

**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 **September 30, 2021**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**333-126751**

(Commission File Number)

**LAZARD GROUP LLC**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation  
or Organization)

**51-0278097**  
(I.R.S. Employer Identification No.)

**30 Rockefeller Plaza**  
**New York, NY 10112**  
(Address of principal executive offices)

**Registrant's telephone number: (212) 632-6000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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 every Interactive Data File required to be submitted 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 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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 October 22, 2021, in addition to profit participation interests, there were two managing member interests.

## TABLE OF CONTENTS

When we use the terms “Lazard Group”, “Lazard”, “we”, “us”, “our” and “the Company”, we mean Lazard Group LLC, a Delaware limited liability company, that is the current holding company for the subsidiaries that conduct our businesses. Lazard Ltd is a Bermuda exempt company whose shares of Class A common stock (“common stock”), the only class of common stock of Lazard outstanding, are publicly traded on the New York Stock Exchange under the symbol “LAZ”. Lazard Ltd’s subsidiaries include Lazard Group and their respective subsidiaries. Lazard Ltd’s primary operating asset is its indirect ownership as of September 30, 2021 of all of the common membership interests in Lazard Group. Lazard Ltd controls Lazard Group through two of its indirect wholly-owned subsidiaries that are co-managing members of Lazard Group.

Lazard Group has granted profit participation interests in Lazard Group to certain of its managing directors. The profit participation interests are discretionary profits interests that are intended to enable Lazard Group to compensate its managing directors in a manner consistent with historical practices. Lazard Group has also granted profits interest participation rights to certain of its managing directors. See Note 13 of Notes to Condensed Consolidated Financial Statements.

	<u>Page</u>
<b>Part I. Financial Information</b>	
Item 1. Financial Statements (Unaudited) .....	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	38
Item 3. Quantitative and Qualitative Disclosures About Market Risk .....	65
Item 4. Controls and Procedures .....	65
<b>Part II. Other Information</b>	
Item 1. Legal Proceedings .....	66
Item 1A. Risk Factors .....	66
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds .....	66
Item 3. Defaults Upon Senior Securities .....	66
Item 4. Mine Safety Disclosures .....	66
Item 5. Other Information .....	66
Item 6. Exhibits .....	67
<b>Signatures</b> .....	69

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements (Unaudited)

	<u>Page</u>
Condensed Consolidated Statements of Financial Condition as of September 30, 2021 and December 31, 2020 .....	2
Condensed Consolidated Statements of Operations for the three month and nine month periods ended September 30, 2021 and 2020 .....	4
Condensed Consolidated Statements of Comprehensive Income for the three month and nine month periods ended September 30, 2021 and 2020 .....	5
Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2021 and 2020.....	6
Condensed Consolidated Statements of Changes in Members' Equity and Redeemable Noncontrolling Interests for the three month and nine month periods ended September 30, 2021 and 2020 .....	7
Notes to Condensed Consolidated Financial Statements.....	11

