

Lazard Ltd
Form 10-Q
April 30, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

Bermuda
(State or Other Jurisdiction of Incorporation (I.R.S. Employer Identification No.)
or Organization) 98-0437848

Clarendon House

2 Church Street

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Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant's telephone number: (441) 295-1422

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If the Registrant is an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 20, 2018, there were 129,766,091 shares of the Registrant's Class A common stock outstanding (including 10,308,410 shares held by subsidiaries).

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When we use the terms “Lazard”, “we”, “us”, “our” and “the Company”, we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (“Lazard Group”), that is the current holding company for our businesses. Lazard Ltd’s primary operating asset is its indirect ownership as of March 31, 2018 of all of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

MARCH 31, 2018 AND DECEMBER 31, 2017

(UNAUDITED)

(dollars in thousands, except for per share data)

	March 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	\$962,280	\$ 1,483,836
Deposits with banks and short-term investments	862,865	935,431
Cash deposited with clearing organizations and other segregated cash	38,643	35,539
Receivables (net of allowance for doubtful accounts of \$38,557 and \$23,746 at March 31, 2018 and December 31, 2017, respectively):		
Fees	543,758	487,800
Customers and other	130,928	83,816
Investments	674,686	571,616
Property (net of accumulated amortization and depreciation of \$329,094 and \$317,827 at March 31, 2018 and December 31, 2017, respectively)	354,952	427,186
Goodwill and other intangible assets (net of accumulated amortization of \$63,874 and \$63,099 at March 31, 2018 and December 31, 2017, respectively)	213,923	205,301
Deferred tax assets	388,328	391,364
Other assets	638,381	650,260
Total Assets	351,037	228,144
	\$4,485,095	\$ 4,928,677

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

MARCH 31, 2018 AND DECEMBER 31, 2017

(UNAUDITED)

(dollars in thousands, except for per share data)

	March 31, 2018	December 31, 2017
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits and other customer payables	\$955,723	\$ 992,338
Accrued compensation and benefits	331,734	593,781
Senior debt	1,190,830	1,190,383
Tax receivable agreement obligation	277,215	310,275
Deferred tax liabilities	9,520	9,407
Other liabilities	663,892	573,588
Total Liabilities	3,428,914	3,669,772
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - no shares issued and outstanding	-	-
Series B - no shares issued and outstanding	-	-
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized;		
129,766,091 shares issued at March 31, 2018 and December 31, 2017,		
including shares held by subsidiaries as indicated below)	1,298	1,298
Additional paid-in-capital	619,430	788,140
Retained earnings	1,005,548	1,080,413
Accumulated other comprehensive loss, net of tax	(219,124)	(232,518)
	1,407,152	1,637,333
Class A common stock held by subsidiaries, at cost (9,359,466 and 10,747,142		
shares at March 31, 2018 and December 31, 2017, respectively)	(410,591)	(437,530)
Total Lazard Ltd Stockholders' Equity	996,561	1,199,803
Noncontrolling interests	59,620	59,102
Total Stockholders' Equity	1,056,181	1,258,905
Total Liabilities and Stockholders' Equity	\$4,485,095	\$ 4,928,677

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

(dollars in thousands, except for per share data)

	Three Months Ended March 31,	
	2018	2017
REVENUE		
Investment banking and other advisory fees	\$408,726	\$334,916
Asset management fees	338,096	272,924
Interest income	2,710	1,654
Other	18,673	27,926
Total revenue	768,205	637,420
Interest expense	13,507	13,956
Net revenue	754,698	623,464
OPERATING EXPENSES		
Compensation and benefits	405,047	361,801
Occupancy and equipment	30,238	27,484
Marketing and business development	25,659	19,752
Technology and information services	33,252	24,024
Professional services	12,431	11,462
Fund administration and outsourced services	35,184	15,913
Amortization and other acquisition-related costs	866	3,574
Other	26,193	9,257
Total operating expenses	568,870	473,267
OPERATING INCOME	185,828	150,197
Provision for income taxes	24,167	39,767
NET INCOME	161,661	110,430
LESS - NET INCOME ATTRIBUTABLE TO		
NONCONTROLLING INTERESTS	1,969	2,877
NET INCOME ATTRIBUTABLE TO LAZARD LTD	\$ 159,692	\$ 107,553
ATTRIBUTABLE TO LAZARD LTD CLASS A		
COMMON STOCKHOLDERS:		
WEIGHTED AVERAGE SHARES OF COMMON STOCK		
OUTSTANDING:		
Basic	119,930,106	122,815,163
Diluted	132,142,394	132,689,375
NET INCOME PER SHARE OF COMMON STOCK:		

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Basic	\$1.33	\$0.88
Diluted	\$1.21	\$0.81
DIVIDENDS DECLARED PER SHARE OF		
COMMON STOCK	\$1.71	\$1.58

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

(dollars in thousands)

	Three Months Ended March 31,	
	2018	2017
NET INCOME	\$161,661	\$110,430
OTHER COMPREHENSIVE INCOME (LOSS), NET OF		
TAX:		
Currency translation adjustments	17,346	16,932
Employee benefit plans:		
Actuarial loss (net of tax benefit of \$1,342 and \$261		
for the three months ended March 31, 2018 and 2017,		
respectively)	(5,014)	(495)
Adjustment for items reclassified to earnings (net of		
tax expense of \$216 and \$276 for the three months		
ended March 31, 2018 and 2017, respectively)	1,062	1,086
OTHER COMPREHENSIVE INCOME, NET OF TAX	13,394	17,523
COMPREHENSIVE INCOME	175,055	127,953
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO		
NONCONTROLLING INTERESTS	1,969	2,877
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
LAZARD LTD	\$173,086	\$125,076

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

(dollars in thousands)

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 161,661	\$ 110,430
Adjustments to reconcile net income to net cash provided by (used in)		
operating activities:		
Depreciation and amortization of property	8,234	7,662
Amortization of deferred expenses and share-based incentive compensation	100,892	92,766
Amortization and other acquisition-related costs	866	3,574
Deferred tax provision	6,398	17,520
(Increase) decrease in operating assets:		
Receivables-net	(95,308)	115,043
Investments	74,124	66,979
Other assets	(137,635)	(73,026)
Increase (decrease) in operating liabilities:		
Accrued compensation and benefits and other liabilities	(157,941)	(241,624)
Net cash (used in) provided by operating activities	(38,709)	99,324
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(16,158)	(3,847)
Disposals of property	1,231	135
Net cash used in investing activities	(14,927)	(3,712)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Customer deposits	-	145,843
Payments for:		
Capital lease obligations	(8)	(396)
Customer deposits	(100,341)	-
Distributions to noncontrolling interests	(1,451)	(1,001)
Payments under tax receivable agreement	(31,845)	(736)
Purchase of Class A common stock	(145,949)	(106,048)
Class A common stock dividends	(202,384)	(192,264)
Settlement of vested share-based incentive compensation	(101,043)	(61,478)
Other financing activities	(3,767)	(7,947)
Net cash used in financing activities	(586,788)	(224,027)
	49,406	18,570

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH
EQUIVALENTS ANDRESTRICTED CASH
NET DECREASE IN CASH AND CASH EQUIVALENTS AND

RESTRICTED CASH	(591,018)	(109,845)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—January 1	2,454,806	1,607,483
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—March 31	\$ 1,863,788	\$ 1,497,638

RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED
CASH

WITHIN THE CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL

CONDITION:

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$962,280	\$ 1,483,836
Deposits with banks and short-term investments	862,865	935,431
Cash deposited with clearing organizations and other segregated cash	38,643	35,539
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	\$ 1,863,788	\$ 2,454,806

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

(UNAUDITED)

(dollars in thousands)

	Common Stock		Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax		Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Noncontrolling Interests		Total Stockholders' Equity
	Shares	\$			Shares	\$	Shares	\$	Equity	Interests	Equity
Balance - January 1,	129,766,091	\$ 1,298	\$ 688,231	\$ 1,134,186	\$ (314,222)	7,628,786	\$ (273,506)	\$ 1,235,987	\$ 57,826	\$ 1,293,813	
Change for the three month period											
Change from the issuance of new shares											
Change from the exercise of stock based incentive compensation plans, as adjusted				81,544				81,544		81,544	
Balance - March 31, 2017	129,766,091	\$ 1,298	\$ 688,231	\$ 1,215,730	\$ (314,222)	7,628,786	\$ (273,506)	\$ 1,317,531	\$ 57,826	\$ 1,375,357	
Change from comprehensive income				107,553				107,553	2,877	110,430	
Change from comprehensive income - net of tax						17,523		17,523		17,523	
Change from issuance of stock based incentive compensation plans and equivalents			77,527	(29,031)				77,527	(3,054)	74,473	

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Class A common dividends	(192,264)						(192,264)			(192,264)
Issuance of Class A common stock					2,464,967	(106,048)	(106,048)			(106,048)
Repurchase of Class A common stock in connection with performance-based incentive										
Compensation and tax expense										
Net change	(183,736)				(3,214,282)	117,971	(65,765)			(65,765)
Business acquisitions										
Issuance of related equity										
Transactions:										
Class A common stock issuable										
Issuance of related equity (including related to business acquisition)	74						74			74
Repayments to controlling interest, net							-	(1,001)	(1,001)	(1,001)
Net change							-	408	408	408
Balance - March 31,	129,766,091	\$1,298	\$608,073	\$1,101,988	\$(296,699)	6,879,471	\$(261,583)	\$1,153,077	\$60,110	\$1,213,782

See notes to condensed consolidated financial statements.

