LEGG MASON
GLOBAL ASSET MANAGEMENT

KBW Investment Management and Specialty Finance Conference
June 8, 2011

Mark R. Fetting

Chairman & CEO

Batterymarch • Brandywine Global • ClearBridge Advisors • Legg Mason Capital Management • Legg Mason Global Equities Group
Permal • Private Capital Management • Royce & Associates • Western Asset Management

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, 2011 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 3,400 Employees with 30 Offices Around the World
- Headquartered in Baltimore, Maryland
- Ticker: LM (NYSE)

As of March 31, 2011:

- Revenue TTM: $2.8B
- Shares Outstanding:
  - Diluted – 152M
- Institutional Holdings: 88%
- AUM[1]: $672B
- Equity: $5.8B
- Market Cap[2]: $5.0B
- Stock Price[2]: $33.84

1 As of April 30, 2011
2 As of May 31, 2011

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Streamlined Legg Mason Business Model

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A Year of Focus and Progress

- Net Income increased 24% over prior year to $254M or $1.63 per diluted share
- Aggressively pursued our value creation and streamlining initiatives
  - Solidified our strategic objectives
  - Realigned our Executive Management team
  - Achieved first phase of targeted cost reductions
- 70%+ of marketed composite AUM[1] beating benchmark for 1-, 3-, 5- and 10- year periods
- Raised $4.1B in new product launches
- Reduced level of long-term AUM net outflows by 43%
- Repurchased and retired 14.6M shares of common stock
- Maintained strong balance sheet and excess cash position

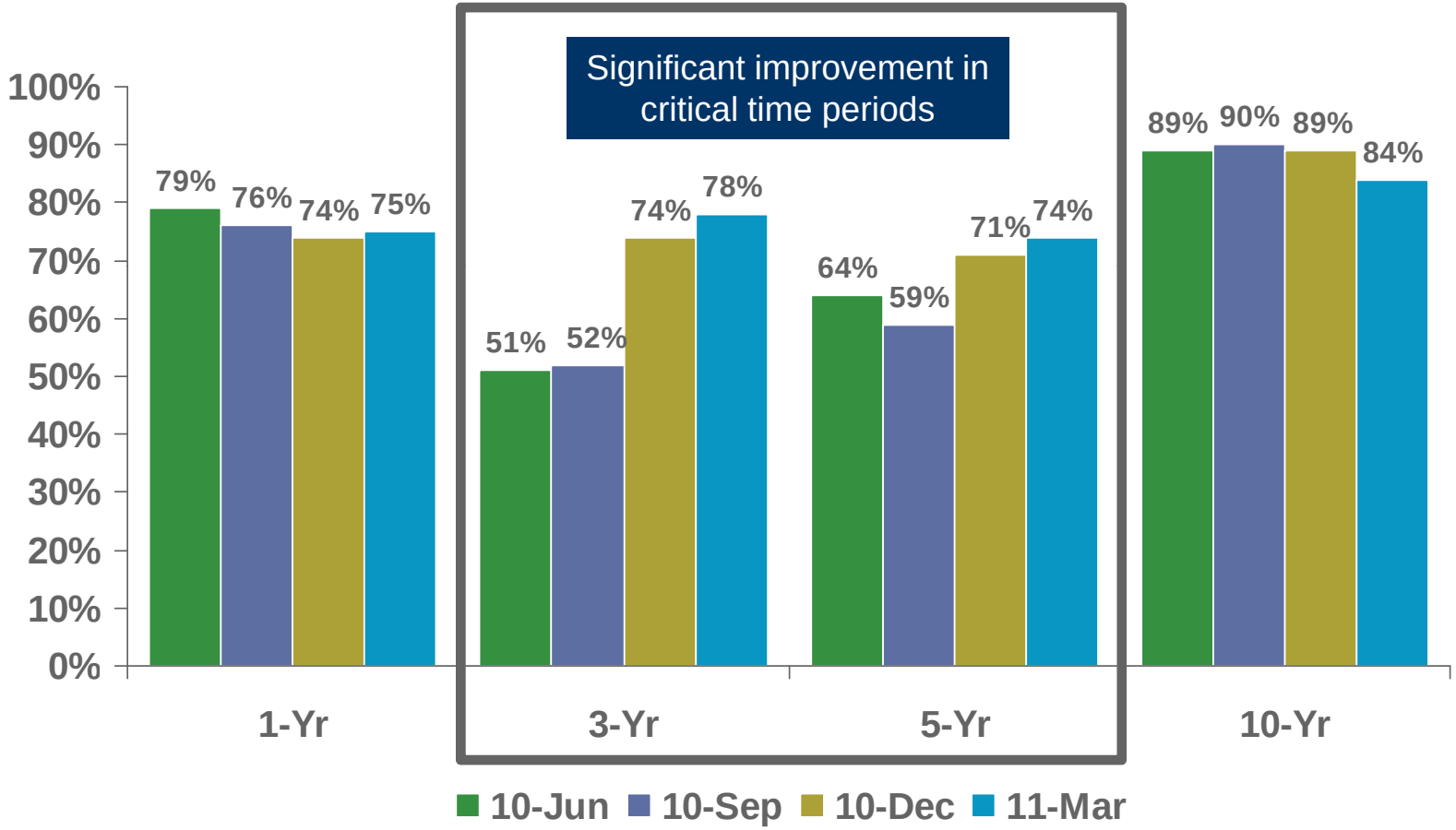
[1] includes liquidity

Our Core – A Portfolio of World Class Affiliates

Western Asset	One of the world's leading fixed income managers
ClearBridge Advisors	Equity strategies selecting high-quality companies through rigorous research and analysis
Legg Mason Capital Management	One of America's leading equity managers recognized for their distinct value investment process
Brandywine Global	Value investing in both equities and fixed income, in both the US and internationally
Royce & Associates	A value oriented, small and micro-cap equity manager
Batterymarch Financial Management, Inc.	A US, international and global equity manager focusing on quantitative analysis
Permal	One of the largest fund-of-hedge-fund managers in the world
Legg Mason Investment Counsel	Provides discretionary investment services to individuals, trusts and institutions
Legg Mason Global Equities Group	A collection of specialty firms dedicated to global equities

Composite Performance

% of Composite AUM Beating Benchmark[1] (includes liquidity)