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,171,622	\$ 1,319,712
Deposits with banks and short-term investments	1,360,957	1,134,463
Restricted cash	615,297	44,488
Receivables (net of allowance for doubtful accounts of \$37,292 and \$36,649 at September 30, 2021 and December 31, 2020, respectively):		
Fees	547,087	621,880
Customers and other	153,049	121,261
Lazard Ltd subsidiaries	93,125	131,380
	793,261	874,521
Investments	914,975	658,532
Property (net of accumulated amortization and depreciation of \$362,090 and \$401,505 at September 30, 2021 and December 31, 2020, respectively)	247,159	256,908
Operating lease right-of-use assets	468,333	513,616
Goodwill and other intangible assets (net of accumulated amortization of \$67,546 and \$67,501 at September 30, 2021 and December 31, 2020, respectively)	357,665	361,892
Deferred tax assets	36,303	48,166
Other assets	370,595	303,449
Total Assets	<u>\$ 6,336,167</u>	<u>\$ 5,515,747</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	September 30, 2021	December 31, 2020
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND MEMBERS' EQUITY</b>		
Liabilities:		
Deposits and other customer payables	\$ 1,450,764	\$ 1,201,150
Accrued compensation and benefits	709,980	732,692
Operating lease liabilities	554,676	606,600
Senior debt	1,684,606	1,682,741
Payable to Lazard Ltd subsidiaries	8,893	59,584
Deferred tax liabilities	1,323	1,041
Other liabilities	561,167	521,070
Total Liabilities	4,971,409	4,804,878
Commitments and contingencies		
Redeemable noncontrolling interests	575,000	-
<b>MEMBERS' EQUITY</b>		
Members' equity (net of 9,398,754 and 6,911,911 shares of Lazard Ltd Class A common stock, at a cost of \$388,610 and \$254,406 at September 30, 2021 and December 31, 2020, respectively)	926,486	818,430
Accumulated other comprehensive loss, net of tax	(232,941)	(193,446)
Total Lazard Group LLC Members' Equity	693,545	624,984
Noncontrolling interests	96,213	85,885
Total Members' Equity	789,758	710,869
Total Liabilities, Redeemable Noncontrolling Interests and Members' Equity	<u>\$ 6,336,167</u>	<u>\$ 5,515,747</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>REVENUE</b>				
Investment banking and other advisory fees	\$ 384,639	\$ 305,004	\$ 1,176,557	\$ 906,560
Asset management fees	323,747	265,562	997,162	780,071
Interest income	1,289	1,055	3,982	4,688
Other	28,104	26,456	113,464	56,460
Total revenue	737,779	598,077	2,291,165	1,747,779
Interest expense	20,334	20,296	60,189	60,343
Net revenue	717,445	577,781	2,230,976	1,687,436
<b>OPERATING EXPENSES</b>				
Compensation and benefits	417,020	351,840	1,328,930	1,018,791
Occupancy and equipment	30,864	31,266	95,152	93,719
Marketing and business development	9,912	7,561	25,888	34,211
Technology and information services	37,511	33,407	106,861	97,305
Professional services	16,320	14,340	49,728	44,184
Fund administration and outsourced services	34,137	26,195	94,718	76,638
Amortization of intangible assets related to acquisitions	15	443	45	1,308
Other	13,462	4,674	33,960	27,530
Total operating expenses	559,241	469,726	1,735,282	1,393,686
<b>OPERATING INCOME</b>	158,204	108,055	495,694	293,750
Provision for income taxes	22,827	17,983	78,876	40,886
<b>NET INCOME</b>	135,377	90,072	416,818	252,864
<b>LESS - NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	8,304	1,423	13,568	(4,650)
<b>NET INCOME ATTRIBUTABLE TO LAZARD GROUP LLC</b>	<u>\$ 127,073</u>	<u>\$ 88,649</u>	<u>\$ 403,250</u>	<u>\$ 257,514</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>NET INCOME</b>	\$ 135,377	\$ 90,072	\$ 416,818	\$ 252,864
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>				
Currency translation adjustments:				
Currency translation adjustments before reclassification	(25,226)	33,763	(40,268)	8,148
Adjustment for items reclassified to earnings	51	-	(7,532)	-
Employee benefit plans:				
Actuarial gain (loss) (net of tax (benefit) expense of \$1,107 and \$(1,666) for the three months ended September 30, 2021 and 2020, respectively, and \$1,496 and \$(9) for the nine months ended September 30, 2021 and 2020, respectively)	4,442	(6,534)	4,030	3,045
Adjustment for items reclassified to earnings (net of tax expense of \$422 and \$412 for the three months ended September 30, 2021 and 2020, respectively, and \$1,286 and \$1,088 for the nine months ended September 30, 2021 and 2020, respectively)	1,481	1,345	4,275	4,855
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	(19,252)	28,574	(39,495)	16,048
<b>COMPREHENSIVE INCOME</b>	116,125	118,646	377,323	268,912
<b>LESS - COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	8,305	1,424	13,568	(4,650)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD GROUP LLC</b>	<u>\$ 107,820</u>	<u>\$ 117,222</u>	<u>\$ 363,755</u>	<u>\$ 273,562</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Nine Months Ended September 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 416,818	\$ 252,864
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	28,089	25,483
Noncash lease expense	52,390	46,856
Currency translation adjustment reclassification	(7,532)	-
Amortization of deferred expenses and share-based incentive compensation	324,661	281,580
Amortization of intangible assets related to acquisitions	45	1,308
Deferred tax provision (benefit)	9,213	(7,213)
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Receivables-net	64,708	75,997
Investments	(360,959)	(1,035)
Other assets	(34,479)	(159,031)
Accrued compensation and benefits and other liabilities	(67,216)	(253,026)
Net cash provided by operating activities	<u>425,738</u>	<u>263,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	(25,290)	(34,161)
Disposals of property	699	151
Net cash used in investing activities	<u>(24,591)</u>	<u>(34,010)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Contributions from noncontrolling interests	413	66
LGAC IPO	575,000	-
Contributions from members	14,000	-
Customer deposits	295,837	-
Other financing activities	-	25
Payments for:		
Customer deposits	-	(37,850)
Distributions to noncontrolling interests	(7,711)	(1,921)
Payments of LGAC IPO underwriting fees and other offering costs	(9,352)	-
Purchase of Class A common stock	(286,193)	(95,227)
Distributions to members	(127,234)	(120,300)
Settlement of share-based incentive compensation	(67,524)	(71,509)
Other financing activities	(21,389)	(5,316)
Net cash provided by (used in) financing activities	<u>365,847</u>	<u>(332,032)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>(117,781)</u>	<u>52,530</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>649,213</u>	<u>(49,729)</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—</b>		
<b>January 1</b>	2,498,663	2,388,101
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—</b>		
<b>September 30</b>	<u>\$ 3,147,876</u>	<u>\$ 2,338,372</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION:**