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

(UNAUDITED)

(dollars in thousands)

	Common Stock		Additional Paid-In- Capital	Retained Earnings	Accumulated		Total		Total Stockholders' Equity	
	Shares	\$			Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries	Lazard Ltd Stockholders' Equity	Noncontrol Interests		
Balance - January 1,	129,766,091	\$ 1,298	\$ 788,140	\$ 1,080,413	\$ (232,518)	10,747,142	\$ (437,530)	\$ 1,199,803	\$ 59,102	\$ 1,258,905
Comprehensive income:				159,692				159,692	1,969	161,661
Other comprehensive income - net of tax					13,394			13,394		13,394
Grant and vesting of performance-based incentive compensation			82,820					82,820		82,820
Share-based payments and equivalents			28,406	(32,173)				(3,767)		(3,767)
Dividends on Class A common stock				(202,384)				(202,384)		(202,384)
Issuance of Class A common stock						2,662,286	(145,949)	(145,949)		(145,949)
Repurchase of Class A common stock in connection with performance-based incentive compensation and tax expense										
Business acquisitions			(280,020)			(4,048,104)	172,827	(107,193)		(1,062,387)
Other equity										

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actions:										
ary of Class A										
on stock	(61)			(1,858)	61	-		-
A common										
ssuable										
ding related										
ization)	145							145		145
tutions to										
ntrolling										
is, net								-	(1,451)	(1,451)
e - March 31,										
	129,766,091	\$1,298	\$619,430	\$1,005,548	\$(219,124)	9,359,466	\$(410,591)	\$996,561	\$59,620	\$1,050,000

See notes to condensed consolidated financial statements.

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Lazard Ltd, a Bermuda holding company, and its subsidiaries (collectively referred to as “Lazard Ltd”, “Lazard”, “we” or the “Company”), including Lazard Ltd’s indirect investment in Lazard Group LLC, a Delaware limited liability company (collectively referred to, together with its subsidiaries, as “Lazard Group”), is one of the world’s preeminent financial advisory and asset management firms and has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals.

Lazard Ltd indirectly held 100% of all outstanding Lazard Group common membership interests as of March 31, 2018 and December 31, 2017. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group, which is governed by an Amended and Restated Operating Agreement dated as of October 26, 2015, as amended (the “Operating Agreement”).

Lazard Ltd’s primary operating asset is its indirect ownership of the common membership interests of, and managing member interests in, Lazard Group, whose principal operating activities are included in two business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (“M&A”), capital advisory, capital raising, restructurings, shareholder advisory, sovereign advisory and other strategic advisory, and
- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, asset allocation strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments, deferred tax assets, outstanding indebtedness, certain contingent obligations, and assets and liabilities associated with Lazard Group’s Paris-based subsidiary Lazard Frères Banque SA (“LFB”).

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd’s Annual Report on Form 10-K for the year ended December 31, 2017. The accompanying December 31, 2017 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The

accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. For example, discretionary compensation and benefits expense for interim periods is accrued based on the year-to-date amount of revenue earned, and an assumed annual ratio of compensation and benefits expense to revenue, with the applicable amounts adjusted for certain items. Although these estimates are based on management's knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates.

The consolidated results of operations for the three month period ended March 31, 2018 are not indicative of the results to be expected for any future interim or annual period.

The condensed consolidated financial statements include Lazard Ltd, Lazard Group and Lazard Group's principal operating subsidiaries: Lazard Frères & Co. LLC ("LFNY"), a New York limited liability company, along with its subsidiaries, including Lazard Asset Management LLC and its subsidiaries (collectively referred to as "LAM"); the French limited liability companies Compagnie

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Financière Lazard Frères SAS (“CFLF”) along with its subsidiaries, LFB and Lazard Frères Gestion SAS (“LFG”), and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited (“LCL”), through Lazard & Co., Holdings Limited (“LCH”), an English private limited company, together with their jointly owned affiliates and subsidiaries.

The Company’s policy is to consolidate entities in which it has a controlling financial interest. The Company consolidates:

- Voting interest entities (“VOEs”) where the Company holds a majority of the voting interest in such VOEs, and
- Variable interest entities (“VIEs”) where the Company is the primary beneficiary having the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of, or receive benefits from, the VIE that could be potentially significant to the VIE.

When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity’s operating and financial decisions, the Company either (i) applies the equity method of accounting in which it records a proportionate share of the entity’s net earnings, or (ii) elects the option to measure at fair value. Intercompany transactions and balances have been eliminated.

Certain prior period amounts have been reclassified to conform to the current period presentation, specifically related to the adoption of new guidance impacting the condensed consolidated statements of cash flows (see Note 2).

2. RECENT ACCOUNTING DEVELOPMENTS

Revenue from Contracts with Customers—In May 2014, the FASB issued comprehensive new revenue recognition guidance. The guidance requires a company to recognize revenue when it transfers promised services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services and requires enhanced disclosures. The guidance also changes the accounting for certain contract costs, including whether they may be offset against revenue in the condensed consolidated statements of operations. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue guidance by one year to annual reporting periods beginning after December 15, 2017. The guidance may be adopted using a full retrospective approach or a modified cumulative effect approach. The Company adopted the revenue recognition guidance upon its effective date of January 1, 2018 using the modified cumulative effect approach. The Company applied the new guidance to contracts that have not yet been completed as of the adoption date. The Company’s adoption efforts included the identification of revenue within the scope of the guidance and the evaluation of revenue contracts.

The Company evaluated the potential impact of the new guidance, including (i) the timing of revenue recognition for Financial Advisory and Asset Management fees and (ii) the presentation of certain contract costs. With respect to revenue recognition, the Company assessed the impact of the new guidance on the recognition of fees for Financial Advisory (e.g., transaction completion, transaction announcement and retainers), and Asset Management (e.g., management and incentive fees). This assessment included an analysis of whether the Company’s fulfillment of its

performance obligations would be deemed to occur over time, or at specific points in time, under the new guidance. Specifically, recognition would be deemed to occur over time if the client receives and consumes benefits from the services as the Company performs the services. The Company concluded that Financial Advisory and Asset Management fees would typically be recognized over time as performance occurs, subject to constraints, using an appropriate measure of progress based on resources consumed, which is consistent with when the client receives benefits. There was no material impact to the Company's recognition of revenue upon adoption of the new guidance.

The new guidance requires the Company to prospectively present certain contract costs on a gross basis. The most significant changes with respect to presentation relate to (a) certain distribution costs within our Asset Management business and (b) certain reimbursable deal costs within our Financial Advisory business, both of which were previously presented net against revenues and are now presented as expenses on a gross basis under the new guidance because the Company is primarily responsible for fulfilling the promise of the arrangement. For the first quarter of 2018, the presentation of such costs on a gross basis resulted in an increase to net revenue of \$23,562, primarily comprised of increases to asset management fees and investment banking and other advisory fees. In addition, there was a corresponding increase to operating expenses of \$23,562, primarily comprised of an increase to distribution costs presented within fund administration and outsourced services and an increase to reimbursable deal costs presented within marketing and business development. These amounts would have been presented on a net basis prior to the adoption of the new guidance, and there was no material impact to net income as a result of the gross basis of presentation under the new guidance.

See Note 3 for further information on contracts within the scope of the new guidance.

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Classification of Certain Cash Receipts and Cash Payments—In August and November 2016, the FASB issued updated guidance which clarifies how a company should classify certain cash receipts and cash payments on the statement of cash flows and clarifies that restricted cash should be included in the total of cash and cash equivalents on the statement of cash flows. The new guidance for both updates is effective for annual and interim periods beginning after December 15, 2017 and is to be applied on a retrospective basis. The Company adopted this new guidance on January 1, 2018. The adoption of the new guidance in the first quarter of 2018 resulted in the reclassification of “cash deposited with clearing organization and other segregated cash” and “deposits with banks and short-term investments” from operating activities to components of “cash and cash equivalents and restricted cash” on the condensed consolidated statement of cash flows. In addition, the Company reclassified cash flows related to customer deposits from operating activities to financing activities. This resulted in changes in deposits with banks and short-term investments and customer deposits no longer being reflected in cash flows from operating activities. Except for the reclassification of these items on the condensed consolidated statement of cash flows, the new guidance had no impact on the Company’s financial statements.

Clarifying the Definition of a Business—In January 2017, the FASB issued updated guidance to clarify the definition of a business within the context of business combinations. The updated guidance requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This updated guidance is expected to reduce the number of transactions that need to be further evaluated as business combinations. If further evaluation is necessary, the updated guidance will require that a business set include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The updated guidance will remove the evaluation of whether a market participant could replace missing elements. The new guidance is effective for annual and interim periods beginning after December 15, 2017 and is to be applied on a prospective basis. The Company adopted the new guidance on January 1, 2018 and it will be applied to business combinations on a prospective basis.

Compensation—Retirement Benefits—Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost—In March 2016, the FASB issued updated guidance on the presentation of net benefit cost in the statement of operations and the components eligible for capitalization. The new guidance requires that only the service cost component of net periodic pension cost and net periodic postretirement benefit cost be presented with other employee compensation costs in operating expenses, applied on a retrospective basis. The other components of net benefit cost, including amortization of prior service cost, and gains and losses from settlements and curtailments, are to be included in non-operating expenses. The new guidance also stipulates that only the service cost component of net benefit cost is eligible for capitalization, applied on a prospective basis. This new guidance is effective for annual and interim periods beginning after December 15, 2017. The Company adopted the new guidance on January 1, 2018 and there was no material impact to the Company’s financial statements.

Compensation—Stock Compensation: Scope of Modification Accounting—In May 2017, the FASB issued updated guidance on modifications to share-based payment awards. The updated guidance requires entities to account for the effects of a modification to a share-based payment award unless the following are all the same immediately before and after the modification: (i) the fair value of the award, (ii) the vesting conditions of the award, and (iii) the classification of the award as an equity instrument or a liability instrument. This new guidance is effective for annual

and interim periods beginning after December 15, 2017 and is to be applied on a prospective basis. The Company adopted the new guidance on January 1, 2018, and there was no material impact to the Company's financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income—In February 2018, the FASB issued updated guidance on the tax effects of items in “accumulated other comprehensive income (loss), net of tax” (“AOCI”). Specifically, the new guidance will permit, but not require, a reclassification from AOCI to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017 (see Note 15). The amount of the reclassification would be the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate. The new guidance is effective for annual and interim periods beginning after December 15, 2018, with an option to apply it in the period of adoption or on a retrospective basis for each period in which the effect of the change in the U.S. federal corporate income tax rate is recognized. Early adoption of the new guidance is permitted for public business entities for reporting periods for which financial statements have not yet been issued. The Company is currently evaluating the new guidance.

