

Morgan Stanley
Financials Conference

June 13, 2012

Mark R. Fetting
Chairman & CEO



Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2012 and in the Company’s quarterly reports on Form 10-Q.

Legg Mason Today

- A Diversified Global Asset Management Firm
- Serving Individual and Institutional Investors for Over a Century
- Approximately 3,000 Employees with 31 Offices Around the World
- Headquartered in Baltimore, Maryland
- Ticker: LM (NYSE)

As of March 31, 2012:

- Revenue TTM: \$2.7B
- Shares Outstanding: 140.1M
- Institutional Holdings: 89%
- AUM: \$627B¹
- Equity: \$5.7B
- Market Cap²: \$3.6B
- Stock Price²: \$25.60

Achievements Against Strategy

Outstanding independent investment managers

- 80% of marketed composite AUM performance is beating benchmark for the critical three year time period
- Managers received numerous recognitions for performance
- Launched new specialized mandates

A corporate center that delivers strategic value

- Flattened global distribution organization to have more “feet on the street”
- Launched two closed-end funds managed by Brandywine and ClearBridge during the fiscal year
- Growing internationally - new distribution office in Geneva

Allocating capital for diversified growth and returning capital to shareholders as appropriate

- Strong cash position of \$1.4B
- Repurchased 13.6M shares in FY12
- Seed capital of \$387M invested in products with AUM of \$27B
- Increased dividend 38% to \$0.11 per share
- Financial flexibility for bolt-on and targeted acquisitions

Data for fiscal year ending March 31, 2012

Operating Results for Fiscal Fourth Quarter and Year Ended March 31, 2012

(\$ millions, except per share amounts)	Mar 12 Qtr	Dec 11 Qtr	Mar 11 Qtr	FY 12	FY 11
Operating Revenues	\$ 648.6	\$ 627.0	\$ 713.4	\$ 2,662.6	\$ 2,784.3
Operating Expenses	576.4	567.7	614.3	2,323.8	2,397.5
Operating Income	72.2	59.3	99.1	338.8	386.8
Net Income	76.1	28.1	69.0	220.8	253.9
Diluted EPS	0.54	0.20	0.45	1.54	1.63
Adjusted Income¹	123.6	76.8	117.7	397.0	439.2
Adjusted Income per diluted share¹	0.88	0.55	0.77	2.77	2.83
Operating Margin, as adjusted¹	21.2%	21.7%	23.4%	21.3%	23.2%
Effective Tax Rate GAAP	30.2%	26.4%	31.0%	23.8%	32.7%
Effective Tax Rate ex CIVs	30.3%	30.9%	31.6%	24.6%	32.0%

¹ See Appendix for GAAP reconciliation

F1Q13 Activities

- Repurchased \$1.25B Convertible Senior Notes in May
 - Non-cash GAAP charge of approximately \$69M for early extinguishment of the convertible notes
 - Repaid at Par, prepayment fee of \$6.25M with issuance of warrants
 - Using \$250M from bank line, proceeds from newly issued \$650M of senior notes at 5.5% and \$350M of existing cash
 - Plan to refinance \$500M revolving credit facility with a term loan
- Repurchasing \$155M of shares
 - Issued 1.5M shares related to annual incentive awards
- Board Authorization for new \$1B share repurchase plan
 - Limited to 65% of net operating cash flows
- ClearBridge is in the market with a new closed-end fund MLP product
- Western launched REIT IPO in May

Proforma Balance Sheet and Credit Ratings

(\$ in millions)	Proforma			
	Mar12	Mar 12	Mar 11	Mar 10
Cash & Cash Equivalents ¹	\$1,003	\$1,384	\$1,385	\$1,468
Intangibles and Goodwill	5,132	5,132	5,188	5,218
Other Assets	1,738	1,686	1,697	1,844
Consolidated Fund Assets	354	354	437	93
Total Assets	\$8,227	\$8,556	\$8,708	\$8,623
Debt ²	\$1,153	\$1,387	\$1,452	\$1,420
Other Liabilities	1,183	1,188	1,112	1,321
Stockholders Equity	5,537	5,627	5,706	5,788
Consolidated Funds Liability/Equity ⁽²⁾	354	354	437	93
Total Liabilities & Equity	\$8,227	\$8,556	\$8,708	\$8,623

Current Credit Ratings		
Agency	Rating	Outlook
Moody's	Baa1	Negative
S&P	BBB	Stable

(1) Includes restricted cash

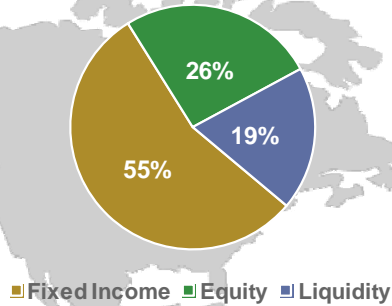
(2) Debt accounted for at carrying value