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 1,171,622	\$ 1,319,712
Deposits with banks and short-term investments	1,360,957	1,134,463
Restricted cash	615,297	44,488
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>\$ 3,147,876</u>	<u>\$ 2,498,663</u>

See notes to condensed consolidated financial statements.



**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
<b>Balance - July 1, 2020 (*)</b>	\$ 538,424	\$ (262,929)	\$ 275,495	\$ 79,971	\$ 355,466
Comprehensive income:					
Net income	88,649		88,649	1,423	90,072
Other comprehensive income - net of tax		28,573	28,573	1	28,574
Amortization of share-based incentive compensation	39,671		39,671		39,671
Distributions to members and noncontrolling interests, net	-		-	(36)	(36)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$1	(456)		(456)		(456)
Consolidated VIEs			-	933	933
Other	(1,731)		(1,731)		(1,731)
<b>Balance - September 30, 2020 (*)</b>	<u>\$ 664,557</u>	<u>\$ (234,356)</u>	<u>\$ 430,201</u>	<u>\$ 82,292</u>	<u>\$ 512,493</u>

(\*) At both July 1, 2020 and September 30, 2020, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
<b>Balance - January 1, 2020 (*)</b>	\$ 469,324	\$ (250,404)	\$ 218,920	\$ 68,406	\$ 287,326
Adjustment for cumulative effect on prior years from the adoption of new accounting guidance	(7,571)		(7,571)		(7,571)
Balance, as adjusted January 1, 2020	461,753	(250,404)	211,349	68,406	279,755
Comprehensive income (loss):					
Net income (loss)	257,514		257,514	(4,650)	252,864
Other comprehensive income - net of tax		16,048	16,048	-	16,048
Amortization of share-based incentive compensation	180,376		180,376		180,376
Distributions to members and noncontrolling interests, net	(120,300)		(120,300)	(1,855)	(122,155)
Purchase of Class A common stock	(95,227)		(95,227)		(95,227)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$10	(71,499)		(71,499)		(71,499)
Contributions from members	55,941		55,941		55,941
Consolidated VIEs				20,391	20,391
Other	(4,001)		(4,001)		(4,001)
<b>Balance - September 30, 2020 (*)</b>	<u>\$ 664,557</u>	<u>\$ (234,356)</u>	<u>\$ 430,201</u>	<u>\$ 82,292</u>	<u>\$ 512,493</u>

(\*) At both January 1, 2020 and September 30, 2020, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY AND REDEEMABLE  
NONCONTROLLING INTERESTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2021  
(UNAUDITED)  
(dollars in thousands)

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity	Redeemable Noncontrolling Interests
<b>Balance - July 1, 2021 (*)</b>	<b>\$ 841,825</b>	<b>\$ (213,688)</b>	<b>\$ 628,137</b>	<b>\$ 100,774</b>	<b>\$ 728,911</b>	<b>\$ 575,000</b>
Comprehensive income (loss):						
Net income	127,073		127,073	8,304	135,377	
Other comprehensive income (loss) - net of tax		(19,253)	(19,253)	1	(19,252)	
Amortization of share-based incentive compensation	51,892		51,892		51,892	
Distributions to members and noncontrolling interests, net	(54,800)		(54,800)	(4,897)	(59,697)	
Purchase of Class A common stock	(52,448)		(52,448)		(52,448)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax expense of \$12	(1,944)		(1,944)		(1,944)	
Transfer of Class A common stock to Lazard Ltd Subsidiaries	291		291		291	
Consolidated VIEs			-	8,653	8,653	
Change in redemption value of redeemable noncontrolling interests	16,622		16,622	(16,622)	-	-
Other	(2,025)		(2,025)		(2,025)	
<b>Balance - September 30, 2021 (*)</b>	<b>\$ 926,486</b>	<b>\$ (232,941)</b>	<b>\$ 693,545</b>	<b>\$ 96,213</b>	<b>\$ 789,758</b>	<b>\$ 575,000</b>