Leases—In February 2016, the FASB issued updated guidance for leases. The guidance requires a lessee to (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition, (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (iii) classify all cash payments within operating activities in the statement of cash flows. The new guidance is effective for

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annual and interim periods beginning after December 15, 2018, with early adoption permitted. The new guidance is to be applied on a modified retrospective basis. The Company is currently evaluating the new guidance.

Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments—In June 2016, the FASB issued new guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The new guidance is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the new guidance.

Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment—In January 2017, the FASB issued updated guidance which eliminated Step 2 from the goodwill impairment test. Step 2 is the process of measuring a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires entities to measure a goodwill impairment loss as the amount by which a reporting unit's carrying value exceeds its fair value, limited to the carrying amount of goodwill. The FASB also eliminated the requirements for entities that have reporting units with zero or negative carrying amounts to perform a qualitative assessment for the goodwill impairment test. Instead, those entities would be required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount. The new guidance is effective for interim or annual goodwill impairment tests performed in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the new guidance.

3. REVENUE RECOGNITION

Investment Banking and Other Advisory Fees—Fees for Financial Advisory services are recorded when: (i) a contract with a client has been identified, (ii) the performance obligations in the contract have been identified, (iii) the fee or other transaction price has been determined; (iv) the fee or other transaction price has been allocated to each performance obligation in the contract; and (v) the Company has satisfied the applicable performance obligation. The expenses that are directly related to such transactions are recorded as incurred and presented within operating expenses when the Company is primarily responsible for fulfilling the promise of the arrangement. Revenues associated with the reimbursement of such expenses are recorded when the Company is contractually entitled to reimbursement and presented within investment banking and other advisory fees.

Asset Management Fees—Fees for Asset Management services are primarily comprised of management fees and incentive fees. Management fees are derived from fees for investment management and other services provided to clients. Revenue is recorded in accordance with the same five criteria as Financial Advisory fees, which generally results in management fees being recorded on an accrual basis, primarily based on a percentage of client assets managed. Fees vary with the type of assets managed, with higher fees earned on equity assets, alternative investment (such as hedge fund) and private equity funds, and lower fees earned on fixed income and money market products. Expenses that are directly related to the sale or distribution of fund interests are recorded as incurred and presented within operating expenses when the Company is primarily responsible for fulfilling the promise of the arrangement. Revenues associated with the reimbursement of such expenses are recorded when the Company is contractually entitled to reimbursement and presented within asset management fees.

In addition, the Company earns performance-based incentive fees on various investment products, including traditional products and alternative investment funds such as hedge funds and private equity funds.

For hedge funds, incentive fees are calculated based on a specific percentage of a fund's net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds when a significant reversal in the amount of the cumulative revenue to be recognized is not probable, which is typically at the end of the relevant performance measurement period. The incentive fee measurement period is generally an annual period (unless an account is terminated during the year). The incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds generally are subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain gains realized by the hedge funds in future periods before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a "carried interest" if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interests during the life of the fund can occur. As a result, the Company records incentive fees earned on our

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private equity funds when a significant reversal in the amount of the cumulative revenue to be recognized is not probable, which is typically at the end of the relevant performance period.

Receivables relating to asset management and incentive fees are reported in “fees receivable” on the consolidated statements of financial condition.

The Company disaggregates revenue based on its business segment results and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows:

	Three Months Ended March 31, 2018 (d)
Net Revenue:	
Financial Advisory (a)	\$ 409,121
Asset Management:	
Management Fees and Other (b)	\$ 348,684
Incentive Fees (c)	5,599
Total Asset Management	\$ 354,283

(a) Financial Advisory is comprised of M&A Advisory, Capital Advisory, Capital Raising, Restructuring, Shareholder Advisory, Sovereign Advisory, and other strategic advisory work for clients. The benefits of these advisory services are generally transferred to the Company’s clients over time, and consideration for these advisory services typically includes transaction completion, transaction announcement and retainer fees. Retainer fees are generally fixed and recognized over the period in which the advisory services are performed. However, transaction announcement and transaction completion fees are variable and subject to constraints, and they are typically not recognized until there is an announcement date or a completion date, respectively, due to the uncertainty associated with those events. The advisory fees that may be unrecognized as of the end of a reporting period, primarily comprised of fees associated with transaction announcements and transaction completions, generally remain unrecognized due to the uncertainty associated with those events.

(b) Management fees and other is primarily comprised of management services. The benefits of these management services are transferred to the Company's clients over time. Consideration for these management services generally includes management fees, which are based on assets under management and recognized over the period in which the management services are performed. The selling or distribution of fund interests is a separate performance obligation within management fees and other, and the benefits of such services are transferred to the Company's clients at the point in time that such fund interests are sold or distributed.

(c) Incentive fees is primarily comprised of management services. The benefits of these management services are transferred to the Company's clients over time. Consideration for these management services is generally variable and includes performance or incentive fees. The fees allocated to these management services that are unrecognized as of the end of the reporting period are generally amounts that are subject to constraints due to the uncertainty associated with performance targets and clawbacks.

(d) In addition to the above, contracts with clients include trade-based commission income, which is recognized at the point in time of execution and presented within other revenue. Such income may be earned by providing trade facilitation, execution, clearance and settlement, custody, and trade administration services to clients.

With regard to the disclosure requirement for remaining performance obligations, the Company elected the practical expedients permitted in the guidance to (i) exclude contracts with a duration of one year or less; and (ii) exclude variable consideration, such as transaction completion and transaction announcement fees, that is allocated entirely to unsatisfied performance obligations. Excluded variable consideration typically relates to contracts with a duration of one year or less, and is generally constrained due to uncertainties. Therefore, when applying the practical expedients, amounts related to remaining performance obligations are not material to the Company's financial statements.

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4. RECEIVABLES

The Company's receivables represent fee receivables, amounts due from customers and other receivables.

Receivables are stated net of an estimated allowance for doubtful accounts, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute.

Activity in the allowance for doubtful accounts for the three month periods ended March 31, 2018 and 2017 was as follows:

	Three Months Ended March 31,	
	2018	2017
Beginning Balance	\$23,746	\$16,386
Bad debt expense, net of recoveries	15,952	13,651
Charge-offs, foreign currency translation and other adjustments	(1,141)	(375)
Ending Balance	\$38,557	\$29,662

Bad debt expense, net of recoveries is included in "operating expenses—other" on the condensed consolidated statements of operations.

At March 31, 2018 and December 31, 2017, the Company had receivables past due or deemed uncollectible of \$40,438 and \$34,865, respectively.

Of the Company's fee receivables at March 31, 2018 and December 31, 2017, \$81,572 and \$80,536, respectively, represented interest-bearing financing receivables. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of past due or uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of \$593,114 and \$491,080 at March 31, 2018 and December 31, 2017, respectively, approximates fair value.

5. INVESTMENTS

The Company's investments and securities sold, not yet purchased, consist of the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Interest-bearing deposits	\$ 549	\$ 556
Debt	7	6
Equities	40,778	45,257
Funds:		
Alternative investments (a)	17,547	20,993
Debt (a)	62,808	84,077
Equity (a)	157,693	199,618
Private equity	75,570	76,679
	313,618	381,367
Total investments	354,952	427,186
Less:		
Interest-bearing deposits	549	556
Investments, at fair value	\$ 354,403	\$ 426,630
Securities sold, not yet purchased, at fair value (included in "other liabilities")	\$ 4,274	\$ 7,338

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(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of \$8,294, \$32,190 and \$89,491, respectively, at March 31, 2018 and \$11,213, \$48,391 and \$131,893, respectively, at December 31, 2017, held in order to satisfy the Company's liability upon vesting of previously granted Lazard Fund Interests ("LFI") and other similar deferred compensation arrangements. LFI represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds, subject to service-based vesting conditions (see Notes 7 and 13).

Interest-bearing deposits have original maturities of greater than three months but equal to or less than one year and are carried at cost that approximates fair value due to their short-term maturities.

Equities primarily consist of seed investments invested in marketable equity securities of large-, mid- and small-cap domestic, international and global companies held within separately managed accounts related to our Asset Management business.

Alternative investment funds primarily consist of interests in various Lazard-managed hedge funds, funds of funds and mutual funds.

Debt funds primarily consist of seed investments in funds related to our Asset Management business that invest in debt securities, amounts related to LFI discussed above and an investment in a Lazard-managed debt fund.

Equity funds primarily consist of seed investments in funds related to our Asset Management business that invest in equity securities, and amounts related to LFI discussed above.

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) Edgewater Growth Capital Partners III, L.P. ("EGCP III"), a fund primarily making equity and buyout investments in middle market companies, (ii) a fund targeting significant noncontrolling-stake investments in established private companies and (iii) until the second quarter of 2017, a mezzanine fund (the "Mezzanine Fund"), which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies. Lazard sold its interest in the Mezzanine Fund in May 2017.

Private equity investments consolidated but not owned by Lazard relate to the economic interests that are owned by the management team and other investors in the Edgewater Funds ("Edgewater").

During the three month periods ended March 31, 2018 and 2017, the Company reported in "revenue-other" on its condensed consolidated statements of operations net unrealized investment gains and losses pertaining to "trading" securities still held as of the reporting date as follows:

	Three Months Ended March 31, 2018 2017	
Net unrealized investment gains (losses)	\$(9,291)	\$13,180

6. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy of Investments and Certain Other Assets and Liabilities—Lazard categorizes its investments and certain other assets and liabilities recorded at fair value into a three-level fair value hierarchy as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Lazard has the ability to access.

Level 2. Assets and liabilities whose values are based on (i) quoted prices for similar assets or liabilities in an active market, or quoted prices for identical or similar assets or liabilities in non-active markets, or (ii) inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.

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Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability. Items included in Level 3 include securities or other financial assets whose trading volume and level of activity have significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis.

The fair value of equities is classified as Level 1 or Level 3 as follows: marketable equity securities are classified as Level 1 and are valued based on the last trade price on the primary exchange for that security as provided by external pricing services; equity securities in private companies are generally classified as Level 3.