(3) Includes redeemable noncontrolling interests

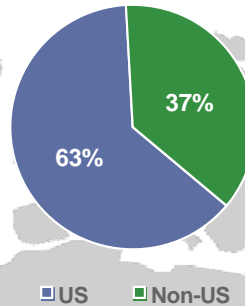
Diversity & Scale

Total AUM \$643B

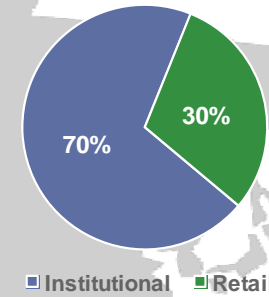
AUM by Asset Class



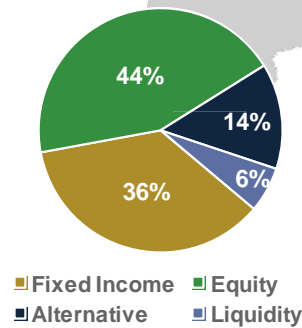
AUM by Client Domicile



AUM by Client



FY2012 Gross Revenues \$2.7B



Data as of March 31, 2012

Our Core Affiliates



Strength of Business

Managers by Worldwide Assets ¹		Worldwide Institutional Managers ¹		Small Cap Managers ^{2,3}		Hedge Fund of Funds ⁴	
BlackRock	\$3,513	BlackRock	\$2,516	Fidelity	\$55.6	Blackstone	\$39.0
State Street Global	1,857	State Street Global	1,522	Vanguard	47.0	HSBC	29.7
Vanguard Group	1,848	BNY Mellon Asset Mgmt	1,133	Royce & Associates	33.1	UBS	27.0
Fidelity Investments	1,716	PIMCO	1,115	DFA	32.3	Goldman Sachs	22.8
PIMCO	1,357	Vanguard Group	1,071	Columbia	29.1	Grosvenor	22.7
JPMorgan Asset Mgmt	1,336	Fidelity Investments	955	T Rowe Price	25.3	Permal	20.0
BNY Mellon Asset Mgmt	1,260	JPMorgan Asset Mgmt	767	Neuberger Berman	12.2	BlackRock	16.8
Capital Research	978	Prudential	679	Baron Cap Mgmt	10.4	Pacific Alternative Asset	15.1
Prudential	901	Wellington	651	Invesco	8.4	Mesirow	14.3
Amundi	855	Amundi	651	Wells Fargo	8.0	Morgan Stanley	13.4
Goldman Sachs	828	AXA Investment	566				
Deutsche Asset Mgmt	704	Legal & General Investment	554				
Franklin Templeton	670	Legg Mason	533				
AXA Investment	665	Northern Trust	489				
Northern Trust	663	TIAA-CREF	416				
MetLife	657	Deutsche Asset Mgmt	406				
Wellington	651	Aviva	376				
Legg Mason	627	UBS	374				

Fixed Income Managers ⁵		Active Domestic Fixed Income ^{1,6}		Sovereign Wealth Fund Assets ¹		Closed-End Fund Managers ²	
BlackRock	\$1,292	PIMCO	\$325.3	State Street	\$222.7	Nuveen Investments	\$47.3
Allianz/PIMCO	1,111	Prudential	147.5	BlackRock	64.0	BlackRock	38.2
Prudential	423	TIAA-CREF	144.7	Legg Mason	57.0	Eaton Vance	23.1
Vanguard	422	Legg Mason	133.1	BNY Mellon Asset Mgmt	49.1	PIMCO/Allianz Gbl	13.7
State Street	404	BlackRock	100.7	Northern Trust	39.6	Legg Mason	13.0
Legg Mason	367	Loomis, Sayles	99.5	JPMorgan Asset Mgmt	39.3	Invesco	12.4
Goldman Sachs	340	JP Morgan Asset Mgmt	93.1	Goldman Sachs	35.0	Calamos	7.9
JP Morgan	290	ING Investment Mgmt	79.1	PIMCO	27.9	Cohen & Steers	7.6
Wellington	279	Wellington	75.2	T Rowe Price	18.0	Virtus Invst Ptnrs	6.5
Franklin Templeton	268	Fidelity	71.9	Morgan Stanley	16.7	Gabelli	5.9

