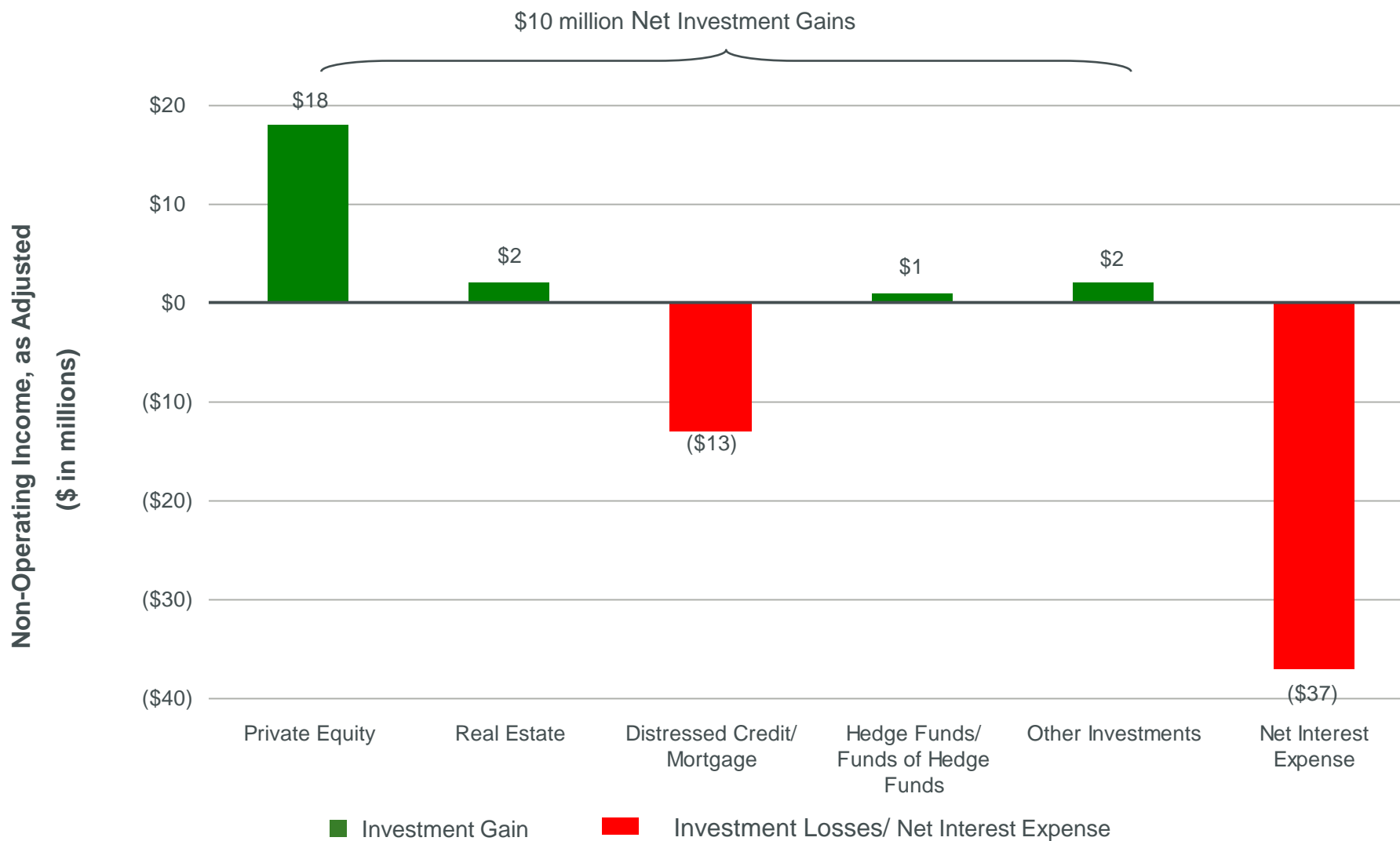


For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release

Non-operating and payout ratio

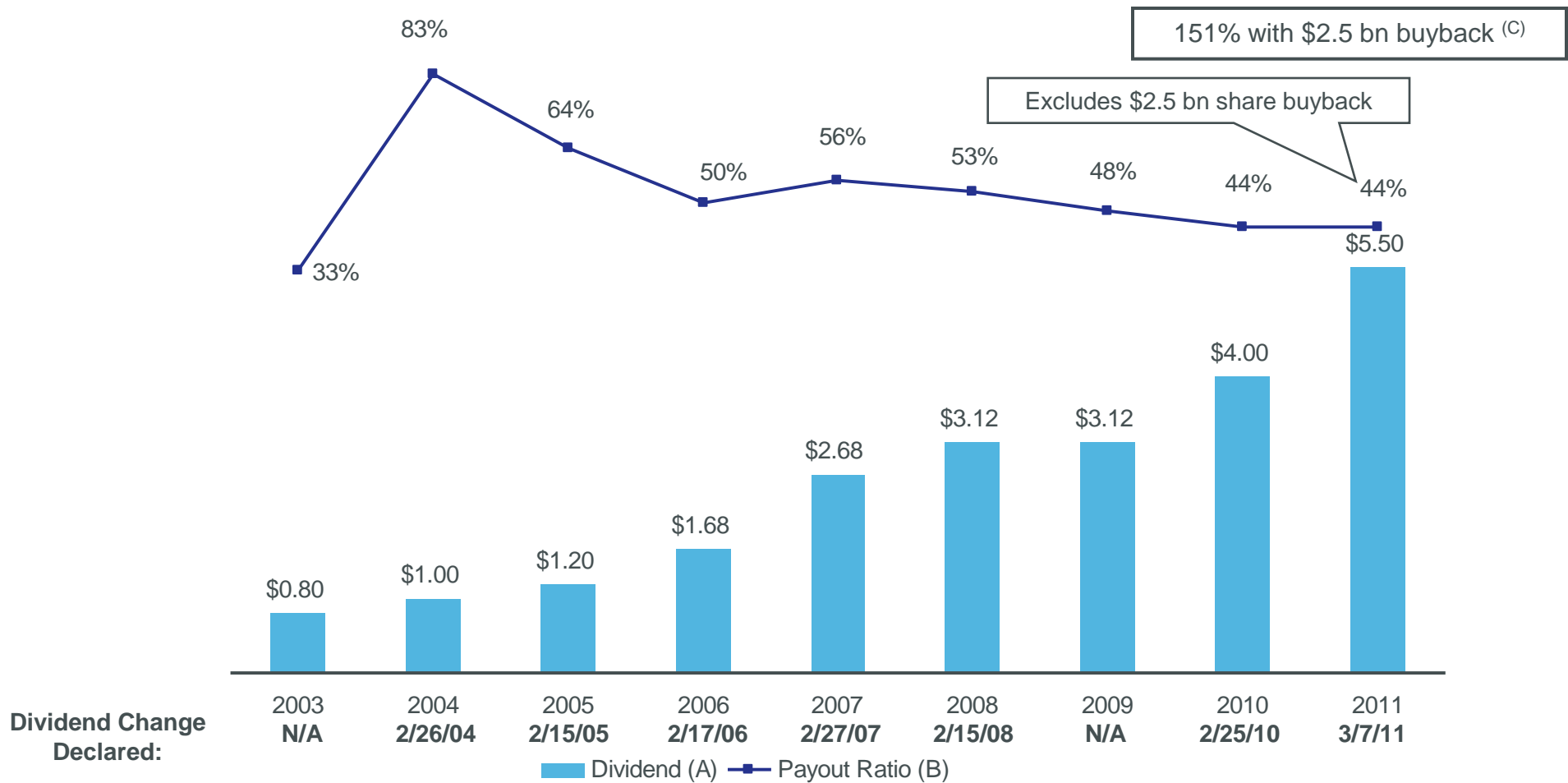
Continued net investment gains offset by higher interest expense

Q2-11 \$27 million Non-Operating Expense by Category, as Adjusted



For further information and reconciliation between GAAP and as Adjusted, see note (b) in the current earnings release as well as the 2010 Form 10-K and first quarter 2011 10-Q

Increase in payout ratio as a result of the \$2.5 billion buyback



Notes:

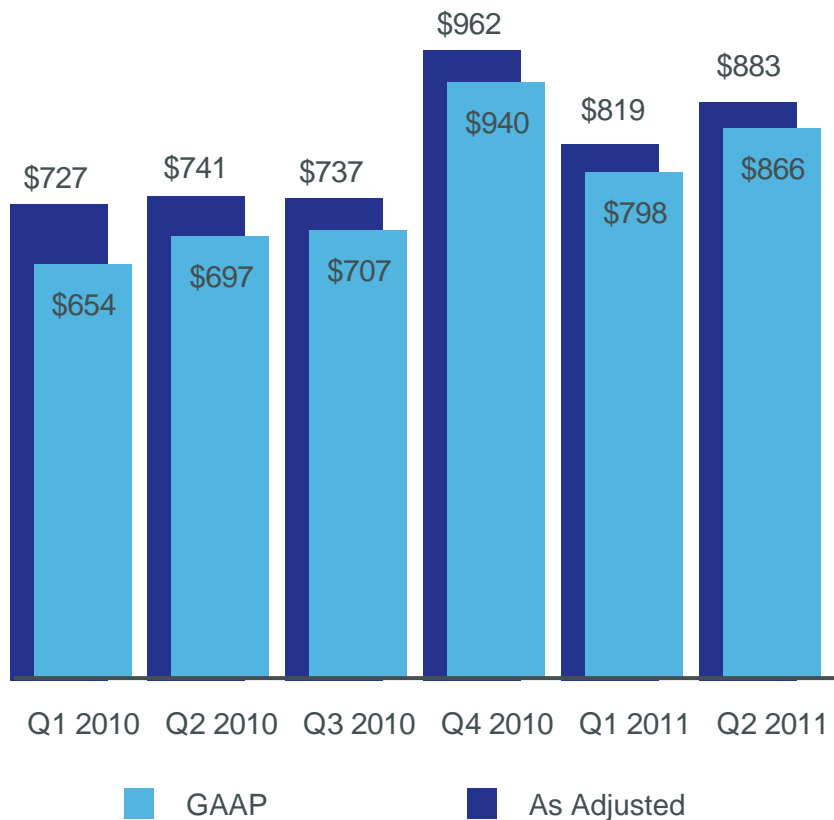
- (A) 2003 and 2011 dividends have been annualized
- (B) Payout ratio = (dividends + share repurchases) / GAAP net income. 2011 ratio includes Q1 & Q2 2011 data only.
- (C) Payout ratio = (YTD 2Q 2011 dividends x 2) + share repurchases) / (YTD 2Q 2011 GAAP net income x 2).

Appendix

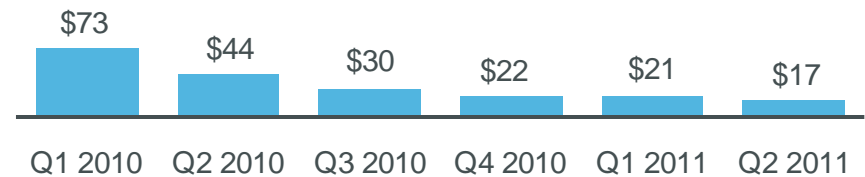
Quarterly operating income – GAAP and As Adjusted

Non-GAAP adjustments include BGI integration costs, PNC LTIP funding obligation, Merrill Lynch compensation contribution, and compensation related to appreciation (depreciation) on certain deferred compensation plans

Operating Income (\$ in millions)



Non-GAAP Adjustments (\$ in millions)

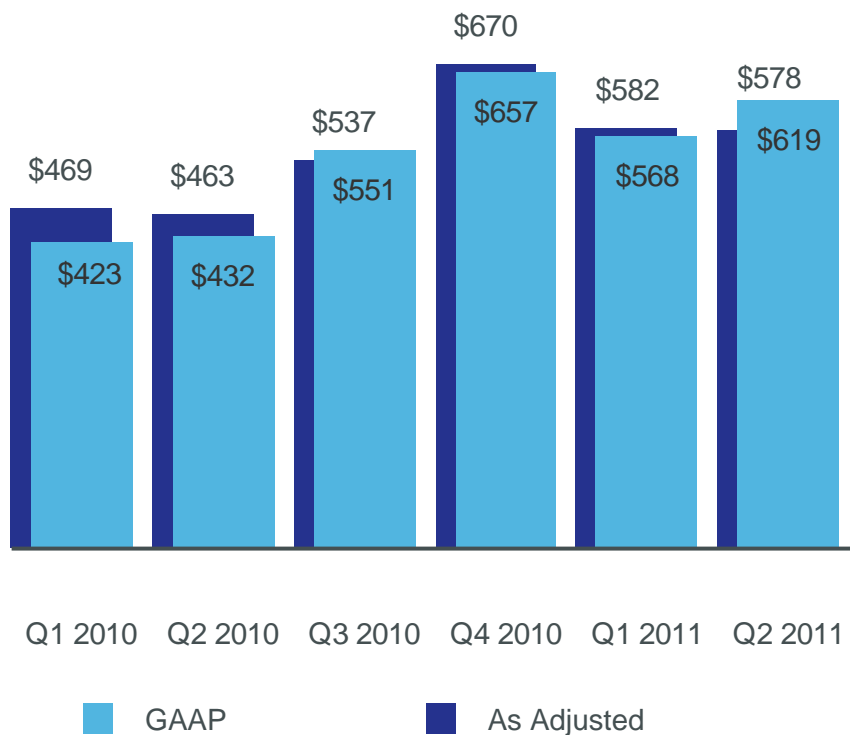


For further information and reconciliation between GAAP and as Adjusted, see note (a) in the current earnings release as well as previously filed Form 10-Qs