The fair value of investments in alternative investment funds, debt funds and equity funds is classified as Level 1 when the fair values are primarily based on the publicly reported closing price for the fund.

The fair value of securities sold, not yet purchased, is classified as Level 1 when the fair values are based on unadjusted quoted prices in active markets.

The fair value of the contingent consideration liability is classified as Level 3 and the fair value of the liability is remeasured at each reporting period. The inputs used to derive the fair value of the contingent consideration include the application of probabilities when assessing certain performance thresholds for the relevant periods. Any change in the fair value is recognized in “amortization and other acquisition-related costs” in the condensed consolidated statement of operations. Our business acquisitions may involve the potential payment of contingent consideration upon the achievement of certain performance thresholds. The contingent consideration liability is initially recorded at fair value of the contingent payments on the acquisition date and is included in “other liabilities” on the condensed consolidated statements of financial condition. See Note 11.

The fair value of derivatives entered into by the Company is classified as Level 2 and is based on the values of the related underlying assets, indices or reference rates as follows: the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the two currencies from the trade date to settlement date; the fair value of total return swaps is based on the change in fair value of the related underlying equity security, financial instrument or index and a specified notional holding; the fair value of interest rate swaps is based on the interest rate yield curve; and the fair value of derivative liabilities related to LFI and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for forfeitures. See Note 7.

Investments Measured at Net Asset Value (“NAV”)—As a practical expedient, the Company uses NAV or its equivalent to measure the fair value of certain investments. NAV is primarily determined based on information provided by external fund administrators. The Company’s investments valued at NAV as a practical expedient in (i) alternative investment funds, debt funds and equity funds are redeemable in the near term, and (ii) private equity funds are not redeemable in the near term as a result of redemption restrictions.

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The following tables present, as of March 31, 2018 and December 31, 2017, the classification of (i) investments and certain other assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy and (ii) investments measured at NAV or its equivalent as a practical expedient:

	March 31, 2018				Total
	Level 1	Level 2	Level 3	NAV	
Assets:					
Investments:					
Debt	\$7	\$-	\$-	\$-	\$7
Equities	39,179	-	1,599	-	40,778
Funds:					
Alternative investments	16,540	-	-	1,007	17,547
Debt	62,801	-	-	7	62,808
Equity	157,640	-	-	53	157,693
Private equity	-	-	-	75,570	75,570
Derivatives	-	11,607	-	-	11,607
Total	\$276,167	\$11,607	\$1,599	\$76,637	\$366,010
Liabilities:					
Securities sold, not yet purchased	\$4,274	\$-	\$-	\$-	\$4,274
Contingent consideration liability	-	-	28,974	-	28,974
Derivatives	-	214,975	-	-	214,975
Total	\$4,274	\$214,975	\$28,974	\$-	\$248,223

	December 31, 2017				Total
	Level 1	Level 2	Level 3	NAV	
Assets:					
Investments:					
Debt	\$6	\$-	\$-	\$-	\$6
Equities	43,665	-	1,592	-	45,257
Funds:					
Alternative investments	17,353	-	-	3,640	20,993
Debt	84,071	-	-	6	84,077
Equity	199,565	-	-	53	199,618
Private equity	-	-	-	76,679	76,679
Derivatives	-	3,732	-	-	3,732
Total	\$344,660	\$3,732	\$1,592	\$80,378	\$430,362
Liabilities:					
Securities sold, not yet purchased	\$7,338	\$-	\$-	\$-	\$7,338

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Contingent consideration liability	-	-	28,941	-	28,941
Derivatives	-	198,417	-	-	198,417
Total	\$7,338	\$198,417	\$28,941	\$-	\$234,696

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The following tables provide a summary of changes in fair value of the Company's Level 3 assets and liabilities for the three month periods ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018					
	Net Unrealized/					
	Realized		Foreign			
	Gains/Losses		Currency			
	Beginning	Included	Purchases/	Sales/	Translation	Ending
	Balance	Earnings (a)	Acquisitions	Dispositions	Adjustments	Balance
Assets:						
Investments:						
Equities	\$1,592	\$ (1)	\$ 1	\$ -	\$ 7	\$1,599
Total Level 3 Assets	\$1,592	\$ (1)	\$ 1	\$ -	\$ 7	\$1,599
Liabilities:						
Contingent consideration liability	\$28,941	\$ 33	\$ -	\$ -	\$ -	\$28,974
Total Level 3 Liabilities	\$28,941	\$ 33	\$ -	\$ -	\$ -	\$28,974

	Three Months Ended March 31, 2017					
	Net Unrealized/					
	Realized		Foreign			
	Gains/Losses		Currency			
	Beginning	Included	Purchases/	Sales/	Translation	Ending
	Balance	Earnings (a)	Acquisitions	Dispositions	Adjustments	Balance
Assets:						
Investments:						
Equities	\$1,508	\$ 2	\$ -	\$ (8)	\$ 35	\$1,537
Total Level 3 Assets	\$1,508	\$ 2	\$ -	\$ (8)	\$ 35	\$1,537

Liabilities:

Contingent consideration liability	\$22,608	\$ 2,745	\$ -	\$ (249)	\$ -	\$25,104
Total Level 3 Liabilities	\$22,608	\$ 2,745	\$ -	\$ (249)	\$ -	\$25,104

(a) Earnings recorded in “other revenue” for investments in equities for the three month periods ended March 31, 2018 and 2017 include net unrealized losses of \$1 and \$0, respectively. Earnings recorded in “amortization and other acquisition-related costs” for the contingent consideration liability for the three month periods ended March 31, 2018 and 2017 include unrealized losses of \$33 and \$2,745, respectively.

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month periods ended March 31, 2018 and 2017.

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The following tables present, at March 31, 2018 and December 31, 2017, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

		March 31, 2018			Estimated Liquidation Period of			Investments Not Redeemable		Investments Redeemable	
				% of							
		Fair Value	Unfunded Commitments	Not Redeemable	%	Next 5 Years	5-10 Years	%	Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:											
Hedge funds	\$ 371	\$ -	NA	NA	NA	NA	NA	(a)		<30-60 days	
Funds of funds	26	-	NA	NA	NA	NA	NA	(b)		90 days	
Other	610	-	NA	NA	NA	NA	NA	(c)		<30-60 days	
Debt funds	7	-	NA	NA	NA	NA	NA	(d)		30 days	
Equity funds	53	-	NA	NA	NA	NA	NA	(e)		<30-90 days	
Private equity funds:											
Equity growth	75,570	9,590	(f)	100	%	16%	39	%	45	%	NA
Total	\$76,637	\$ 9,590									

(a) weekly (10%) and monthly (90)%

(b) quarterly (100%)

(c) daily (6%) and monthly (94%)

(d) daily (100%)

(e) daily (19%), monthly (49%) and quarterly (32%)

(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$18,694 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

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December 31, 2017

	Fair Value	Unfunded Commitments	Not Redeemable	Estimated Liquidation Period of			Investments Redeemable	Investments Not Redeemable	Redemption Frequency	Redemption Notice Period
				% of Fair Value	% Next 5 Years	% 5-10 Years				
Alternative investment funds:										
Hedge funds	\$2,517	\$ -	NA	NA	NA	NA	NA	(a)	<30-60 days	
Funds of funds	528	-	NA	NA	NA	NA	NA	(b)	<30-90 days	
Other	595	-	NA	NA	NA	NA	NA	(c)	<30-60 days	
Debt funds	6	-	NA	NA	NA	NA	NA	(d)	30 days	
Equity funds	53	-	NA	NA	NA	NA	NA	(e)	<30-90 days	
Private equity funds:										
Equity growth	76,679	10,300	(f) 100	% 16%	38 %	46 %	NA	NA	NA	
Total	\$80,378	\$ 10,300								

(a) weekly (3%), monthly (5%) and quarterly (92%)

(b) monthly (97%) and quarterly (3%)

(c) daily (6%) and monthly (94%)

(d) daily (100%)

(e) daily (18%), monthly (50%) and quarterly (32%)

(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$5,902 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

Investment Capital Funding Commitments—At March 31, 2018, the Company's maximum unfunded commitments for capital contributions to investment funds primarily arose from commitments to EGCP III, which amounted to \$8,613. The investment period for EGCP III ended on October 12, 2016, after which point the Company's obligation to fund capital contributions for new investments in EGCP III expired. The Company remains obligated until October 12, 2023 (or any earlier liquidation of EGCP III) to make capital contributions necessary to fund follow-on investments and to pay for fund expenses.

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7. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, total return swap contracts on various equity and debt indices and other derivative contracts to economically hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt prices. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company's derivative instruments are recorded at their fair value, and are included in "other assets" and "other liabilities" on the condensed consolidated statements of financial condition. Gains and losses on the Company's derivative instruments are generally included in "interest income" and "interest expense", respectively, or "revenue-other", depending on the nature of the underlying item, in the condensed consolidated statements of operations.

In addition to the derivative instruments described above, the Company records derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures, and is included in "accrued compensation and benefits" in the condensed consolidated statements of financial condition. Changes in the fair value of the derivative liabilities are included in "compensation and benefits" in the condensed consolidated statements of operations, the impact of which equally offsets the changes in the fair value of investments which are currently expected to be delivered upon settlement of LFI and other similar deferred compensation arrangements, which are reported in "revenue-other" in the condensed consolidated statements of operations.

The table below presents the fair value of the Company's derivative instruments reported within "other assets" and "other liabilities" and the fair value of the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements reported within "accrued compensation and benefits" (see Note 13) on the accompanying condensed consolidated statements of financial condition as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Derivative Assets:		
Forward foreign currency exchange rate contracts	\$ 6,379	\$ 3,314
Total return swaps and other (a)	5,228	418
	\$ 11,607	\$ 3,732
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	\$ 2,535	\$ 4,846
Total return swaps and other (a)	24	11,270

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LFI and other similar deferred compensation arrangements	212,416	182,301
	\$214,975	\$ 198,417

(a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of \$5,602 and \$398 as of March 31, 2018, respectively, and \$469 and \$11,321 as of December 31, 2017, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded “net” in “other assets”, with receivables for net cash collateral under such contracts of \$1,896 and \$17,616 as of March 31, 2018 and December 31, 2017, respectively.