Note: \$ in Billions

1 Pension & Investments, December 31, 2011

2 Strategic Insight, March 2012

3 Data includes Domestic Open-End Small Cap Mutual Funds

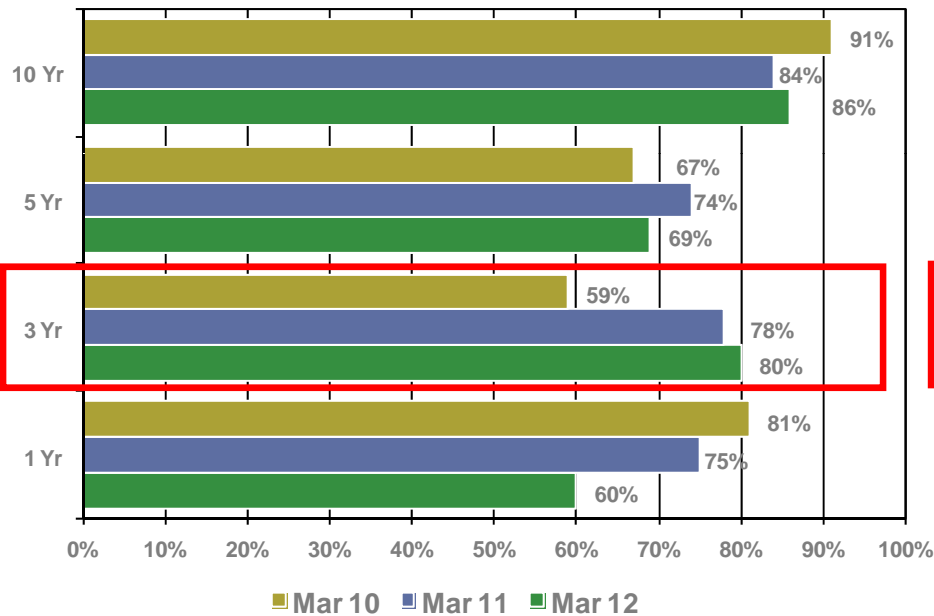
4 Institutional Investor, December 2011

5 Institutional Investor US Money Managers Ranking, December 31, 2010

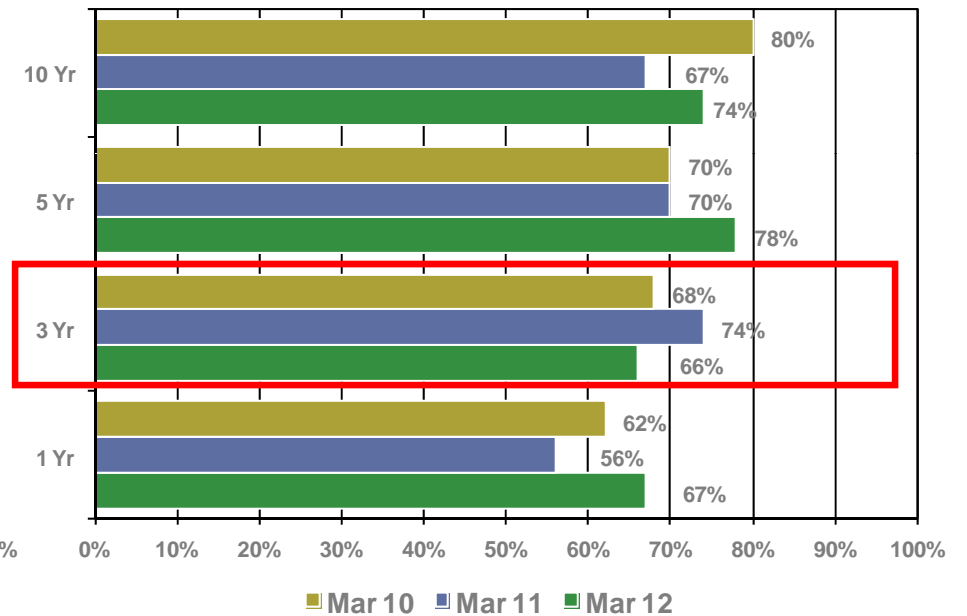
6 Data includes US Institutional, tax-exempt assets

Investment Performance

Marketed Composite Performance¹
% of AUM beating Benchmark



% of Long-Term U.S. Fund Assets
beating Lipper Category Average²

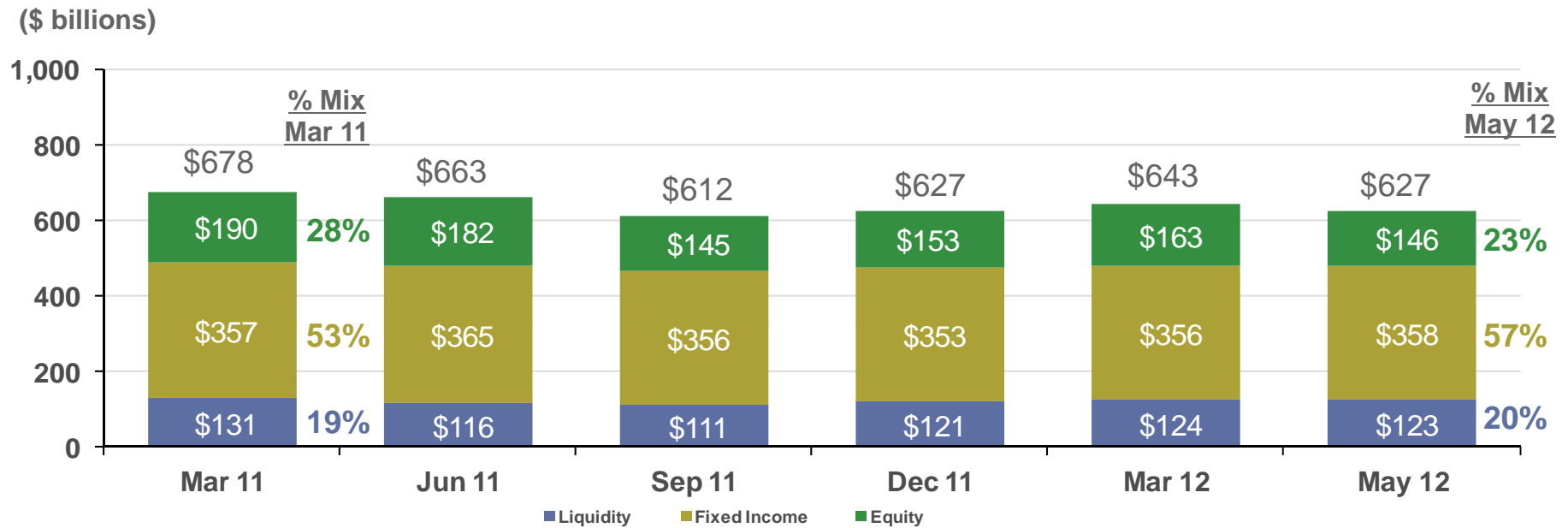


¹ Represents 91% of total AUM as of March 31, 2012. Includes liquidity.

² Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc. and Morningstar

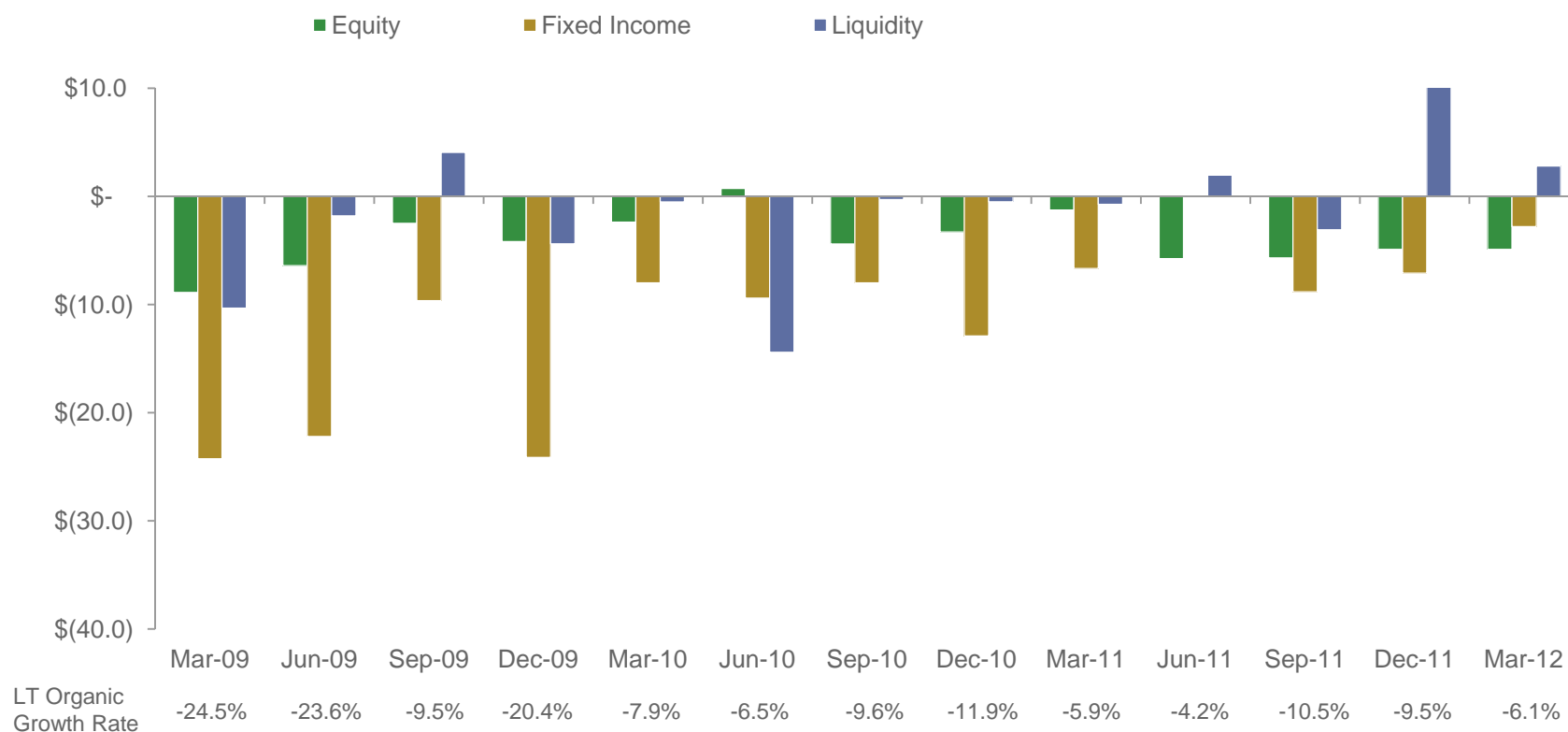
Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

Assets Under Management by Asset Class



- Market appreciation \$24.4B, net of negative FX impact of \$2.0B in F4Q12
 - Equity and Fixed Income market appreciation \$16.8B and \$7.3B, respectively
- Average AUM of \$635B in F4Q12 up \$13B or 2% from prior quarter

Net Flows



- Long term outflows improved each of the last past two quarters
- In the Mar-12 quarter, equity outflows remained flat while fixed income outflows decreased 60%

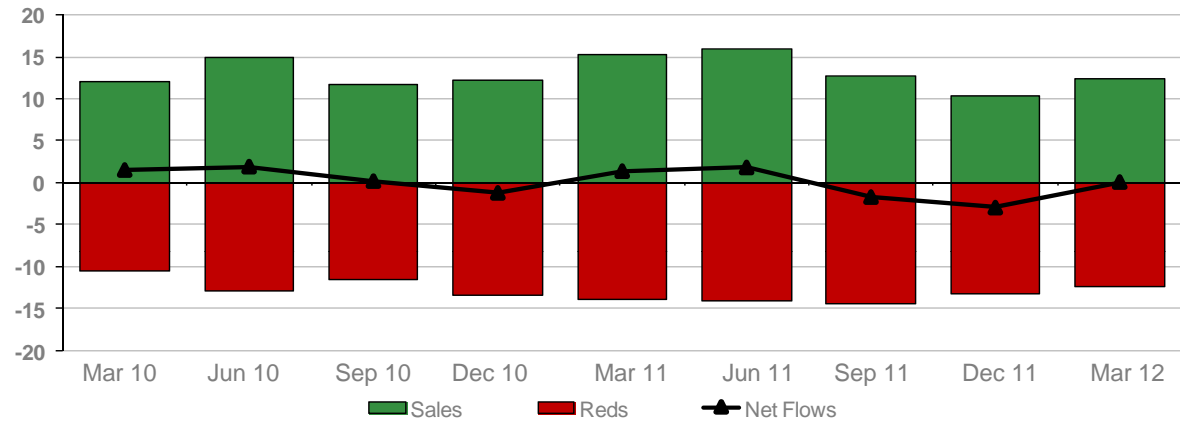
Global Distribution

Overview: Centralized Global Distribution Platform for Retail, Individual and Selected International Institutional Markets