(\*) At both July 1, 2021 and September 30, 2021, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY AND REDEEMABLE  
NONCONTROLLING INTERESTS  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021  
(UNAUDITED)  
(dollars in thousands)**

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity	Redeemable Noncontrolling Interests
<b>Balance - January 1, 2021 (*)</b>	<b>\$ 818,430</b>	<b>\$ (193,446)</b>	<b>\$ 624,984</b>	<b>\$ 85,885</b>	<b>\$ 710,869</b>	<b>\$ -</b>
Comprehensive income (loss):						
Net income	403,250		403,250	13,568	416,818	
Other comprehensive loss - net of tax		(39,495)	(39,495)	-	(39,495)	
Amortization of share-based incentive compensation	195,779		195,779		195,779	
Distributions to members and noncontrolling interests, net	(127,234)		(127,234)	(7,298)	(134,532)	
Purchase of Class A common stock	(286,193)		(286,193)		(286,193)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax expense of \$48	(67,572)		(67,572)		(67,572)	
Contributions from members	14,000		14,000		14,000	
Transfer of Class A common stock to Lazard Ltd Subsidiaries	10,536		10,536		10,536	
Consolidated VIEs				16,164	16,164	
Contribution from redeemable noncontrolling interests, net	-				-	534,746
Change in redemption value of redeemable noncontrolling interests	(28,148)		(28,148)	(12,106)	(40,254)	40,254
Other	(6,362)		(6,362)		(6,362)	
<b>Balance - September 30, 2021 (*)</b>	<b>\$ 926,486</b>	<b>\$ (232,941)</b>	<b>\$ 693,545</b>	<b>\$ 96,213</b>	<b>\$ 789,758</b>	<b>\$ 575,000</b>

(\*) At both January 1, 2021 and September 30, 2021, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

***Organization***

The accompanying condensed consolidated financial statements are those of Lazard Group LLC and its subsidiaries (collectively referred to as “Lazard Group”, “we” or the “Company”). Lazard Group is a Delaware limited liability company, which is governed by an Amended and Restated Operating Agreement dated as of February 4, 2019 (the “Operating Agreement”).

Lazard Ltd, a Bermuda holding company, and its subsidiaries (collectively referred to as “Lazard Ltd”) including its indirect investment in 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 September 30, 2021 and December 31, 2020. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group.

Lazard Group’s 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”), restructurings, capital advisory, shareholder advisory, sovereign advisory, capital raising and other strategic advisory matters; 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 (i) Lazard Group’s Paris-based subsidiary, Lazard Frères Banque SA (“LFB”), and (ii) a special purpose acquisition company sponsored by an affiliate of the Company, Lazard Growth Acquisition Corp. I (“LGAC”).

***Basis of Presentation***

The accompanying condensed consolidated financial statements of Lazard Group 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 Group’s Annual Report on Form 10-K for the year ended December 31, 2020. The accompanying December 31, 2020 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 that 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 and nine month periods ended September 30, 2021 are not indicative of the results to be expected for any future interim or annual period.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

The condensed consolidated financial statements include 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 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 (see Note 19).

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 its investment at fair value. Intercompany transactions and balances have been eliminated.

***Lazard Growth Acquisition Corp. I***

In February 2021, LGAC consummated its \$575,000 initial public offering (the “LGAC IPO”). LGAC is a special purpose acquisition company, incorporated as a Cayman Islands exempted company for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (a “Business Combination”). LGACo 1 LLC, a Delaware series limited liability company and the Company’s subsidiary, is the sponsor of LGAC. The Company controls LGAC through the sponsor’s ownership of Class B founder shares of LGAC. As a result, both LGAC and the sponsor are consolidated in the Company’s financial statements.