[1] Covers approximately 90% of total AUM

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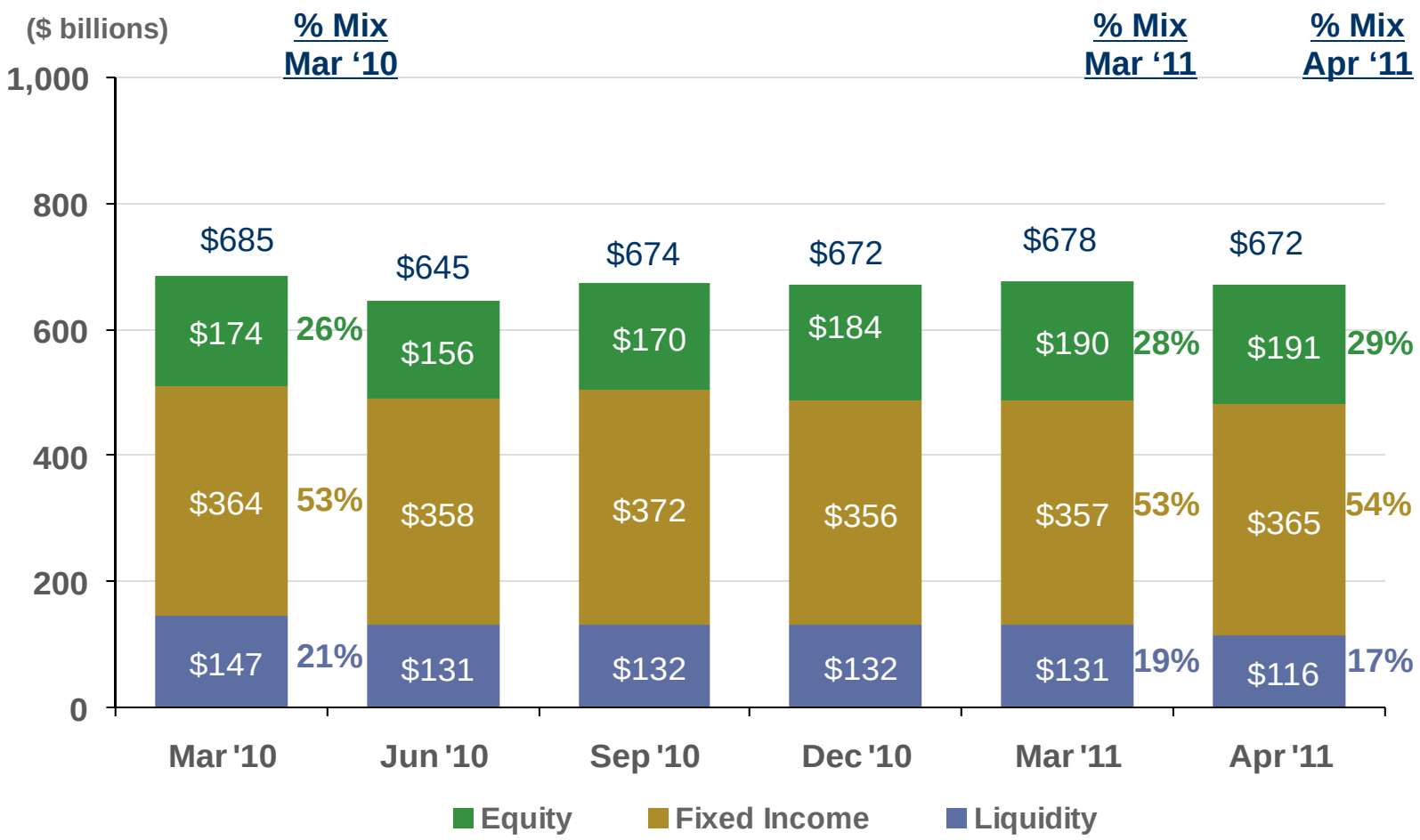
Assets Under Management



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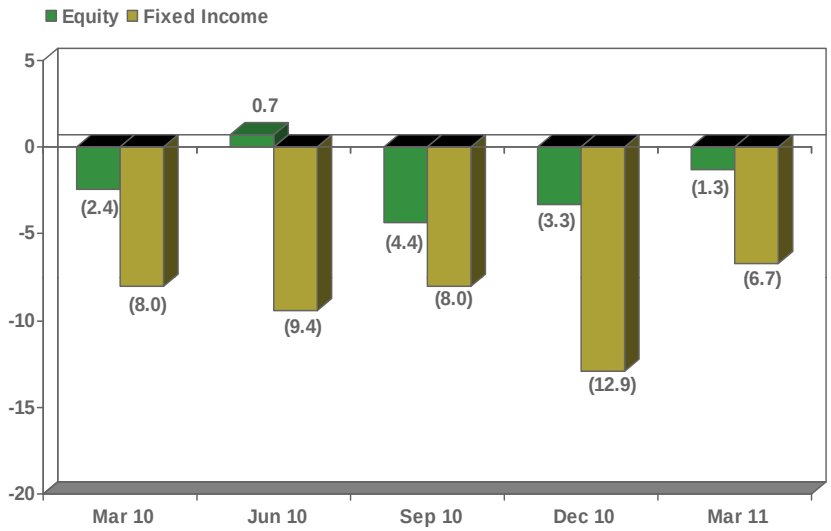
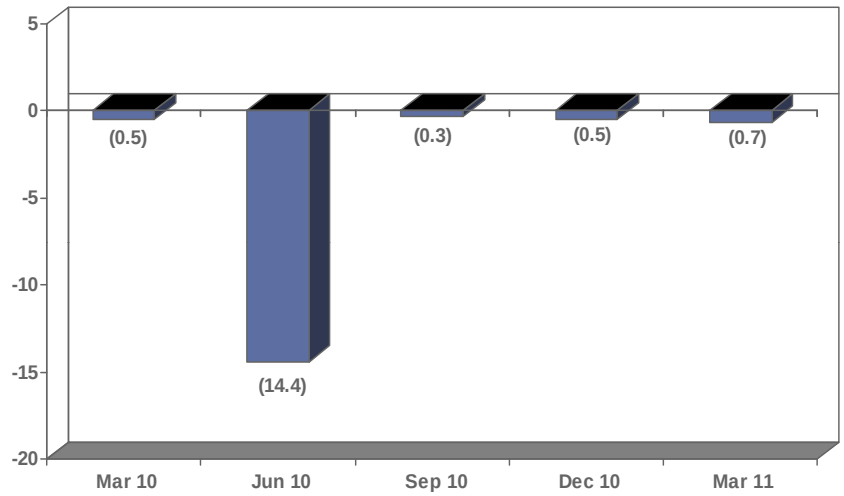
Net Flows