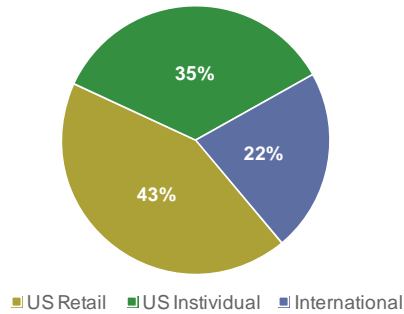
Total AUM: \$220 Billion

Locations: Offices in the US, Asia, Europe, Australia, Japan and Canada

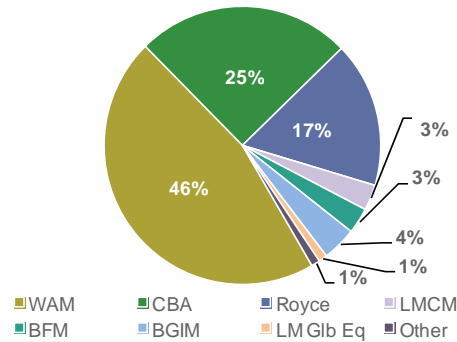
Quarterly Net Flows (\$B)¹



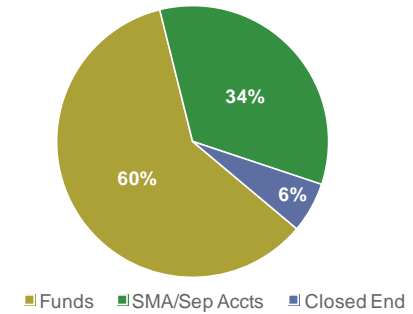
AUM by Channel



AUM by Affiliate



AUM by Product

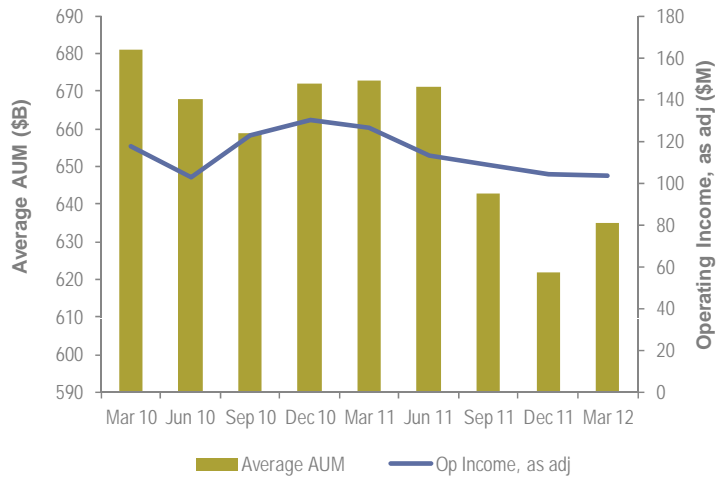


Positioned for Long Term Earnings Growth

- Continued strong investment performance in the critical 3 year period amid market volatility
- Strong financial position
- Effectively managing costs
- Utilizing balance sheet to increase shareholder value
- New products target long-term AUM growth

Significant Progress in Volatile Markets

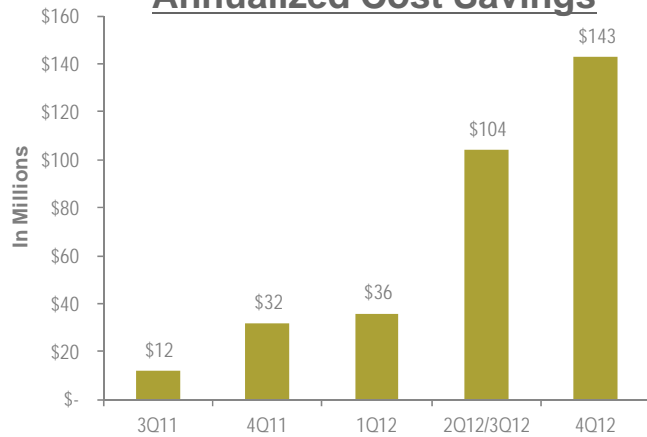
Operating Income, as adjusted¹



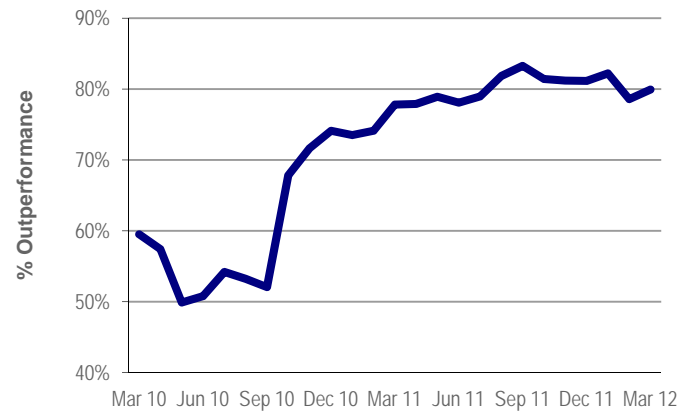
Capital Allocation



Annualized Cost Savings



3 Year Composite Outperformance²



¹See Appendix for GAAP reconciliation

²Includes liquidity

Benchmark source: Lipper and Morningstar

Our Strategy to Deliver Value

Outstanding independent investment managers

A corporate center that delivers strategic value

A balanced portfolio across asset classes, geographies and channels



Revenue & EPS Growth

Competitive Positioning

Respected Brands

Scale

Diversity

Global Distribution

Drives Significant Financial Flexibility

Over \$900M operating income, as adjusted generated in last eight quarters

Three Priorities for Improving Shareholder Value

Growing Organically

- Strong performance
- Institutional expansion
- Global retail momentum
- Customized solutions

Filling Product Gaps

- Select bolt-ons and lift-outs
- International equities
- Alternatives

Returning Capital

- Over \$440M returned to shareholders in FY12
- Increased quarterly dividend 38% to \$0.11 per share
- Over past two years the quarterly dividend has increased from \$0.04 to \$0.11