The proceeds from the LGAC IPO of \$575,000 are held in a trust account, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the funds in the trust account to the LGAC shareholders in connection with the redemption of LGAC’s Class A ordinary shares, subject to certain conditions. The cash held in the trust account is recorded in “Restricted Cash” on the condensed consolidated statements of financial condition.

Transaction costs, which consisted of a net underwriting fee of \$8,500, \$20,125 of non-cash deferred underwriting fees and \$852 of other offering costs, were charged against the gross proceeds of the LGAC IPO as consistent with SEC Staff Accounting Bulletin (SAB) Topic 5.

“Redeemable noncontrolling interests” of \$575,000 associated with the publicly held LGAC Class A ordinary shares are recorded on the Company’s condensed consolidated statements of financial condition as of September 30, 2021 at redemption value and classified as temporary equity in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity”. Changes in redemption value are recognized immediately as they occur and will adjust the carrying value of redeemable noncontrolling interests to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable noncontrolling interests shall be affected by charges to additional paid-in-capital and noncontrolling interests attributable to certain members of LGACo 1 LLC based on pro rata ownership.

The warrants exercisable for LGAC Class A ordinary shares that were issued in connection with the LGAC IPO (the “LGAC Warrants”) meet the definition of a liability under FASB ASC Topic 815 and are classified as derivative liabilities remeasured at fair value at each balance sheet date until exercised, with changes in fair value reported to earnings. See Note 7.

***Restricted Cash***

Restricted cash primarily represents LGAC deposits discussed above and other restricted cash deposits made by the Company, including those to satisfy the requirements of clearing organizations.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

**2. RECENT ACCOUNTING DEVELOPMENTS**

*Simplifying the Accounting for Income Taxes*—In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. The amendments included the removal of certain exceptions and various improvements. These improvements are related to the accounting for franchise tax based on income, evaluation of step up in tax basis of goodwill, allocation of consolidated tax expense to standalone legal entities, recognition of enacted change in tax laws or rates, and other minor changes. The Company adopted the new guidance on January 1, 2021. The Company evaluated each of the amendments, and the adoption of the amendments did not have a material impact to the Company’s financial statements.

**3. REVENUE RECOGNITION**

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net Revenue:</b>				
<b>Financial Advisory (a)</b>	\$ 384,793	\$ 305,478	\$ 1,185,233	\$ 908,878
<b>Asset Management:</b>				
Management Fees and Other (b)	\$ 331,252	\$ 273,964	\$ 976,734	\$ 809,071
Incentive Fees (c)	7,495	3,279	74,758	5,542
<b>Total Asset Management</b>	<b>\$ 338,747</b>	<b>\$ 277,243</b>	<b>\$ 1,051,492</b>	<b>\$ 814,613</b>

- (a) Financial Advisory is comprised of a wide array of financial advisory services regarding M&A advisory, restructuring, capital advisory, shareholder advisory, sovereign advisory, capital raising 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. Therefore, in any given period, advisory fees recognized for certain transactions will relate to services performed in prior periods. 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.

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

## LAZARD GROUP LLC

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, unless otherwise noted)

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.

#### 4. RECEIVABLES

The Company's receivables represent fee receivables, amounts due from customers and other receivables and amounts due from Lazard Ltd subsidiaries. The fee receivables are generally due within 60 days from the date of invoice, except as related to certain Restructuring services and certain Capital Raising activities, specifically Private Capital Advisory services, which have fee receivables due upon specified contractual payment terms. For customer loans within customers and other receivables, the Company has elected to apply the practical expedient, in accordance with current expected credit losses ("CECL") guidance, for financial assets with collateral maintenance provisions, which results in no expected credit losses given that these loans are maintained with collateral having a fair value in excess of the carrying amount of the loans as of September 30, 2021.

Receivables are stated net of an estimated allowance for doubtful accounts determined in accordance with the CECL model, for general credit risk of the overall portfolio and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute.

For fee receivables, the allowance for doubtful accounts is determined together for all Financial Advisory fees, except for Private Capital Advisory given the different nature of the business, client composition and risk characteristics. In addition, a separate allowance for doubtful accounts is determined for all Asset Management fees. The allowance is measured by the application of an average charge-off rate, determined annually based on historical bad debt charge-off experience, to the fee receivable balance of the respective services, adjusted for specific allowance recognized based on current conditions of individual clients. The current factors are considered on a quarterly basis and include the aging of the receivables, the client's ability to make payments, and the Company's relationship with the client. In addition, the Company also performs a qualitative assessment on a quarterly basis to monitor economic factors and other uncertainties that may require additional adjustment to the expected credit loss allowance.