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Net gains (losses) with respect to derivative instruments (predominantly reflected in “revenue-other”) and the Company’s derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (included in “compensation and benefits” expense) as reflected on the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2018 and 2017, were as follows:

	Three Months Ended March 31,	
	2018	2017
Forward foreign currency exchange rate contracts	\$(2,483)	\$1,472
LFI and other similar deferred compensation arrangements	1,436	(7,353)
Total return swaps and other	1,656	(5,385)
Total	\$609	\$(11,266)

8. PROPERTY

At March 31, 2018 and December 31, 2017, property consisted of the following:

	Estimated	Depreciable	
	Life in	March 31,	December 31,
	Years	2018	2017
Buildings	33	\$ 156,068	\$ 151,912
Leasehold improvements	3-20	178,495	173,102
Furniture and equipment	3-10	188,231	183,541
Construction in progress		20,223	14,573
Total		543,017	523,128
Less - Accumulated depreciation and amortization		329,094	317,827
Property		\$ 213,923	\$ 205,301

9. GOODWILL AND OTHER INTANGIBLE ASSETS

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The components of goodwill and other intangible assets at March 31, 2018 and December 31, 2017 are presented below:

	March 31, 2018	December 31, 2017
Goodwill	\$ 383,107	\$ 385,292
Other intangible assets (net of accumulated amortization)	5,221	6,072
	\$ 388,328	\$ 391,364

At March 31, 2018 and December 31, 2017, goodwill of \$318,566 and \$320,751, respectively, was attributable to the Company's Financial Advisory segment and, at each such respective date, \$64,541 of goodwill was attributable to the Company's Asset Management segment.

Changes in the carrying amount of goodwill for the three month periods ended March 31, 2018 and 2017 are as follows:

	Three Months Ended March 31,	
	2018	2017
Balance, January 1	\$385,292	\$373,117
Foreign currency translation adjustments	(2,185)	6,691
Balance, March 31	\$383,107	\$379,808

All changes in the carrying amount of goodwill for the three month periods ended March 31, 2018 and 2017 are attributable to the Company's Financial Advisory segment.

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The gross cost and accumulated amortization of other intangible assets as of March 31, 2018 and December 31, 2017, by major intangible asset category, are as follows:

	March 31, 2018			December 31, 2017		
	Gross	Accumulated	Net	Gross	Accumulated	Net
	Cost	Amortization	Carrying Amount	Cost	Amortization	Carrying Amount
Success/incentive fees	\$35,355	\$ 30,432	\$ 4,923	\$35,422	\$ 29,723	\$ 5,699
Management fees, customer relationships and non-compete agreements	33,740	33,442	298	33,749	33,376	373
	\$69,095	\$ 63,874	\$ 5,221	\$69,171	\$ 63,099	\$ 6,072

Amortization expense of intangible assets, included in “amortization and other acquisition-related costs” in the condensed consolidated statements of operations, for the three month periods ended March 31, 2018 and 2017 was \$833 and \$829, respectively. Estimated future amortization expense is as follows:

	Amortization
Year Ending December 31,	Expense (a)
2018 (April 1 through December 31)	\$ 2,094
2019	1,575
2020	1,552
Total amortization expense	\$ 5,221

(a) Approximately 37% of intangible asset amortization is attributable to a noncontrolling interest.

10. SENIOR DEBT

Senior debt is comprised of the following as of March 31, 2018 and December 31, 2017:

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	Initial Principal Amount	Maturity Date	Annual Interest Rate(a)	Outstanding as of			December 31, 2017		
				March 31, 2018 Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
Lazard Group 2020									
Senior Notes	\$500,000	11/14/20	4.25 %	\$500,000	\$ 2,417	\$497,583	\$500,000	\$ 2,647	\$497,353
Lazard Group 2025									
Senior Notes	400,000	2/13/25	3.75 %	400,000	3,243	396,757	400,000	3,361	396,639
Lazard Group 2027									
Senior Notes	300,000	3/1/27	3.625 %	300,000	3,510	296,490	300,000	3,609	296,391
Total				\$1,200,000	\$ 9,170	\$1,190,830	\$1,200,000	\$ 9,617	\$1,190,383

(a) The effective interest rates of Lazard Group's 4.25% senior notes due November 14, 2020 (the "2020 Notes"), Lazard Group's 3.75% senior notes due February 13, 2025 (the "2025 Notes") and Lazard Group's 3.625% senior notes due March 1, 2027 (the "2027 Notes") are 4.43%, 3.87% and 3.76%, respectively.

On September 25, 2015, Lazard Group entered into an Amended and Restated Credit Agreement for a five-year \$150,000 senior revolving credit facility with a group of lenders (the "Amended and Restated Credit Agreement"), which expires in September 2020. The Amended and Restated Credit Agreement amended and restated the previous credit agreement dated September 25, 2012. Borrowings under the Amended and Restated Credit Agreement generally will bear interest at LIBOR plus an applicable margin for specific interest periods determined based on Lazard Group's highest credit rating from an internationally recognized credit agency. At March 31, 2018 and December 31, 2017, no amounts were outstanding under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement, the indenture and the supplemental indentures relating to Lazard Group's senior notes contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the

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event of early redemption, where applicable. As of March 31, 2018, the Company was in compliance with such provisions. All of the Company's senior debt obligations are unsecured.

As of March 31, 2018, the Company had approximately \$170,000 in unused lines of credit available to it, including the credit facility provided under the Amended and Restated Credit Agreement and unused lines of credit available to LFB of approximately \$18,000 (at March 31, 2018 exchange rates).

The Company's senior debt at March 31, 2018 and December 31, 2017 is carried at historical amounts of \$1,190,830 and \$1,190,383, respectively. At those dates, the fair value of such senior debt was approximately \$1,205,000 and \$1,230,000, respectively. The fair value of the Company's senior debt is based on market quotations. The Company's senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

11. COMMITMENTS AND CONTINGENCIES

Leases—The Company has various leases and other contractual commitments arising in the ordinary course of business.

Guarantees—In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At March 31, 2018, LFB had \$2,922 of such indemnifications and held \$2,922 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the condensed consolidated statement of financial condition.

Business Acquisitions—For businesses acquired in 2016, the remaining consideration consists of (i) 60,817 shares of Class A common stock subject to non-compete provisions, and non-contingent interests exchangeable into 202,793 shares of Class A common stock, and (ii) up to 810,742 additional shares of Class A common stock that are subject to certain performance thresholds. As of March 31, 2018, none of the contingent shares had been earned.

Other Commitments—The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, each of LFB and LFNy may enter into underwriting commitments in which it will participate as an underwriter. At March 31, 2018, LFB and LFNy had no such underwriting commitments.

See Notes 6 and 14 for information regarding commitments relating to investment capital funding commitments and obligations to fund our pension plans, respectively.

In the opinion of management, the fulfillment of the commitments described herein will not have a material adverse effect on the Company's condensed consolidated financial position or results of operations.

Legal—The Company is involved from time to time in judicial, regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of our businesses, including proceedings initiated by former employees alleging wrongful termination. The Company reviews such matters on a case-by-case basis and establishes any required accrual if a loss is probable and the amount of such loss can be reasonably estimated. The Company experiences significant variation in its revenue and earnings on a quarterly basis. Accordingly, the results of any pending matter or matters could be significant when compared to the Company's earnings in any particular fiscal quarter. The Company believes, however, based on currently available information, that the results of any pending matters, in the aggregate, will not have a material effect on its business or financial condition.

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12. STOCKHOLDERS' EQUITY

Share Repurchase Program—During the three month period ended March 31, 2018 and since 2015, the Board of Directors of Lazard authorized the repurchase of Class A common stock as set forth in the table below:

Repurchase		
Date	Authorization	Expiration
February 2015	\$ 150,000	December 31, 2016
January 2016	\$ 200,000	December 31, 2017
April 2016	\$ 113,182	December 31, 2017
November 2016	\$ 236,000	December 31, 2018
October 2017	\$ 200,000	December 31, 2019

The Company expects that the share repurchase program will primarily be used to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2008 Incentive Compensation Plan (the “2008 Plan”) and the Lazard Ltd 2018 Incentive Compensation Plan (the “2018 Plan”). Pursuant to the share repurchase program, purchases have been made in the open market or through privately negotiated transactions. The rate at which the Company purchases shares in connection with the share repurchase program may vary from quarter to quarter due to a variety of factors. Purchases with respect to such program are set forth in the table below:

Three Months Ended March 31:	Number of Shares	Average
		Price Per
2017	Purchased 2,464,967	Share \$ 43.02
2018	2,662,286	\$ 54.82

During the three month periods ended March 31, 2018 and 2017, certain of our executive officers received Class A common stock in connection with the vesting or settlement of previously-granted deferred equity incentive awards. The vesting or settlement of such equity awards gave rise to a tax payable by the executive officers, and, consistent with our past practice, the Company purchased shares of Class A common stock from the executive officers equal in value to all or a portion of the estimated amount of such tax. In addition, during the three month periods ended March 31, 2018 and 2017, the Company purchased shares of Class A common stock from certain of our executive

officers. The aggregate value of all such purchases during the three month periods ended March 31, 2018 and 2017 was approximately \$16,400 and \$14,700, respectively.

As of March 31, 2018, a total of \$102,435 of share repurchase authorization remained available under the Company's share repurchase program, which will expire on December 31, 2019.

In addition, on April 25, 2018, the Board of Directors of Lazard authorized the repurchase of up to \$300,000 of additional shares of Class A common stock, which authorization will expire on December 31, 2020, bringing the total share repurchase authorization as of April 25, 2018 to approximately \$351,000.

During the three month period ended March 31, 2018, the Company had in place trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to which it effected stock repurchases in the open market.

Preferred Stock—Lazard Ltd has 15,000,000 authorized shares of preferred stock, par value \$0.01 per share, inclusive of its Series A and Series B preferred stock. Series A and Series B preferred shares were issued in connection with certain prior year business acquisitions and were each non-participating securities convertible into Class A common stock, and had no voting or dividend rights. As of both March 31, 2018 and December 31, 2017, no shares of Series A or Series B preferred stock were outstanding, respectively.