Appendix

Appendix - GAAP Reconciliation

Consolidated Statements of Income excluding Investment Vehicles¹

(\$ millions)	Quarter Ended March 31, 2012			Quarter Ended December 31, 2011			Quarter Ended March 31, 2011		
	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles
Operating Revenues:									
Investment advisory fees	\$ 564.7	\$ 0.6	\$ 565.4	\$ 545.2	\$ 0.7	\$ 546.0	\$ 616.1	\$ 1.2	\$ 617.4
Distribution and service fees	82.4	0.0	82.4	80.7	0.0	80.7	95.0	0.0	95.0
Other	1.5	-	1.5	1.0	-	1.0	2.3	-	2.3
Total operating revenues	648.6	0.7	649.3	627.0	0.8	627.7	713.4	1.2	714.7
Operating Expenses:									
Compensation and benefits	299.3	-	299.3	263.2	-	263.2	311.5	-	311.5
Distribution and servicing	160.3	(0.0)	160.3	148.3	(0.0)	148.3	174.9	(0.1)	174.8
Other	116.7	(0.1)	116.6	156.2	(0.1)	156.1	127.9	(0.1)	127.8
Total operating expenses	576.4	(0.1)	576.2	567.7	(0.1)	567.6	614.3	(0.1)	614.2
Operating Income	72.2	0.8	73.0	59.3	0.9	60.2	99.1	1.4	100.5
Other Non-Operating Income (Expense)									
Net interest income (expense)	(18.9)	-	(18.9)	(19.3)	-	(19.3)	(19.5)	-	(19.5)
Other income (expense)	56.7	(1.4)	55.2	7.7	(7.8)	(0.1)	23.0	(3.0)	19.9
Other non-operating income (expense)	37.8	(1.4)	36.3	(11.6)	(7.8)	(19.4)	3.5	(3.0)	0.5
Income Before Income Tax Provision	110.0	(0.6)	109.4	47.7	(6.9)	40.8	102.6	(1.7)	101.0
Income tax (benefit) provision	33.2	-	33.2	12.6	-	12.6	31.9	-	31.9
Net Income	76.8	(0.6)	76.2	35.1	(6.9)	28.2	70.8	(1.7)	69.1
Less: Net income (loss) attributable to noncontrolling interests	0.7	(0.6)	0.1	7.0	(6.9)	0.1	1.7	(1.7)	0.1
Net Income Attributable to Legg Mason, Inc.	\$ 76.1	\$ -	\$ 76.1	\$ 28.1	\$ -	\$ 28.1	\$ 69.0	\$ -	\$ 69.0
Effective Income Tax Rate	30.2%			26.4%			31.0%		
Effective Income Tax Rate Excluding Consolidated Investment Vehicles			30.3%			30.9%			31.6%

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

Appendix - GAAP Reconciliation

Consolidated Statements of Income excluding Investment Vehicles¹

(\$ millions)	Year Ended March 31, 2012			Year Ended March 31, 2011		
	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles	GAAP Basis	Consolidated Investment Vehicles	Non-GAAP Basis - Excluding Investment Vehicles
Operating Revenues:						
Investment advisory fees	\$ 2,316.4	\$ 3.0	\$ 2,319.4	\$ 2,398.9	\$ 4.0	\$ 2,403.0
Distribution and service fees	341.0	0.1	341.0	379.2	0.1	379.3
Other	5.3	-	5.3	6.2	-	6.2
Total operating revenues	2,662.6	3.1	2,665.7	2,784.3	4.1	2,788.5
Operating Expenses:						
Compensation and benefits	1,144.3	-	1,144.3	1,185.4	-	1,185.4
Distribution and servicing	649.7	(0.1)	649.7	712.8	(0.1)	712.8
Other	529.8	(0.5)	529.2	499.3	(0.5)	498.8
Total operating expenses	2,323.8	(0.6)	2,323.2	2,397.5	(0.6)	2,396.9
Operating Income	338.8	3.7	342.5	386.8	4.7	391.5
Other Non-Operating Income (Expense)						
Net interest income (expense)	(76.1)	-	(76.1)	(82.9)	-	(82.9)
Other income (expense)	40.4	(13.6)	26.9	61.3	3.7	65.0
Other non-operating income (expense)	(35.7)	(13.6)	(49.2)	(21.6)	3.7	(17.9)
Income Before Income Tax Provision	303.1	(9.9)	293.2	365.2	8.4	373.6
Income tax (benefit) provision	72.1	-	72.1	119.4	-	119.4
Net Income	231.0	(9.9)	221.2	245.8	8.4	254.1
Less: Net income (loss) attributable to noncontrolling interests	10.2	(9.9)	0.4	(8.2)	8.4	0.2
Net Income Attributable to Legg Mason, Inc.	\$ 220.8	\$ -	\$ 220.8	\$ 253.9	\$ -	\$ 253.9
Effective Income Tax Rate	23.8%			32.7%		
Effective Income Tax Rate Excluding Consolidated Investment Vehicles			24.6%			32.0%