With respect to fees receivable from Financial Advisory activities, such receivables are generally deemed past due when they are outstanding 60 days from the date of invoice, except for certain transactions that include specific contractual payment terms that may vary from approximately one month to four years following the invoice date (as is the case for certain Private Capital Advisory fees) or may be subject to court approval (as is the case with Restructuring activities that include bankruptcy proceedings). In such cases, receivables are deemed past due when payment is not received by the agreed-upon contractual date or the court approval date, respectively. Financial Advisory fee receivables past due, from the date of invoice or the specific contractual payment terms, in excess of 180 days are fully provided for unless there is evidence that the balance is collectible. Notwithstanding our policy for receivables past due, any receivables that we determine are impaired result in specific reserves against such exposures. Asset Management fees are fully provided for when such receivables are outstanding 12 months after the invoice date. In addition, the Company specifically reserves against exposures relating to Asset Management fees where we determine receivables are impaired prior to being outstanding for 12 months.



**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

Activity in the allowance for doubtful accounts for the three month and nine month periods ended September 30, 2021 and 2020 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning Balance	\$ 36,244	\$ 40,951	\$ 36,649	\$ 27,130
Adjustment for adoption of new accounting guidance	-	-	-	7,571
Bad debt expense, net of reversals	1,728	(3,811)	4,273	5,103
Charge-offs, foreign currency translation and other adjustments	(680)	1,100	(3,630)	(1,564)
Ending Balance *	<u>\$ 37,292</u>	<u>\$ 38,240</u>	<u>\$ 37,292</u>	<u>\$ 38,240</u>

\*The allowance for doubtful accounts balances are substantially all related to M&A and Restructuring fee receivables that include recoverable expense receivables.

Bad debt expense, net of reversals represents the current period provision of expected credit losses and is included in “operating expenses—other” on the condensed consolidated statements of operations.

Of the Company’s fee receivables at September 30, 2021 and December 31, 2020, \$106,139 and \$90,521, respectively, represented financing receivables for our Private Capital Advisory fees. In addition, at September 30, 2021 and December 31, 2020, the Company had interest-bearing receivables from Lazard Ltd subsidiaries of \$40,000 and \$86,800, respectively. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

At September 30, 2021 and December 31, 2020, customers and other receivables included \$121,853 and \$99,965, respectively, of customer loans, which are fully collateralized and closely monitored for counterparty creditworthiness, with such collateral having a fair value in excess of the carrying amount of the loans as of September 30, 2021 and December 31, 2020.

The aggregate carrying amount of all other receivables of \$525,269 and \$597,235 at September 30, 2021 and December 31, 2020, respectively, approximates fair value.

## 5. INVESTMENTS

The Company’s investments and securities sold, not yet purchased, consist of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Debt	\$ 249,984	\$ 99,987
Equities	44,323	37,365
Funds:		
Alternative investments (a)	41,471	34,264
Debt (a)	124,368	123,554
Equity (a)	409,471	325,795
Private equity	45,358	37,567
	620,668	521,180
Investments, at fair value	<u>\$ 914,975</u>	<u>\$ 658,532</u>
Securities sold, not yet purchased, at fair value (included in “other liabilities”)	<u>\$ 4,588</u>	<u>\$ 1,176</u>

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of \$17,182, \$92,194 and \$345,155, respectively, at September 30, 2021 and \$11,128, \$90,758 and \$277,725, respectively, at December 31, 2020, held

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

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).

Debt primarily consists of U.S. Treasury securities with original maturities of greater than three months and less than one year.

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. Such amounts primarily consist of seed investments in funds related to our Asset Management business and amounts related to LFI discussed above.

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 and (ii) a fund targeting significant noncontrolling-stake investments in established private companies.

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 and nine month periods ended September 30, 2021 and 2020, the Company reported in “revenue-other” on its condensed consolidated statements of operations net unrealized investment gains and losses pertaining to “equity securities and trading debt securities” still held as of the reporting date as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net unrealized investment gains (losses)	\$ (13,736)	\$ 17,834	\$ 5,955	\$ 16,896

**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.

*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 debt is classified as Level 1 when the fair values are based on unadjusted quoted prices in active markets.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

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 interests 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 investments in private equity funds is classified as Level 3 for certain investments that are valued based on the potential transaction value.