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Accumulated Other Comprehensive Income (Loss), Net of Tax—The tables below reflect the balances of each component of AOCI at March 31, 2018 and 2017 and activity during the three month periods then ended:

	Three Months Ended March 31, 2018				Total Lazard Ltd
	Currency Translation	Employee Benefit	Total AOCI	Amount Attributable to Noncontrolling Interests	
Balance, January 1, 2018	\$(83,535)	\$(148,984)	\$(232,519)	\$ (1)	\$(232,518)
Activity:					
Other comprehensive income (loss) before					
reclassifications	17,346	(5,014)	12,332	-	12,332
Adjustments for items reclassified to earnings,					
net of tax	-	1,062	1,062	-	1,062
Net other comprehensive income (loss)	17,346	(3,952)	13,394	-	13,394
Balance, March 31, 2018	\$(66,189)	\$(152,936)	\$(219,125)	\$ (1)	\$(219,124)

	Three Months Ended March 31, 2017				Total Lazard Ltd
	Currency Translation	Employee Benefit	Total AOCI	Amount Attributable to Noncontrolling Interests	
Balance, January 1, 2017	\$(155,204)	\$(159,020)	\$(314,224)	\$ (2)	\$(314,222)
Activity:					
Other comprehensive income (loss) before					
reclassifications	16,932	(495)	16,437	-	16,437
Adjustments for items reclassified to earnings,					
net of tax	-	1,086	1,086	-	1,086

net of tax					
Net other comprehensive income	16,932	591	17,523	-	17,523
Balance, March 31, 2017	\$(138,272)	\$(158,429)	\$(296,701)	\$ (2) \$(296,699)

The table below reflects adjustments for items reclassified out of AOCI, by component, for the three month periods ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018 2017	
Amortization relating to employee benefit plans (a)	\$ 1,278	\$ 1,362
Less - related income taxes	216	276
Total reclassifications, net of tax	\$ 1,062	\$ 1,086

(a) Included in the computation of net periodic benefit cost (see Note 14). Such amounts are included in “compensation and benefits” expense on the condensed consolidated statements of operations.

Noncontrolling Interests—Noncontrolling interests principally represent interests held in Edgewater’s management vehicles that the Company is deemed to control, but does not own.

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The tables below summarize net income attributable to noncontrolling interests for the three month periods ended March 31, 2018 and 2017 and noncontrolling interests as of March 31, 2018 and December 31, 2017 in the Company's condensed consolidated financial statements:

	Net Income	
	Attributable to Noncontrolling	
	Interests	
	Three Months	
	Ended	
	March 31,	
	2018	2017
Edgewater	\$ 1,968	\$ 2,877
Other	1	-
Total	\$ 1,969	\$ 2,877

	Noncontrolling Interests	
	as of	
	March 31, December 31,	
	2018	2017
Edgewater	\$ 59,062	\$ 58,568
Other	558	534
Total	\$ 59,620	\$ 59,102

Dividends Declared, April 25, 2018—On April 25, 2018, the Board of Directors of Lazard declared a quarterly dividend of \$0.44 per share on our Class A common stock, payable on May 18, 2018, to stockholders of record on May 7, 2018.

13. INCENTIVE PLANS

Share-Based Incentive Plan Awards

A description of Lazard Ltd's 2018 Plan, 2008 Plan and 2005 Equity Incentive Plan (the "2005 Plan") and activity with respect thereto during the three month periods ended March 31, 2018 and 2017 is presented below.

Shares Available Under the 2018 Plan, 2008 Plan and 2005 Plan

The 2018 Plan became effective on April 24, 2018 and replaced the 2008 Plan, which was terminated on April 24, 2018. The 2018 Plan authorizes the issuance of up to 30,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and other share-based awards.

The 2008 Plan authorized the issuance of shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs, PRSUs and other share-based awards. Under the 2008 Plan, the maximum number of shares available was based on a formula that limited the aggregate number of shares that could, at any time, be subject to awards that were considered "outstanding" under the 2008 Plan to 30% of the then-outstanding shares of Class A common stock. The 2008 Plan was terminated on April 24, 2018, and no additional awards have been or will be granted under the 2008 Plan after its termination, although unvested awards granted under the 2008 Plan before its termination remain outstanding and continue to be subject to its terms.

The 2005 Plan authorized the issuance of up to 25,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs and other share-based awards. The 2005 Plan expired in the second quarter of 2015, although unvested deferred stock unit ("DSU") awards granted under the 2005 Plan before its expiration remain outstanding and continue to be subject to its terms.

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The following reflects the amortization expense recorded with respect to share-based incentive plans within “compensation and benefits” expense (with respect to RSUs, PRSUs and restricted stock awards) and “professional services” expense (with respect to DSUs) within the Company’s accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Share-based incentive awards:		
RSUs	\$60,887	\$55,941
PRSUs	10,967	11,782
Restricted Stock	10,773	9,649
DSUs	193	155
Total	\$82,820	\$77,527

The ultimate amount of compensation and benefits expense relating to share-based awards is dependent upon the actual number of shares of Class A common stock that vest. The Company periodically assesses the forfeiture rates used for such estimates, including as a result of any applicable performance conditions. A change in estimated forfeiture rates or performance results in a cumulative adjustment to compensation and benefits expense and also would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described below.

For purposes of calculating diluted net income per share, RSUs, DSUs and restricted stock awards are included in the diluted weighted average shares of Class A common stock outstanding using the “treasury stock” method. PRSUs are included in the diluted weighted average shares of Class A common stock outstanding to the extent the performance conditions are met at the end of the reporting period, also using the “treasury stock” method.

The Company’s share-based incentive plans and awards are described below.

RSUs and DSUs

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock (unless the recipient is then eligible for retirement under the Company’s retirement policy) and convert into shares of Class A common stock on a one-for-one basis after the stipulated vesting periods. PRSUs, which are RSUs that are also subject to service-based vesting conditions, have additional performance conditions, and are described below. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods (generally one-third after two years, and the remaining two-thirds after the third year), and

is adjusted for actual forfeitures over such period.

RSUs generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any dividends paid on Class A common stock during such period. During the three month periods ended March 31, 2018 and 2017, issuances of RSUs pertaining to such dividend participation rights and respective charges to “retained earnings”, net of estimated forfeitures (with corresponding credits to “additional paid-in-capital”), consisted of the following:

	Three Months Ended March 31,	
	2018	2017
Number of RSUs issued	535,695	613,795
Charges to retained earnings, net of estimated forfeitures	\$28,406	\$25,977

Non-executive members of the Board of Directors (“Non-Executive Directors”) receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs, which resulted in 405 and 1,551 DSUs granted during the three month periods ended March 31, 2018 and 2017, respectively. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors’ Fee Deferral Unit Plan described below. DSUs are convertible into shares of Class A common stock at the time of cessation of service to the Board of Directors and, for

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purposes of calculating diluted net income per share, are included in the diluted weighted average shares of Class A common stock outstanding using the “treasury stock” method. DSUs include a cash dividend participation right equivalent to dividends paid on Class A common stock.

The Company’s Directors’ Fee Deferral Unit Plan permits the Non-Executive Directors to elect to receive additional DSUs in lieu of some or all of their cash fees. The number of DSUs granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date immediately preceding the date of the grant. During the three month periods ended March 31, 2018 and 2017, 3,066 and 3,555 DSUs, respectively, had been granted pursuant to such Plan.

DSU awards are expensed at their fair value on their date of grant, inclusive of amounts related to the Directors’ Fee Deferral Unit Plan.

The following is a summary of activity relating to RSUs and DSUs during the three month periods ended March 31, 2018 and 2017:

	RSUs	Weighted	DSUs	Weighted
		Average		Average
		Grant		Grant
		Date		Date
		Fair		Fair
	Units	Value	Units	Value
Balance, January 1, 2018	12,919,846	\$ 40.23	278,422	\$ 37.46
Granted (including 535,695 RSUs relating to dividend participation)	3,749,981	\$ 54.41	3,471	\$ 55.52
Forfeited	(29,620)	\$ 47.60	-	-
Vested	(4,513,378)	\$ 43.44	-	\$ -
Balance, March 31, 2018	12,126,829	\$ 43.40	281,893	\$ 37.68
Balance, January 1, 2017	11,698,138	\$ 40.65	276,725	\$ 36.05
Granted (including 613,795 RSUs relating to dividend participation)	4,926,935	\$ 43.05	5,106	\$ 42.91
Forfeited	(19,077)	\$ 39.88	-	-

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Vested	(3,621,454)	\$ 45.53	-	\$ -
Balance, March 31, 2017	12,984,542	\$ 40.20	281,831	\$ 36.18

In connection with RSUs that vested during the three month periods ended March 31, 2018 and 2017, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 1,554,542 and 1,229,531 shares of Class A common stock during such respective three month periods. Accordingly, 2,958,836 and 2,391,923 shares of Class A common stock held by the Company were delivered during the three month periods ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, estimated unrecognized RSU compensation expense was approximately \$251,445, with such expense expected to be recognized over a weighted average period of approximately 0.9 years subsequent to March 31, 2018.

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Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the three month periods ended March 31, 2018 and 2017:

	Restricted	Weighted Average Grant Date Fair Value
	Shares	
Balance, January 1, 2018	1,938,160	\$ 40.54
Granted	529,987	\$ 54.45
Forfeited	(9,328)	\$ 46.45
Vested	(599,055)	\$ 42.39
Balance, March 31, 2018	1,859,764	\$ 43.88
Balance, January 1, 2017	1,655,073	\$ 40.95
Granted	841,355	\$ 42.58
Forfeited	(11,087)	\$ 41.38
Vested	(263,457)	\$ 47.93
Balance, March 31, 2017	2,221,884	\$ 40.73

In connection with shares of restricted Class A common stock that vested during the three month periods ended March 31, 2018 and 2017, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 217,227 and 108,239 shares of Class A common stock during such respective three month periods. Accordingly, 381,828 and 155,218 shares of Class A common stock held by the Company were delivered during the three month periods ended March 31, 2018 and 2017, respectively.