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

Appendix – GAAP Reconciliation Adjusted Income¹

(\$ millions, except per share amounts)	Quarters Ended			Twelve Months Ended	
	Mar 12	Dec 11	Mar 11	Mar 12	Mar 11
Net Income attributable to Legg Mason, Inc.	\$ 76.1	\$ 28.1	\$ 69.0	\$ 220.8	\$ 253.9
Plus (Less):					
Amortization of intangible assets	3.6	4.9	5.7	19.6	22.9
Deferred income taxes on intangible assets:					
Tax amortization benefit	33.9	34.0	33.5	135.8	134.6
UK tax rate adjustment	-	-	-	(18.3)	(8.9)
Imputed interest on convertible debt	10.0	9.8	9.4	39.1	36.7
Adjusted Income	\$ 123.6	\$ 76.8	\$ 117.7	\$ 397.0	\$ 439.2
Net Income per Diluted Share attributable to Legg Mason, Inc. common shareholders	\$ 0.54	\$ 0.20	\$ 0.45	\$ 1.54	\$ 1.63
Plus (Less):					
Amortization of intangible assets	0.03	0.04	0.04	0.14	0.15
Deferred income taxes on intangible assets:					
Tax amortization benefit	0.24	0.24	0.22	0.95	0.87
UK tax rate adjustment	-	-	-	(0.13)	(0.06)
Imputed interest on convertible debt	0.07	0.07	0.06	0.27	0.24
Adjusted Income per Diluted Share	\$ 0.88	\$ 0.55	\$ 0.77	\$ 2.77	\$ 2.83

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

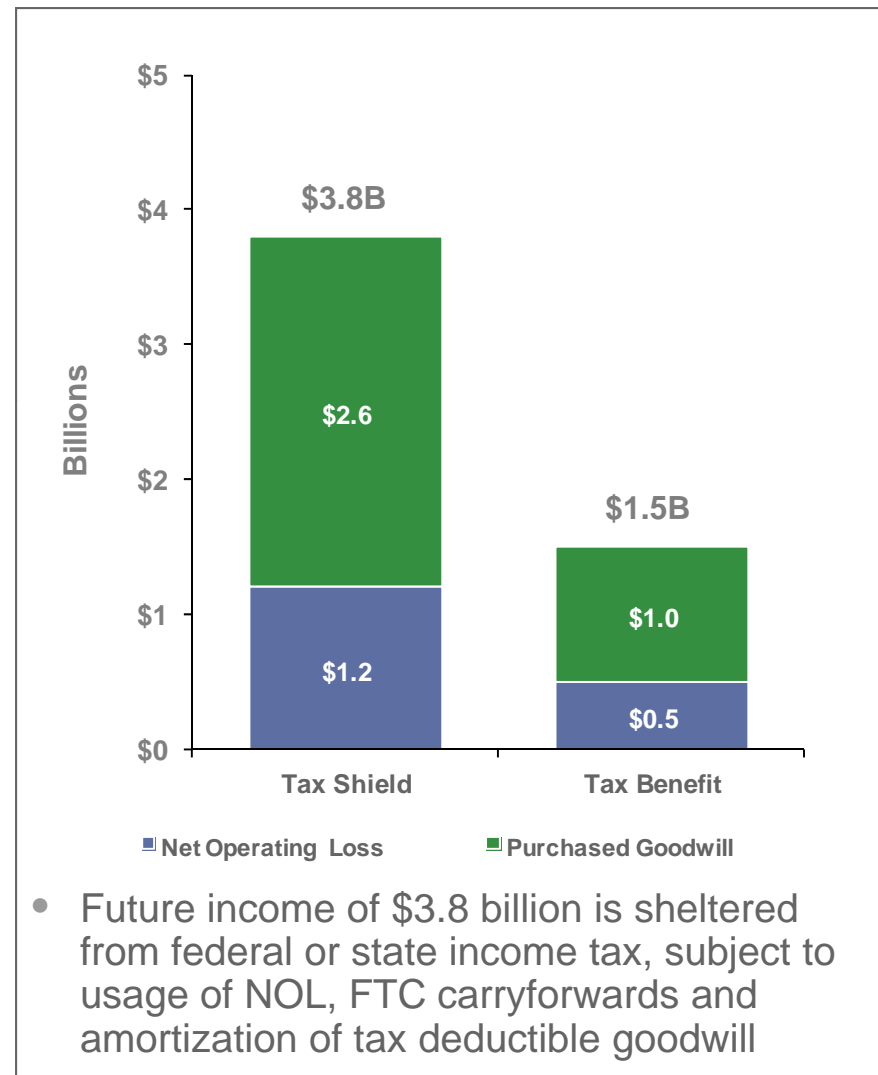
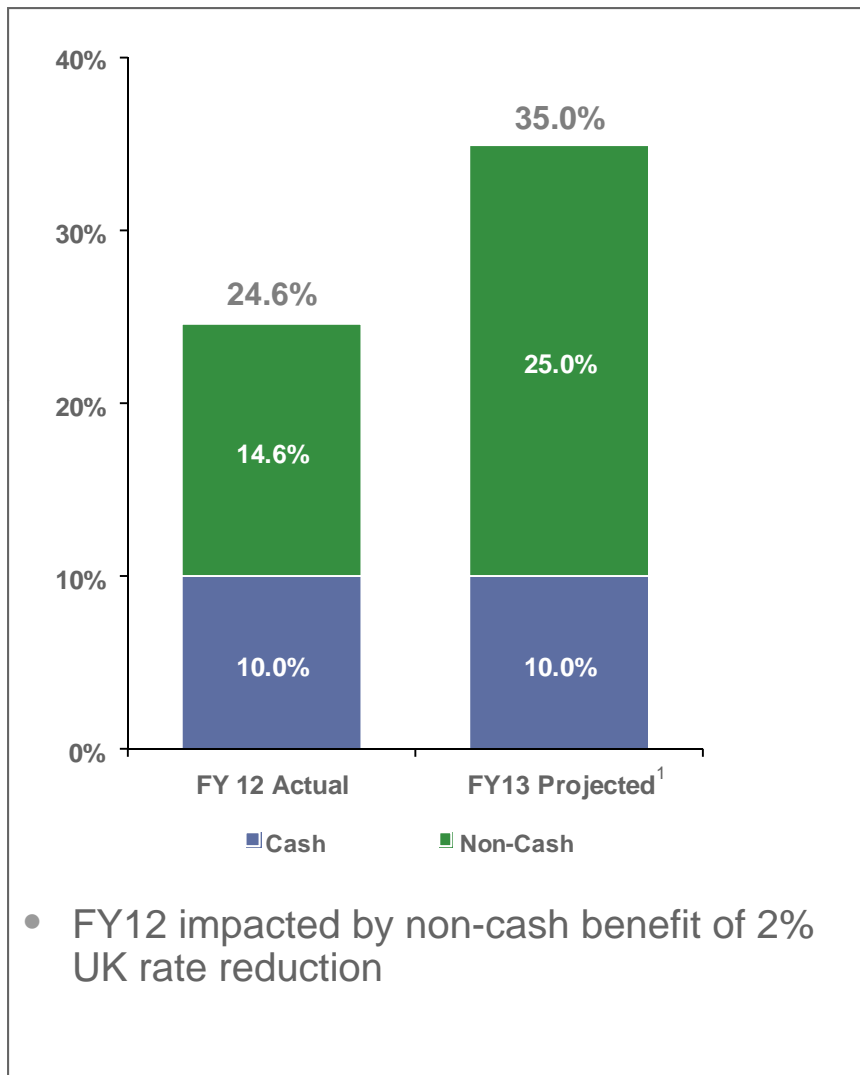
Appendix – GAAP Reconciliation