Organic Growth Rate	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11
	-7.9%	-6.5%	-9.6%	-11.9%	-5.9%

- Mar 11 quarter fixed income outflows lowest since Dec 07. Compared to FY 2010 fixed income outflows have declined 42% or $27B
- Mar 11 quarter second best quarter in equity flows since Jun 06. Compared to FY 2010 equity outflows have declined 47% or $7B
- $16B of liquidity sweep AUM transferred to MSSB in Apr 11

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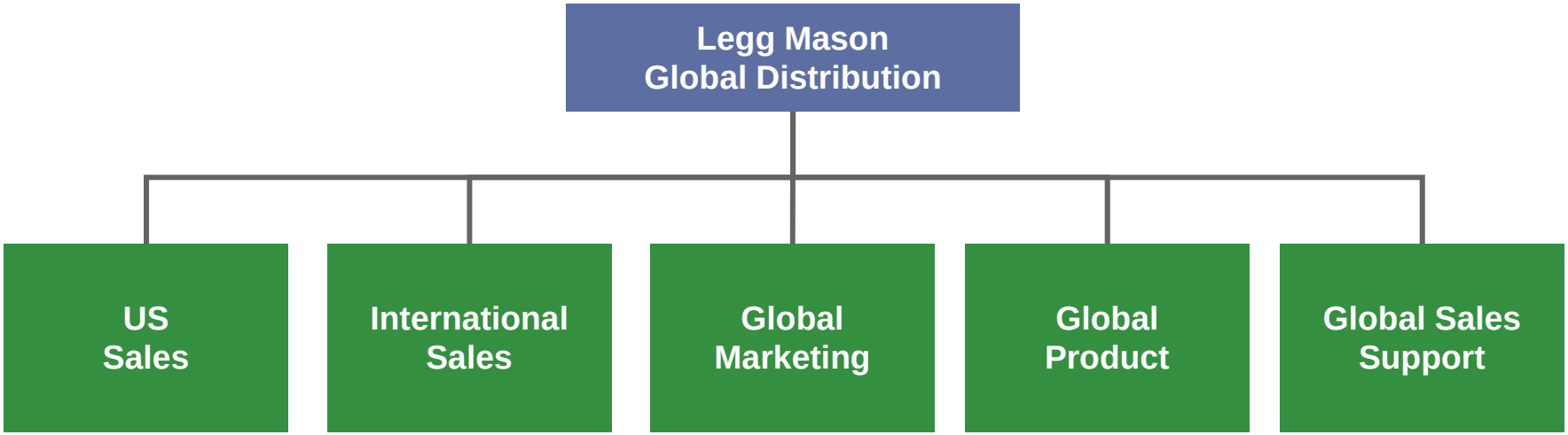
New Global Distribution Organization

Changing our mindset from being a ***distribution business*** to becoming a true ***sales organization***



Sales organization focus

- Partnering with Affiliates
- Leveraging organizational expertise
- Pursuing compelling opportunities
- A global player with balanced positions
- Flatten organization to have more people selling

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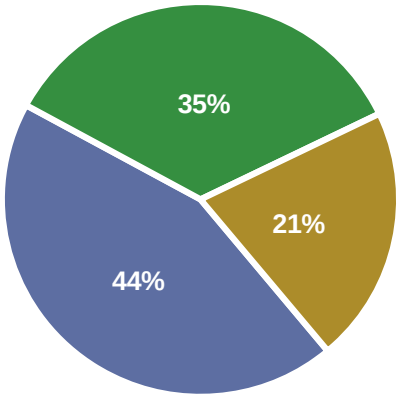
Global Distribution - Overview

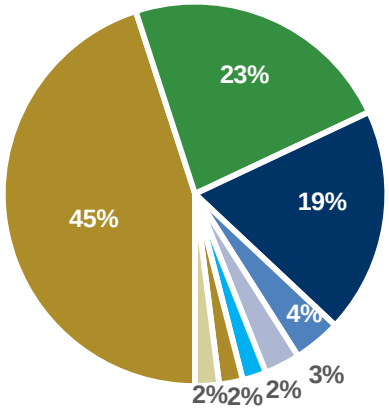
Overview:	Centralized Distribution Platform for Retail, Instividual and Selected International Institutional Markets
Total AUM:	$224 Billion
Locations: and	Offices in the Americas, Asia, Europe, Australia, Japan Canada

AUM by Channel



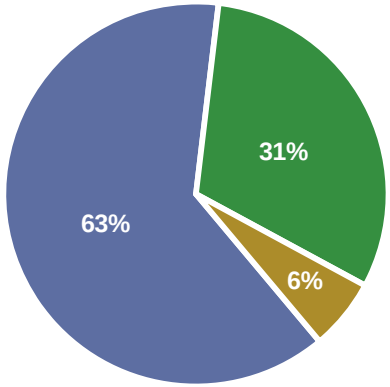
US Retail · US Instividual · International

AUM by Affiliate



WAM · CBA · Royce · LMCM · BFM · BWG · LM Glb Eq · Other

AUM by Product



Funds · SMA/Sep Accts · Closed End

Data as of March 31, 2011

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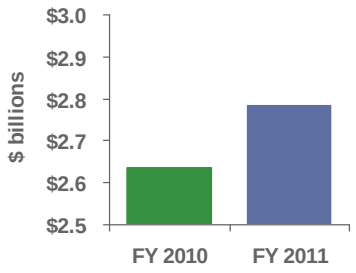
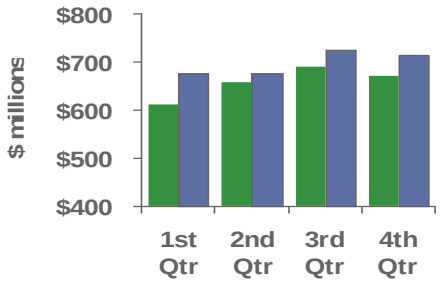
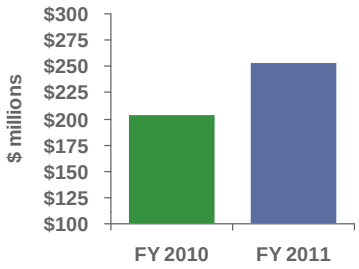
Financial Highlights - GAAP