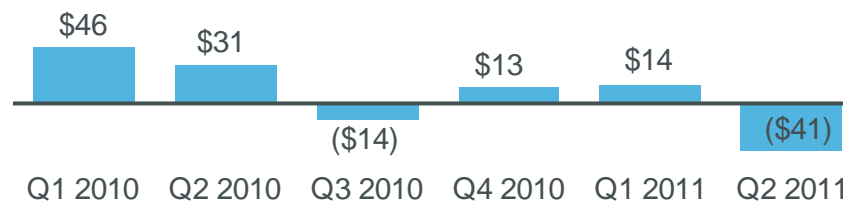
Quarterly net income – GAAP and As Adjusted

Non-GAAP adjustments include BGI integration costs, PNC LTIP funding obligation, Merrill Lynch compensation contribution, and income tax law changes

Net Income (\$ in millions)



Non-GAAP Adjustments (\$ in millions)



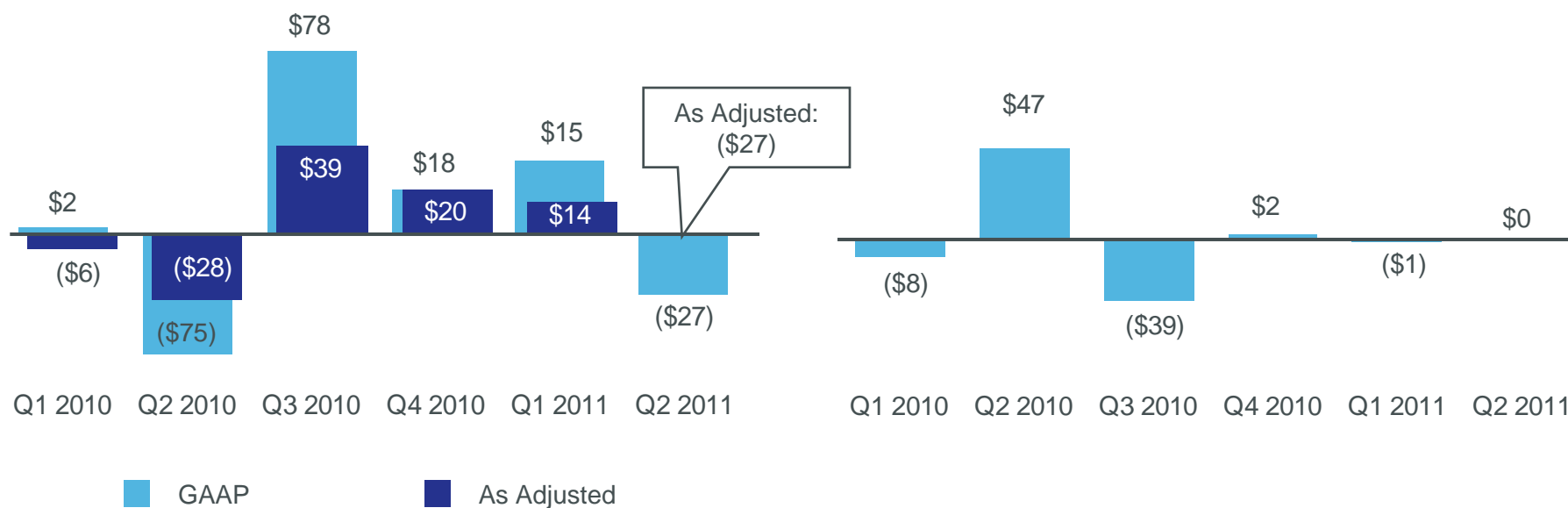
For further information and reconciliation between GAAP and as Adjusted, see notes (c) and (d) in the current earnings release as well as previously filed Form 10-Qs

Quarterly non-operating income – GAAP and As Adjusted

Non-GAAP adjustments include net income (loss) attributable to non-controlling interests, and compensation expense related to (appreciation) depreciation on certain deferred compensation plans

Non-Operating Income (\$ in millions)

Non-GAAP Adjustments (\$ in millions)



For further information and reconciliation between GAAP and as Adjusted, see note (b) in the current earnings release as well as previously filed Form 10-Qs

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