The restricted stock awards include a cash dividend participation right equivalent to dividends paid on Class A common stock during the period, which will vest concurrently with the underlying restricted stock award. At March 31, 2018, estimated unrecognized restricted stock expense was approximately \$43,861, with such expense to be recognized over a weighted average period of approximately 0.8 years subsequent to March 31, 2018.

PRSU's

PRSUs are RSUs that are subject to both performance-based and service-based vesting conditions. The number of shares of Class A common stock that a recipient will receive upon vesting of a PRSU will be calculated by reference to certain performance metrics that relate to the Company's performance over a three-year period. The target number of shares of Class A common stock subject to each PRSU is one; however, based on the achievement of the performance criteria, the number of shares of Class A common stock that may be received in connection with each PRSU generally can range from zero to two times the target number. PRSUs will vest on a single date approximately three years following the date of the grant, provided the applicable service and performance conditions are satisfied. In addition, the performance metrics applicable to each PRSU will be evaluated on an annual basis at the end of each fiscal year during the performance period and, if the Company has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of shares of Class A common stock subject to each PRSU will no longer be at risk of forfeiture based on the achievement of performance criteria. PRSUs include dividend participation rights that provide that during vesting periods, the target number of PRSUs (or, following the relevant performance period, the actual number of shares of Class A common stock that are no longer subject to performance conditions) receive dividend equivalents at the same rate that dividends are paid on Class A common stock during such periods. These dividend equivalents are credited as RSUs that are not subject to the performance-based vesting criteria but are otherwise subject to the same restrictions as the underlying PRSUs to which they relate.

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The following is a summary of activity relating to PRSUs during the three month periods ended March 31, 2018 and 2017:

	PRSUs	Weighted Average Grant Date Fair Value
Balance, January 1, 2018	1,591,693	\$ 42.46
Granted (a)	399,869	\$ 56.80
Vested	(799,402)	\$ 46.74
Balance, March 31, 2018	1,192,160	\$ 44.39
Balance, January 1, 2017	1,590,756	\$ 40.76
Granted (a)	458,113	\$ 43.76
Vested	(752,770)	\$ 42.26
Balance, March 31, 2017	1,296,099	\$ 40.95

(a) Represents PRSU awards granted during the relevant year at the target payout level.

In connection with certain PRSUs that vested or were settled during the three month periods ended March 31, 2018 and 2017, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 91,962 and 85,629 shares of Class A common stock during such respective three month periods. Accordingly, 707,440 and 667,141 shares of Class A common stock held by the Company were delivered during the three month periods ended March 31, 2018 and 2017, respectively.

Compensation expense recognized for PRSU awards is determined by multiplying the number of shares of Class A common stock underlying such awards that, based on the Company's estimate, are considered probable of vesting, by the grant date fair value. As of March 31, 2018, the total estimated unrecognized compensation expense was approximately \$20,919, and the Company expects to amortize such expense over a weighted-average period of approximately 0.7 years subsequent to March 31, 2018.

LFI and Other Similar Deferred Compensation Arrangements

Commencing in February 2011, the Company granted LFI to eligible employees. In connection with LFI and other similar deferred compensation arrangements, which generally require future service as a condition for vesting, the

Company recorded a prepaid compensation asset and a corresponding compensation liability on the grant date based upon the fair value of the award. The prepaid asset is amortized on a straight-line basis over the applicable vesting periods or requisite service periods (which are generally similar to the comparable periods for RSUs), and is charged to “compensation and benefits” expense within the Company’s condensed consolidated statement of operations. LFI and similar deferred compensation arrangements that do not require future service are expensed immediately. The related compensation liability is accounted for at fair value as a derivative liability, which contemplates the impact of estimated forfeitures, and is adjusted for changes in fair value primarily related to changes in value of the underlying investments.

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The following is a summary of activity relating to LFI and other similar deferred compensation arrangements during the three month periods ended March 31, 2018 and 2017:

	Prepaid	
	Compensation	Compensation
	Asset	Liability
Balance, January 1, 2018	\$ 60,355	\$ 182,301
Granted	103,947	103,947
Settled	-	(72,979)
Forfeited	(84)	(138)
Amortization	(15,373)	-
Change in fair value related to:		
Decrease in fair value of underlying investments	-	(1,436)
Adjustment for estimated forfeitures	-	517
Other	251	204
Balance, March 31, 2018	\$ 149,096	\$ 212,416

	Prepaid	
	Compensation	Compensation
	Asset	Liability
Balance, January 1, 2017	\$ 49,650	\$ 170,388
Granted	77,580	77,580
Settled	-	(81,559)
Forfeited	(93)	(133)
Amortization	(12,491)	-
Change in fair value related to:		
Increase in fair value of underlying investments	-	7,353
Adjustment for estimated forfeitures	-	532
Other	(12)	579
Balance, March 31, 2017	\$ 114,634	\$ 174,740

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 0.8 years subsequent to March 31, 2018.

The following is a summary of the impact of LFI and other similar deferred compensation arrangements on “compensation and benefits” expense within the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Amortization, net of forfeitures	\$15,836	\$12,983
Change in the fair value of underlying investments	(1,436)	7,353
Total	\$14,400	\$20,336

14. EMPLOYEE BENEFIT PLANS

The Company provides retirement and other post-retirement benefits to certain of its employees through defined benefit pension plans (the “pension plans”). The Company also offers defined contribution plans to its employees. The pension plans generally provide benefits to participants based on average levels of compensation. Expenses related to the Company’s employee benefit plans are included in “compensation and benefits” expense for the service cost component, and “operating expenses—other” for the other components of benefit costs on the condensed consolidated statements of operations (see Note 2).

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Employer Contributions to Pension Plans—The Company’s funding policy for its U.S. and non-U.S. pension plans is to fund when required or when applicable upon an agreement with the plans’ trustees (the “Trustees”). Management also evaluates from time to time whether to make voluntary contributions to the plans.

The following table summarizes the components of net periodic benefit cost (credit) related to the Company’s pension plans for the three month periods ended March 31, 2018 and 2017:

	Pension Plans Three Months Ended March 31, 2018 2017	
Components of Net Periodic Benefit Cost (Credit):		
Service cost	\$230	\$340
Interest cost	4,062	3,981
Expected return on plan assets	(7,783)	(6,105)
Amortization of:		
Prior service cost	-	30
Net actuarial loss (gain)	1,278	1,332
Net periodic benefit cost (credit)	\$(2,213)	\$(422)

15. INCOME TAXES

Lazard Ltd, through its subsidiaries, is subject to U.S. federal income taxes on all of its U.S. operating income, as well as on the portion of non-U.S. income attributable to its U.S. subsidiaries. In addition, Lazard Ltd, through its subsidiaries, is subject to state and local taxes on its income apportioned to various state and local jurisdictions. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes in foreign jurisdictions. Lazard Group is also subject to New York City Unincorporated Business Tax (“UBT”) attributable to its operations apportioned to New York City.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The Tax Act significantly revises the U.S. corporate income tax system by, among other changes, lowering the corporate income tax rate from 35% to 21%, implementing a partial territorial tax system and imposing a one-time repatriation tax on the deemed repatriated earnings of foreign subsidiaries. The Tax Act also includes several provisions that may limit the benefit of the tax rate reduction, such as restricting the deductibility of interest expense and other corporate business expenses. The Tax Act further includes anti-base erosion provisions such as the base erosion and anti-abuse tax and tax on global intangible low-taxed income.

As a result of the reduction of the U.S. federal corporate tax rate to 21%, the Company was required to remeasure its deferred tax assets and liabilities at the new federal income tax rate of 21% based on the balances that existed on the date of the enactment of the Tax Act. The lower corporate tax rate resulted in a reduction of our net deferred tax assets by approximately \$420,000 in the year ended December 31, 2017. See also Note 17 for the impact of the Tax Act to the tax receivable agreement obligation.

The Tax Act also requires companies to pay a one-time repatriation tax on previously unremitted earnings of certain non-U.S. corporate subsidiaries. Most of the Company's operations outside the U.S. are conducted in "pass-through" entities for U.S. income tax purposes, and, as a result, the deemed repatriation transition tax does not apply to these pass-through entities or their earnings. The Company instead provides for U.S. income taxes on a current basis for those earnings. The Company also conducts operations outside the U.S. through foreign corporate subsidiaries, and the Company recorded approximately \$1,000 of deferred tax expense in the year ended December 31, 2017 related to the one-time repatriation tax on the foreign earnings of those corporate subsidiaries.

In accordance with the guidance provided by Staff Accounting Bulletin No. 118, the Company has recognized the provisional tax impact related to the one-time deemed repatriation tax on certain foreign earnings and the remeasurement of our deferred tax assets. The impact of the Tax Act on the Company may differ from these provisional estimates, due to, among other items, the issuance of additional regulatory guidance, our interpretations of the provisions of the Tax Act, changes to certain estimates and amounts related to the earnings and profits of certain subsidiaries and the filing of our tax returns. We will recognize any changes to the provisional amounts as we refine our estimates and expect to complete our analysis of the provisional items during the second half of 2018.

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The Company recorded income tax provisions of \$24,167 and \$39,767 for the three month periods ended March 31, 2018 and 2017, respectively, representing effective tax rates of 13.0% and 26.5%, respectively. The difference between the U.S. federal statutory rate of 21% and 35.0% for 2018 and 2017, respectively, and the effective tax rates reflected above principally relates to (i) taxes payable to foreign jurisdictions that are not offset against U.S. income taxes, (ii) foreign source income (loss) not subject to U.S. income taxes (including interest on intercompany financings), (iii) change in the U.S. federal valuation allowance affecting the provision for income taxes, (iv) excess net tax benefit for share-based incentive compensation, and (v) U.S. state and local taxes, which are incremental to the U.S. federal statutory tax rate.