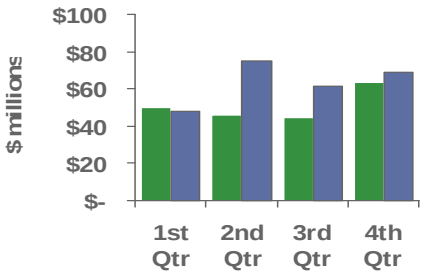
Operating Revenues



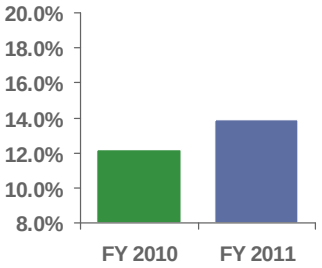


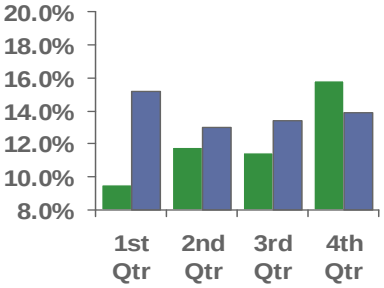
Net Income



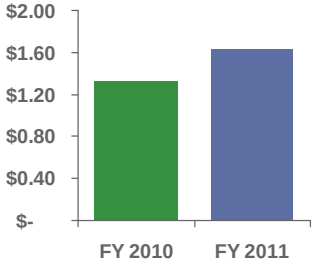


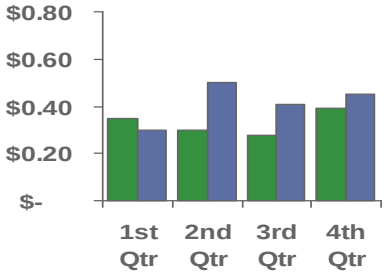
Operating Margin





EPS





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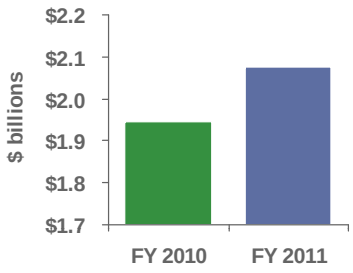
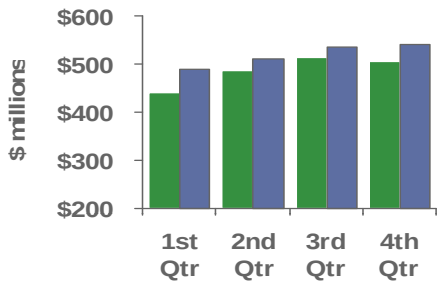
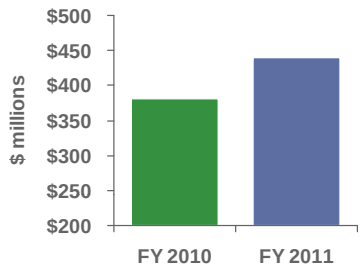
Financial Highlights – As Adjusted[1]