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 derivatives entered into by the Company and classified as Level 1 is based on the listed market price of such instruments. The fair value of derivatives entered into by the Company and classified as Level 2 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. The fair value of derivatives entered into by the Company and classified as Level 3 is based on a Black-Scholes valuation model that utilizes both observable and unobservable inputs. Unobservable inputs include model adjustments for valuation uncertainty. 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.

The following tables present, as of September 30, 2021 and December 31, 2020, 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:

	September 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets:</b>					
Investments:					
Debt	\$ 249,984	\$ -	\$ -	\$ -	\$ 249,984
Equities	43,541	-	782	-	44,323
Funds:					
Alternative investments	18,982	-	-	22,489	41,471
Debt	124,363	-	-	5	124,368
Equity	409,423	-	-	48	409,471
Private equity	-	-	7,198	38,160	45,358
Derivatives	-	1,523	-	-	1,523
Total	<u>\$ 846,293</u>	<u>\$ 1,523</u>	<u>\$ 7,980</u>	<u>\$ 60,702</u>	<u>\$ 916,498</u>
<b>Liabilities:</b>					
Securities sold, not yet purchased	\$ 4,588	\$ -	\$ -	\$ -	\$ 4,588
Derivatives	9,430	361,304	-	-	370,734
Total	<u>\$ 14,018</u>	<u>\$ 361,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,322</u>

LAZARD GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, unless otherwise noted)

	December 31, 2020					Total
	Level 1	Level 2	Level 3	NAV		
<b>Assets:</b>						
Investments:						
Debt	\$ 99,987	\$ -	\$ -	\$ -		\$ 99,987
Equities	35,694	-	1,671	-		37,365
Funds:						
Alternative investments	17,411	-	-	16,853		34,264
Debt	123,549	-	-	5		123,554
Equity	325,749	-	-	46		325,795
Private equity	-	-	1,486	36,081		37,567
Derivatives	-	536	-	-		536
Total	<u>\$ 602,390</u>	<u>\$ 536</u>	<u>\$ 3,157</u>	<u>\$ 52,985</u>		<u>\$ 659,068</u>
<b>Liabilities:</b>						
Securities sold, not yet purchased	\$ 1,176	\$ -	\$ -	\$ -		\$ 1,176
Derivatives	-	314,485	-	-		314,485
Total	<u>\$ 1,176</u>	<u>\$ 314,485</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 315,661</u>

The following tables provide a summary of changes in fair value of the Company's Level 3 assets and liabilities for the three month and nine month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021					
	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Acquisitions/Issuances	Sales/Dispositions/Settlements/Transfers	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
Investments:						
Equities	\$ 1,646	\$ (836)	\$ -	\$ -	\$ (28)	\$ 782
Private equity funds	2,628	4,593	-	(16)	(7)	7,198
Total Level 3 assets	<u>\$ 4,274</u>	<u>\$ 3,757</u>	<u>\$ -</u>	<u>\$ (16)</u>	<u>\$ (35)</u>	<u>\$ 7,980</u>

	Nine Months Ended September 30, 2021					
	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Acquisitions/Issuances	Sales/Dispositions/Settlements/Transfers (b)	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
Investments:						
Equities	\$ 1,671	\$ (835)	\$ -	\$ -	\$ (54)	\$ 782
Private equity funds	1,486	5,745	-	(16)	(17)	7,198
Total Level 3 assets	<u>\$ 3,157</u>	<u>\$ 4,910</u>	<u>\$ -</u>	<u>\$ (16)</u>	<u>\$ (71)</u>	<u>\$ 7,980</u>

<b>Liabilities:</b>						
Derivatives	\$ -	\$ -	\$ 11,500	\$ (11,500)	\$ -	\$ -
Total Level 3 liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,500</u>	<u>\$ (11,500)</u>	<u>\$ -</u>	<u>\$ -</u>

LAZARD GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(UNAUDITED)

(dollars in thousands, unless otherwise noted)

Three Months Ended September 30, 2020

	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Acquisitions	Sales/Dispositions/Settlements	Foreign Currency Translation Adjustments	Ending Balance
Assets:						
Investments:						
Equities	\$ 1,580	\$ 1	\$ -	\$ -	\$ 30	\$ 1,611
Private equity funds	1,012	152	-	-	1	1,165
Total Level 3 assets	<u>\$ 2,592</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 2,776</u>