On January 1, 2017, the Company adopted new accounting guidance on share-based incentive compensation. As a result of the adoption of this new guidance, the Company recognized excess tax benefits of \$26,134 and \$7,356 from the vesting of share-based incentive compensation in the provision for income taxes in the condensed consolidated statements of operations for the three month periods ended March 31, 2018 and 2017, respectively. The Company also recorded deferred tax assets of \$81,544, net of a valuation allowance of \$12,090, as of January 1, 2017, for previously unrecognized excess tax benefits (including tax benefits from dividends or dividend equivalents) on share-based incentive compensation, with an offsetting adjustment to retained earnings.

16. NET INCOME PER SHARE OF CLASS A COMMON STOCK

The Company's basic and diluted net income per share calculations for the three month periods ended March 31, 2018 and 2017 are computed as described below.

Basic Net Income Per Share

Numerator—utilizes net income attributable to Lazard Ltd for the respective periods.

Denominator—utilizes the weighted average number of shares of Class A common stock outstanding for the respective periods, plus applicable adjustments to such shares associated with shares of Class A common stock issuable on a non-contingent basis.

Diluted Net Income Per Share

Numerator—utilizes net income attributable to Lazard Ltd for the respective periods as in the basic net income per share calculation described above.

Denominator—utilizes the weighted average number of shares of Class A common stock outstanding for the respective periods as in the basic net income per share calculation described above, plus, to the extent dilutive, the incremental number of shares of Class A common stock required to settle share-based incentive compensation.

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The calculations of the Company's basic and diluted net income per share and weighted average shares outstanding for the three month periods ended March 31, 2018 and 2017 are presented below:

	Three Months Ended March 31,	
	2018	2017
Net income attributable to Lazard Ltd - basic	\$159,692	\$107,553
Net income attributable to Lazard Ltd - diluted	\$159,692	\$107,553
Weighted average number of shares of Class A common		
stock outstanding	119,695,749	122,531,221
Add - adjustment for shares of Class A common stock		
issuable on a non-contingent basis	234,357	283,942
Weighted average number of shares of Class A common		
stock outstanding - basic	119,930,106	122,815,163
Add - dilutive effect, as applicable, of:		
Weighted average number of incremental shares of Class A		
common stock issuable from share-based		
incentive compensation	12,212,288	9,874,212
Weighted average number of shares of Class A common stock		
outstanding - diluted	132,142,394	132,689,375
Net income attributable to Lazard Ltd per share of Class		
A common stock:		
Basic	\$1.33	\$0.88
Diluted	\$1.21	\$0.81

17. RELATED PARTIES

Sponsored Funds

The Company serves as an investment advisor for certain affiliated investment companies and fund entities and receives management fees and, for the alternative investment funds, performance-based incentive fees for providing such services. Investment advisory fees relating to such services were \$181,309 and \$140,577 for the three month periods ended March 31, 2018 and 2017, respectively, and are included in “asset management fees” on the condensed consolidated statements of operations. Of such amounts, \$78,347 and \$69,107 remained as receivables at March 31, 2018 and December 31, 2017, respectively, and are included in “fees receivable” on the condensed consolidated statements of financial condition.

Tax Receivable Agreement

The Second Amended and Restated Tax Receivable Agreement, dated as of October 26, 2015 (the “Amended and Restated Tax Receivable Agreement”), between Lazard and LTBP Trust, a Delaware statutory trust (the “Trust”), provides for the payment by our subsidiaries to the Trust of (i) approximately 45% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of certain increases in tax basis and of certain other tax benefits related to the Amended and Restated Tax Receivable Agreement, and (ii) an amount that we currently expect will approximate 85% of the cash tax savings that may arise from tax benefits attributable to payments under the Amended and Restated Tax Receivable Agreement. Our subsidiaries expect to benefit from the balance of cash savings, if any, in income tax that our subsidiaries realize. Any amount paid by our subsidiaries to the Trust will generally be distributed to the owners of the Trust, who include certain of our executive officers, in proportion to their beneficial interests in the Trust.

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For purposes of the Amended and Restated Tax Receivable Agreement, cash savings in income and franchise tax will be computed by comparing our subsidiaries' actual income and franchise tax liability to the amount of such taxes that our subsidiaries would have been required to pay had there been no increase in the tax basis of certain tangible and intangible assets of Lazard Group attributable to our subsidiaries' interest in Lazard Group and had our subsidiaries not entered into the Amended and Restated Tax Receivable Agreement. The term of the Amended and Restated Tax Receivable Agreement will continue until approximately 2033 or, if earlier, until all relevant tax benefits have been utilized or expired.

The amount of the Amended and Restated Tax Receivable Agreement liability is an undiscounted amount based upon currently enacted tax laws, including the Tax Act, the current structure of the Company and various assumptions regarding potential future operating profitability. The assumptions reflected in the estimate involve significant judgment. For example, if our structure were to change or our annual taxable income were to increase, we could be required to accelerate payments under the Amended and Restated Tax Receivable Agreement. As such, the actual amount and timing of payments under the Amended and Restated Tax Receivable Agreement could differ materially from our estimates. Any changes in the amount of the estimated liability would be recorded as a non-compensation expense in the condensed consolidated statement of operations. Adjustments, if necessary, to the related deferred tax assets would be recorded through the "provision (benefit) for income taxes".

As described in Note 15, the Tax Act reduced the U.S. corporate tax rate from 35% to 21%, which required the Company to remeasure the tax receivable agreement obligation. Pursuant to the change in the U.S. corporate tax rate, in 2017, the Company reduced the tax receivable agreement obligation by \$202,546. The cumulative liability relating to our obligations under the Amended and Restated Tax Receivable Agreement as of March 31, 2018 and December 31, 2017 was \$277,215 and \$310,275, respectively, and is recorded in "tax receivable agreement obligation" on the condensed consolidated statements of financial condition. The balance at March 31, 2018 reflects a payment made under the Amended and Restated Tax Receivable Agreement in the three months ended March 31, 2018 of \$33,060.

Other

See Note 12 for information regarding related party transactions pertaining to shares repurchased from certain of our executive officers.

18.REGULATORY AUTHORITIES

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the basic method permitted by this rule, the minimum required net capital, as defined, is a specified fixed percentage ($6\frac{2}{3}\%$) of total aggregate indebtedness recorded in LFNY's Financial and Operational Combined Uniform Single ("FOCUS") report filed with the Financial Industry Regulatory Authority ("FINRA"), or \$100, whichever is greater. In addition, the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15:1.

At March 31, 2018, LFNy's regulatory net capital was \$65,442, which exceeded the minimum requirement by \$62,369. LFNy's aggregate indebtedness to net capital ratio was 0.70:1 as of March 31, 2018.

Certain U.K. subsidiaries of the Company, including LCL, Lazard Fund Managers Limited and Lazard Asset Management Limited (collectively, the "U.K. Subsidiaries") are regulated by the Financial Conduct Authority. At March 31, 2018, the aggregate regulatory net capital of the U.K. Subsidiaries was \$196,268, which exceeded the minimum requirement by \$177,118.

CFLF, under which asset management and commercial banking activities are carried out in France, is subject to regulation by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") for its banking activities conducted through its subsidiary, LFB. LFB, as a registered bank, is engaged primarily in commercial and private banking services for clients and funds managed by LFG (asset management) and other clients, and asset-liability management. The investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG, also are subject to regulation and supervision by the Autorité des Marchés Financiers. At March 31, 2018, the consolidated regulatory net capital of CFLF was \$144,257, which exceeded the minimum requirement set for regulatory capital levels by \$84,537. In addition, pursuant to the consolidated supervision rules in the European Union, LFB, in particular, as a French credit institution, is required to be supervised by a regulatory body, either in the U.S. or in the European Union. During the third quarter of 2013, the Company and the ACPR agreed on terms for the consolidated supervision of LFB and certain other non-Financial Advisory European subsidiaries of the Company (referred to herein, on a combined basis, as the "combined European regulated group") under such rules. Under this supervision, the combined European regulated group is required to comply with minimum requirements for regulatory net capital to be reported on a quarterly basis and satisfy periodic financial and other reporting obligations. At December 31, 2017, the regulatory net capital of the combined European regulated group was

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\$170,933, which exceeded the minimum requirement set for regulatory capital levels by \$68,025. Additionally, the combined European regulated group, together with our European Financial Advisory entities, is required to perform an annual risk assessment and provide certain other information on a periodic basis, including financial reports and information relating to financial performance, balance sheet data and capital structure.

Certain other U.S. and non-U.S. subsidiaries are subject to various capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At March 31, 2018, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$140,069, which exceeded the minimum required capital by \$110,736.

At March 31, 2018, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

Any new or expanded rules and regulations that may be adopted in countries in which we operate (including regulations that have not yet been proposed) could affect us in other ways.

19. SEGMENT INFORMATION

The Company's reportable segments offer different products and services and are managed separately as different levels and types of expertise are required to effectively manage the segments' transactions. Each segment is reviewed to determine the allocation of resources and to assess its performance. The Company's principal operating activities are included in its Financial Advisory and Asset Management business segments as described in Note 1. In addition, as described in Note 1, the Company records selected other activities in its Corporate segment.

The Company's segment information for the three month periods ended March 31, 2018 and 2017 is prepared using the following methodology:

Revenue and expenses directly associated with each segment are included in determining operating income.

Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other factors.

Segment assets are based on those directly associated with each segment, and include an allocation of certain assets relating to various segments, based on the most relevant measures applicable, including headcount, square footage and other factors.

The Company allocates investment gains and losses, interest income and interest expense among the various segments based on the segment in which the underlying asset or liability is reported.

Each segment's operating expenses include (i) compensation and benefits expenses incurred directly in support of the businesses and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration

and outsourced services and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, human resources, legal, facilities management and senior management activities.

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Management evaluates segment results based on net revenue and operating income (loss) and believes that the following information provides a reasonable representation of each segment's contribution with respect to net revenue, operating income (loss) and total assets:

		Three Months Ended	
		March 31,	
		2018	2017
Financial Advisory	Net Revenue	\$409,121	\$335,812
	Operating Expenses	324,696	262,751
	Operating Income	\$84,425	\$73,061
Asset Management	Net Revenue	\$354,283	