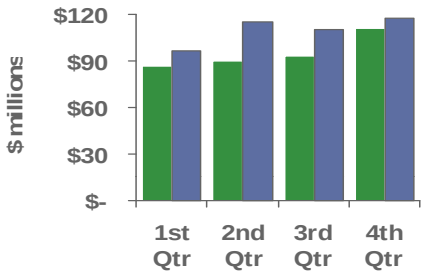
Operating Revenues, as Adjusted



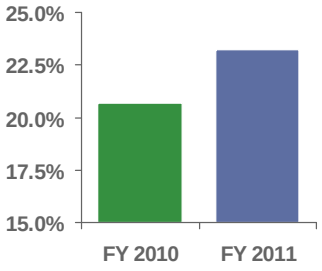


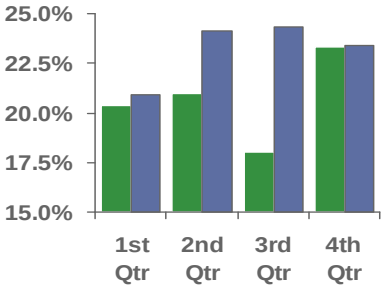
Adjusted Income



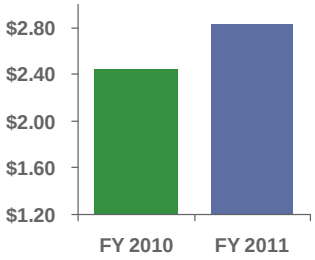


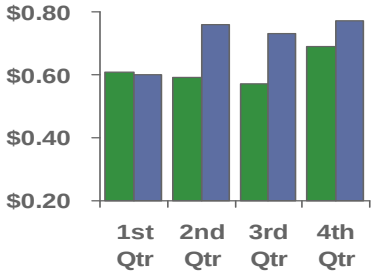
Operating Margin, As Adjusted





Adjusted Income, per diluted share





1 See Appendix for GAAP reconciliation

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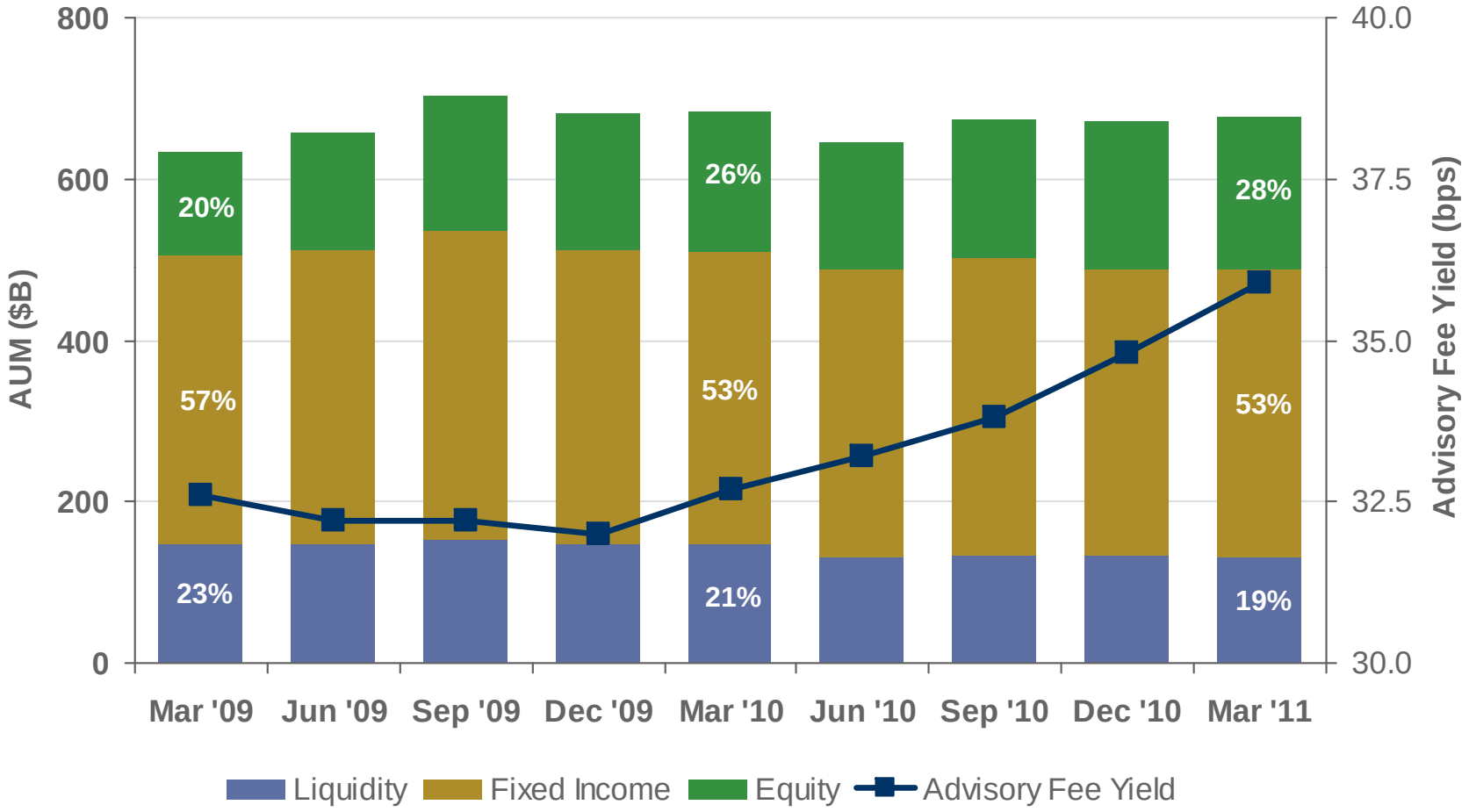
Advisory Fee Yield / Assets Under Management



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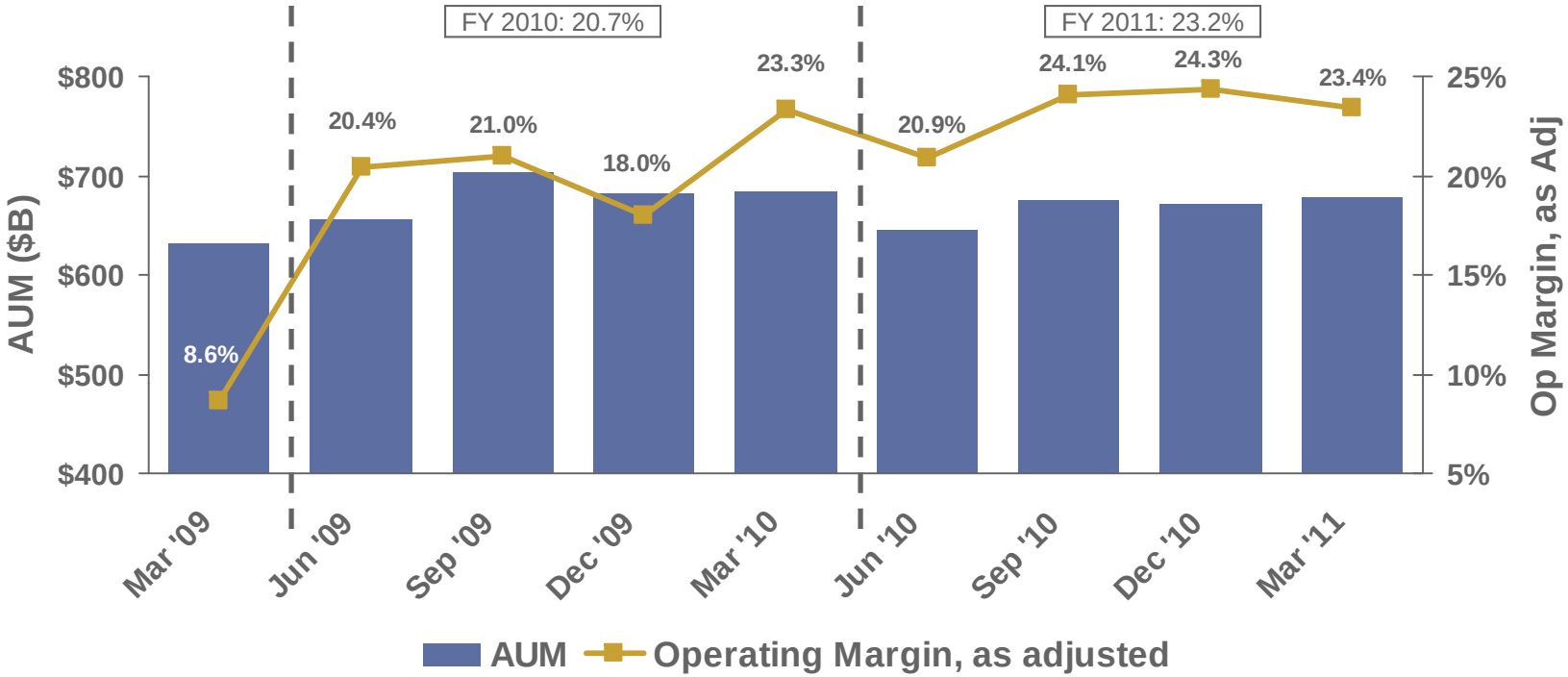
Operating Margin, as Adjusted



- Compared to FY 2010, operating margin, as adjusted increased to 23.2% from 20.7%
  - Improvement over prior year due to change in AUM mix and reduction in non-compensation expenses
- Decline in March quarter operating margin, as adjusted largely driven by lower performance fees and higher payroll taxes