Operating Margin, as adjusted¹

(\$ millions)	Quarters Ended									Twelve Months Ended	
	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Mar 11	Mar 12
Operating Revenues, GAAP basis	\$ 671.4	\$ 674.2	\$ 674.8	\$ 721.9	\$ 713.4	\$ 717.1	\$ 669.9	\$ 627.0	\$ 648.6	\$ 2,784.3	\$ 2,662.6
Plus (Less):											
Operating revenues eliminated upon consolidation of investment vehicles	0.5	0.8	1.0	1.2	1.2	1.1	0.6	0.8	0.7	4.1	3.1
Distribution and servicing expense excluding consolidated investment vehicles	<u>(167.4)</u>	<u>(184.7)</u>	<u>(165.8)</u>	<u>(187.4)</u>	<u>(174.8)</u>	<u>(180.7)</u>	<u>(160.4)</u>	<u>(148.3)</u>	<u>(160.3)</u>	<u>(712.8)</u>	<u>(649.7)</u>
Operating Revenues, as adjusted	<u>\$ 504.5</u>	<u>\$ 490.3</u>	<u>\$ 509.9</u>	<u>\$ 535.7</u>	<u>\$ 539.8</u>	<u>\$ 537.4</u>	<u>\$ 510.1</u>	<u>\$ 479.5</u>	<u>\$ 489.0</u>	<u>\$ 2,075.7</u>	<u>\$ 2,016.0</u>
Operating Income, GAAP basis	\$ 105.8	\$ 102.8	\$ 87.9	\$ 97.0	\$ 99.1	\$ 100.4	\$ 106.9	\$ 59.3	\$ 72.2	\$ 386.8	\$ 338.8
Plus (Less):											
Gains (losses) on deferred compensation and seed investments	11.2	(4.6)	22.1	8.6	10.2	(2.4)	(14.2)	1.7	28.7	36.3	13.8
Transition-related costs	-	3.2	11.6	24.0	15.7	13.7	15.1	42.3	1.9	54.4	73.1
Operating income and expenses of consolidated investment vehicles	<u>0.8</u>	<u>1.2</u>	<u>1.5</u>	<u>0.6</u>	<u>1.4</u>	<u>1.2</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>4.7</u>	<u>3.7</u>
Operating Income, as adjusted	<u>\$ 117.8</u>	<u>\$ 102.6</u>	<u>\$ 123.1</u>	<u>\$ 130.2</u>	<u>\$ 126.4</u>	<u>\$ 112.9</u>	<u>\$ 108.6</u>	<u>\$ 104.2</u>	<u>\$ 103.7</u>	<u>\$ 482.2</u>	<u>\$ 429.3</u>
Operating margin, GAAP basis	15.8%	15.2%	13.0%	13.4%	13.9%	14.0%	16.0%	9.5%	11.1%	13.9%	12.7%
Operating margin, as adjusted	23.3%	20.9%	24.1%	24.3%	23.4%	21.0%	21.3%	21.7%	21.2%	23.2%	21.3%

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

Appendix - Significant Tax Benefit



Data as of March 31, 2012

¹ FY13 projection prior to potential UK tax rate reduction

Appendix - Positioned for Long-Term Growth

New Products Target Long-Term AUM Growth

Leveraging global reach and partnering with affiliates to respond to investor demand for specialized products

Product	Launch Date	Sales Region	Assets at Mar-12
Legg Mason Foreign Investment Grade Credit Bond Fund	Feb-09	Asia Pacific	\$ 6.2B
Legg Mason Brazilian Government Bond Fund	Oct-08	Asia Pacific	\$ 4.2B
Legg Mason Australian Bond Fund	May-08	Asia Pacific	\$ 2.4B
ClearBridge Energy MLP Fund	Jun-10	US	\$ 1.9B
RLJ Western Asset Public/Private Master Fund	Nov-09	US	\$ 1.5B
Legg Mason Brandywine Global Opportunities Bond Fund	Nov-06	US	\$ 1.4B
Legg Mason Global Plus	Aug-07	Asia Pacific	\$ 1.2B
Legg Mason Global Multi Strategy Bond Fund	May-08	Europe	\$ 984M
ClearBridge Energy MLP Opportunity Fund	Jun-11	US	\$ 787M
Legg Mason Western Asset Asian Opportunities Bond Fund	Jun-08	Multi Regional	\$ 773M