Note: See Appendix for GAAP reconciliation

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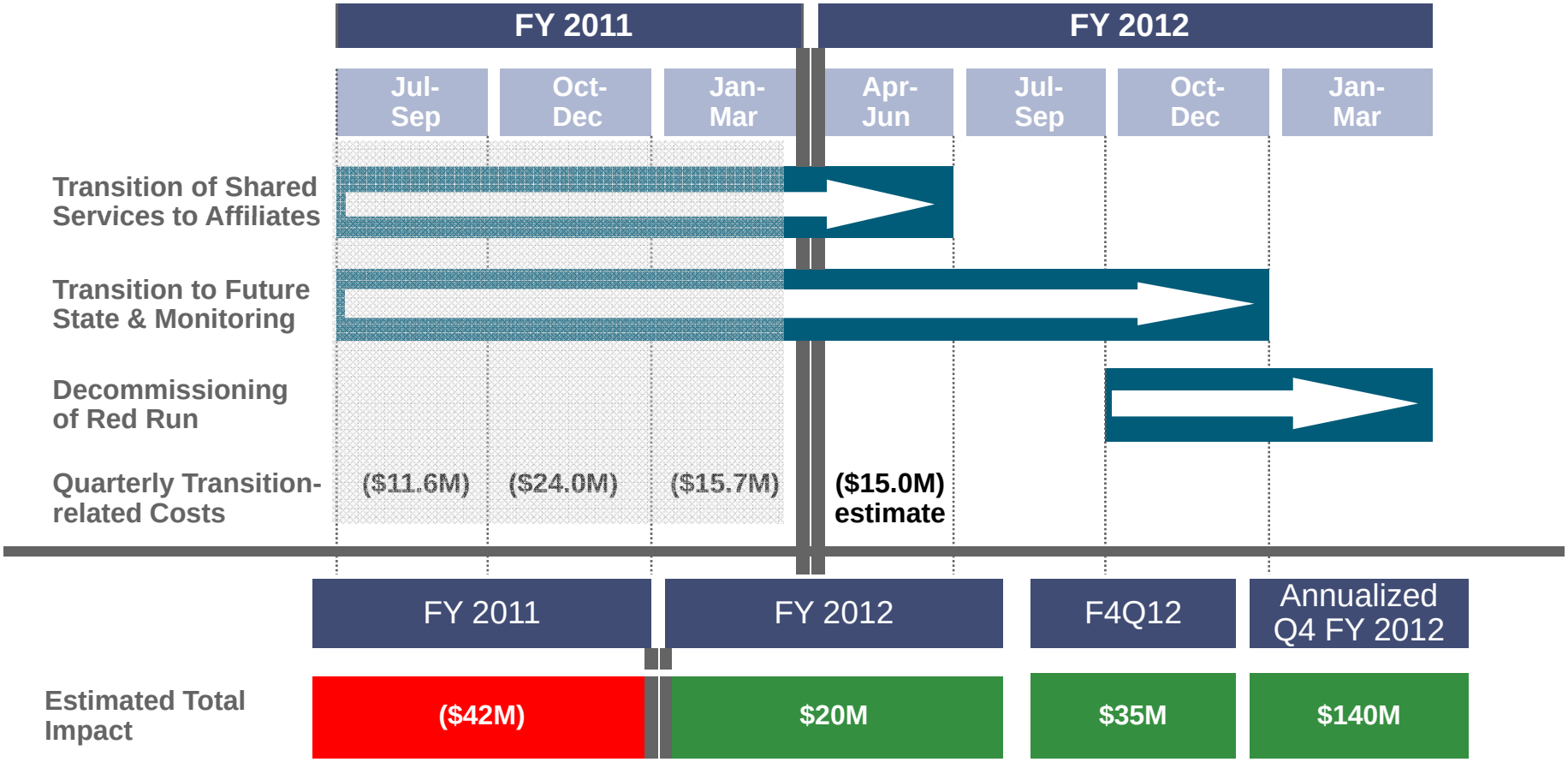
Update on Streamlining our Business Model

- Transition-related expenses incurred to date of approximately $54M
- Savings realized in FY 2011 of $12M, including $8M in Q4
- Projected costs and savings related to streamlining initiatives remain on target
  - $130M - $150M annualized savings to be fully realized by fourth quarter FY 2012
  - Restructuring and related costs estimated between $125M - $135M
- First quarter of FY 2012 results projected to include approximately $15M in transition-related costs

Achievement of all projected savings and margin improvements, as well as amount of restructuring and transition related costs, will be affected by many factors, including market conditions and other factors affecting the financial results of Legg Mason and the affiliates and the rate of assets under management growth. Actual results may differ materially from projected amounts

Timing and Financial Impact of Streamlining

Expenses associated with streamlining initiative YTD total $54.4M



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Our Strategy to Deliver Value

Outstanding independent investment managers

A corporate center that delivers strategic value

A growth oriented portfolio across asset classes, geographies and channels

*Global presence includes Legg Mason and its affiliates
As of March 31, 2011

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Our Strategy to Deliver Value

Outstanding independent investment managers

A corporate center that delivers strategic value

A growth oriented portfolio across asset classes, geographies and channels

- Global Retail Distribution
- Capital Allocation
  - $1B excess cash
  - Seed capital investment
  - Bolt-on/Lift-out opportunities
  - Share repurchases
  - Dividend increase
- Business Development
- Governance (“No Chalk”)

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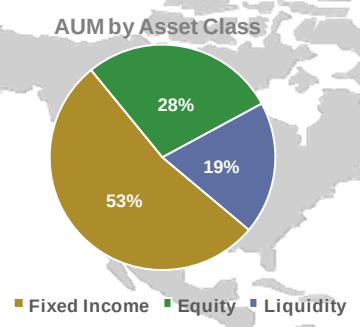
Our Strategy to Deliver Value

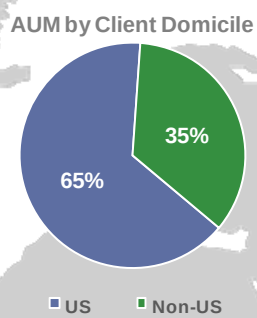
Outstanding independent investment managers

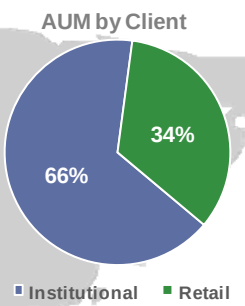
A corporate center that delivers strategic value

A growth oriented portfolio across asset classes, geographies and channels

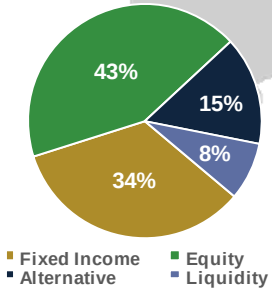
Total AUM $678B







FY11 Gross Revenues $2,784M



Data as of March 31, 2011

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Appendix

Appendix - GAAP Reconciliation
Consolidated Statement of Income excluding Investment Vehicles[1]

($ millions)	Quarter Ended March 31, 2011			Quarter Ended December 31, 2010			Quarter Ended March 31, 2010		
	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	$ 616.1	$ 1.2	$ 617.4	$ 625.1	$ 1.1	$ 626.3	$ 573.9	$ 0.5	$ 574.4
Distribution and service fees	95.0	-	95.0	95.5	-	95.5	96.1	-	96.1
Other	2.3	-	2.3	1.3	-	1.3	1.4	-	1.4
Total operating revenues	713.4	1.2	714.7	721.9	1.1	723.1	671.4	0.5	671.9
Operating Expenses:									
Compensation and benefits	311.5	-	311.5	309.2	-	309.2	267.3	-	267.3
Distribution and servicing	174.9	(0.1)	174.8	187.4	-	187.4	167.4	(0.0)	167.4
Other	127.9	(0.1)	127.8	128.3	0.5	128.9	130.9	(0.2)	130.7
Total operating expenses	614.3	(0.1)	614.2	624.9	0.5	625.5	565.6	(0.2)	565.4
Operating Income	**99.1**	1.4	100.5	**97.0**	0.6	97.6	**105.8**	0.8	106.6
Other Non-Operating Income (Expense)									
Net interest income (expense)	(19.5)	-	(19.5)	(20.2)	-	(20.2)	(23.5)	-	(23.5)
Other income (expense)	23.0	(3.0)	19.9	10.3	7.7	18.0	19.4	(2.2)	17.2
Other non-operating income (expense)	3.5	(3.0)	0.5	(9.8)	7.7	(2.2)	(4.1)	(2.2)	(6.3)
Income Before Income Tax Provision	102.6	(1.7)	101.0	87.2	8.3	95.4	101.7	(1.4)	100.3
Income tax provision	31.9	-	31.9	33.8	-	33.8	36.6	-	36.6
Net Income	70.8	(1.7)	69.1	53.4	8.3	61.6	65.1	(1.4)	63.7
Less: Net income (loss) attributable to noncontrolling interests	1.7	(1.7)	0.1	(8.3)	8.3	0.0	1.5	(1.4)	0.0
Net Income Attributable to Legg Mason, Inc.	**$ 69.0**	$ -	$ 69.0	**$ 61.6**	$ -	$ 61.6	**$ 63.6**	$ -	$ 63.6
Effective Income Tax Rate	31.0%			38.8%			36.0%		
Effective Income Tax Rate Excluding Consolidated Investment Vehicles			31.6%			35.4%			36.5%

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

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Appendix – GAAP Reconciliation
Adjusted Income[1]

($ millions, except per share amounts)	Quarters Ended Mar 11	Quarters Ended Dec 10	Quarters Ended Mar 10	Twelve Months Ended Mar 11	Twelve Months Ended Mar 10
Net Income attributable to Legg Mason, Inc.	$ 69.0	$ 61.6	$ 63.6	$ 253.9	$ 204.4
Plus (Less):					
Amortization of intangible assets	5.7	5.8	5.7	22.9	22.8
Deferred income taxes on intangible assets:					
Tax amortization benefit	33.6	33.7	33.1	134.6	136.3
UK tax rate adjustment	-	-	-	(8.9)	-
Imputed interest on convertible debt	9.4	9.2	8.9	36.7	34.4
Net money market fund support gains[2]	-	-	-	-	(16.6)
Adjusted Income	$ 117.7	$ 110.3	$ 111.3	$ 439.2	$ 381.3
Net Income per Diluted Share attributable to Legg Mason, Inc. common shareholders	$ 0.45	$ 0.41	$ 0.39	$ 1.63	$ 1.32
Plus (Less):					
Amortization of intangible assets	0.04	0.04	0.04	0.15	0.14
Deferred income taxes on intangible assets:					
Tax amortization benefit	0.22	0.22	0.20	0.87	0.88
UK tax rate adjustment	-	-	-	(0.06)	-
Imputed interest on convertible debt	0.06	0.06	0.06	0.24	0.22
Net money market fund support gains[2]	-	-	-	-	(0.11)
Adjusted Income per Diluted Share	$ 0.77	$ 0.73	$ 0.69	$ 2.83	$ 2.45

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

[2] Net of income taxes.

Note: Adjusted income was formerly reported as "Cash income, as adjusted"

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Appendix – GAAP Reconciliation
Operating Margin, as adjusted[1]

($ millions)	Quarters Ended									Twelve Months Ended	
	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11	Mar 10	Mar 11
Operating Revenues, GAAP basis	$ 617.2	$ 613.1	$ 659.9	$ 690.5	$ 671.4	$ 674.2	$ 674.8	$ 721.9	$ 713.4	$ 2,634.9	$ 2,784.3
Plus (Less):											
Operating revenues eliminated upon consolidation of investment vehicles	1.2	0.8	0.6	0.9	0.5	0.8	1.0	1.2	1.2	2.8	4.1
Distribution and servicing expense excluding consolidated investment vehicles	(180.6)	(172.4)	(174.4)	(177.6)	(167.4)	(184.7)	(165.8)	(187.4)	(174.8)	(691.9)	(712.8)
Operating Revenues, as adjusted	$ 437.8	$ 441.4	$ 486.1	$ 513.7	$ 504.5	$ 490.3	$ 509.9	$ 535.7	$ 539.8	$ 1,945.8	$ 2,075.7
Operating Income (Loss)	$ (45.3)	$ 58.3	$ 77.9	$ 79.1	$ 105.8	$ 102.8	$ 87.9	$ 97.0	$ 99.1	$ 321.2	$ 386.8
Plus (Less):											
Gains (losses) on deferred compensation and seed investments	(1.9)	31.4	24.1	12.6	11.2	(4.6)	22.1	8.6	10.2	79.3	36.3
Transition-related costs	-	-	-	-	-	3.2	11.6	24.0	15.7	-	54.4
Operating income and expenses of consolidated investment vehicles	1.9	0.3	0.2	0.8	0.8	1.2	1.5	0.6	1.4	2.1	4.7
Impairment charges	82.9	-	-	-	-	-	-	-	-	-	-
Operating Income, as adjusted	$ 37.6	$ 90.0	$ 102.2	$ 92.5	$ 117.8	$ 102.6	$ 123.1	$ 130.2	$ 126.4	$ 402.6	$ 482.2
Operating margin, GAAP basis	-7.3%	9.5%	11.8%	11.5%	15.8%	15.2%	13.0%	13.4%	13.9%	12.2%	13.9%
Operating margin, as adjusted	8.6%	20.4%	21.0%	18.0%	23.3%	20.9%	24.1%	24.3%	23.4%	20.7%	23.2%

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

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Appendix - Operating Expenses

($ millions)

	Mar '11	Dec '10	% Chg	Mar '10	% Chg
Compensation and benefits	$ 311.5	$ 309.2	1%	$ 267.3	17%
Distribution and servicing	174.9	187.4	(7%)	167.4	4%
Communications and technology	43.3	39.4	10%	42.2	2%
Occupancy	33.4	37.3	(10%)	25.5	31%
Amortization of intangible assets	5.7	5.8	(2%)	5.7	(1%)
Other	45.5	45.8	(1%)	57.5	(21%)
Total Operating Expenses	$ 614.3	$ 624.9	(2%)	$ 565.6	9%

	Mar 11	% of Net Rev. [1]	Dec 10	% of Net Rev.	$ Change
Salary and incentives	$ 231.8	43%	$ 232.3	43%	$ (0.5)
Benefits and payroll taxes	55.9	10%	48.4	9%	7.5
Subtotal Compensation and benefits	**287.7**	**53%**	**280.7**	**52%**	**7.0**
Transition-related costs and severance	13.6	3%	20.0	4%	(6.4)
MTM deferred comp. and seed investments	10.2	2%	8.5	2%	1.7
Total Compensation and Benefits	$ 311.5	58%	$ 309.2	58%	2.3

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Appendix - Share Repurchase

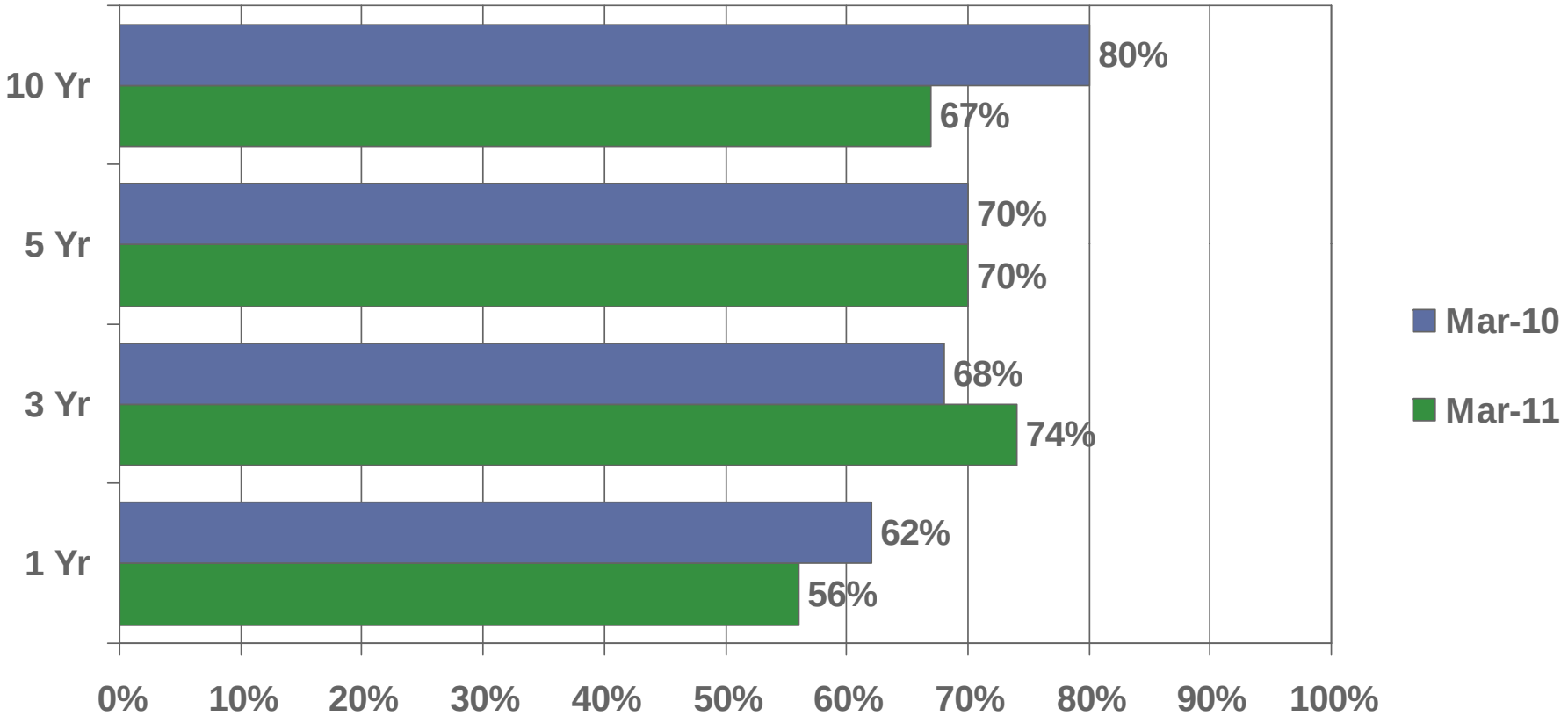
- 14.6M shares or 9% of shares outstanding as of March 31, 2010 were repurchased in FY 2011

Shares Repurchased	Transaction
0.5M	Open market repurchase - May 2010
9.2M	Accelerated Share Repurchase – June 2010
1.0M	Additional shares retired when ASR closed - August 2010
0.7M	Open market share repurchase – QE September 2010
1.2M	Open market share repurchase – QE December 2010
2.0M	Open market share repurchase – QE March 2011
14.6M	**Total shares repurchased under $1B Board Authorization announced last year**

- $555M remains of the Board authorized stock repurchase of up to $1B
- Expect to repurchase additional shares in FY 2012, subject to market and company performance, actual cash flows and other capital needs

Appendix - Long-Term Fund Performance

% of Long-Term U.S. Fund Assets beating Lipper Category Average[1]



[1] As of March 31, 2011, includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.
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.

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Important Notes

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