Nine Months Ended September 30, 2020

	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Acquisitions	Sales/Dispositions/Settlements	Foreign Currency Translation Adjustments	Ending Balance
Assets:						
Investments:						
Equities	\$ 1,600	\$ 58	\$ -	\$ -	\$ (47)	\$ 1,611
Private equity funds	1,371	(207)	-	-	1	1,165
Total Level 3 assets	<u>\$ 2,971</u>	<u>\$ (149)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46)</u>	<u>\$ 2,776</u>

- (a) Earnings recorded in “other revenue” for investments in Level 3 assets for the three month and nine month periods ended September 30, 2021 and 2020 include net unrealized gains (losses) of \$3,757, \$4,910, \$153 and \$(149), respectively.  
(b) Transfers out of Level 3 derivatives during the nine month period ended September 30, 2021 reflected transfers of derivative liabilities for LGAC Warrants to Level 1 principally due to a change in the inputs used to value these derivatives.

There were no other transfers into or out of Level 3 within the fair value hierarchy during the three month and nine month periods ended September 30, 2021 and 2020.

The following tables present, at September 30, 2021 and December 31, 2020, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

September 30, 2021

	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Investments Redeemable	
				Redemption Frequency	Redemption Notice Period
Alternative investment funds:					
Hedge funds	\$ 21,864	\$ -	NA	(a)	30-60 days
Other	625	-	NA	(b)	<30-30 days
Debt funds	5	-	NA	(c)	<30 days
Equity funds	48	-	NA	(d)	<30-60 days
Private equity funds:					
Equity growth	38,160	5,597 (e)	100% (f)	NA	NA
Total	<u>\$ 60,702</u>	<u>\$ 5,597</u>			

- (a) monthly (77%) and quarterly (23%)  
(b) daily (8%) and monthly (92%)  
(c) daily (100%)  
(d) monthly (36%) and annually (64%)

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

- (e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$9,128 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.
- (f) Distributions from each fund will be received as the underlying investments of the funds are liquidated.

	December 31, 2020		Investments Redeemable		
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Redemption Frequency	Redemption Notice Period
Alternative investment funds:					
Hedge funds	\$ 16,216	\$ -	NA	(a)	30-60 days
Other	637	-	NA	(b)	<30-30 days
Debt funds	5	-	NA	(c)	<30 days
Equity funds	46	-	NA	(d)	<30-60 days
Private equity funds:					
Equity growth	36,081	5,865 (e)	100% (f)	NA	NA
Total	<u>\$ 52,985</u>	<u>\$ 5,865</u>			

(a) monthly (99%) and quarterly (1%)

(b) daily (8%) and monthly (92%)

(c) daily (100%)

(d) monthly (39%) and annually (61%)

(e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$10,022 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

(f) Distributions from each fund will be received as the underlying investments of the funds are liquidated.

**Investment Capital Funding Commitments**—At September 30, 2021, the Company’s maximum unfunded commitments for capital contributions to investment funds primarily arose from commitments to EGCP III, which amounted to \$5,158. 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.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

**7. DERIVATIVES**

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 September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
<b>Derivative Assets:</b>		
Forward foreign currency exchange rate contracts	\$ 1,521	\$ 536
Total return swaps and other (a)	2	-
	<u>\$ 1,523</u>	<u>\$ 536</u>
<b>Derivative Liabilities:</b>		
Forward foreign currency exchange rate contracts	\$ 1,025	\$ 333
Total return swaps and other (a)	1,529	2,752
LGAC Warrants	9,430	-
LFI and other similar deferred compensation arrangements	358,750	311,400
	<u>\$ 370,734</u>	<u>\$ 314,485</u>

(a) For total return swaps and for contracts with the same counterparty under legally enforceable master netting agreements, (i) as of September 30, 2021 amounts represent the netting of gross derivative assets and liabilities of \$818 and \$8,557, respectively, and receivables for net cash collateral under such contracts of \$6,212, and (ii) as of December 31, 2020 amounts represent the netting of gross derivative assets and liabilities of \$152 and \$9,797, respectively, and receivables for net cash collateral under such contracts of \$6,893. Such amounts are recorded "net" by counterparty in "other assets" and "other liabilities".

Net gains (losses) with respect to derivative instruments (included 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 and nine month periods ended September 30, 2021 and 2020, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Forward foreign currency exchange rate contracts	\$ 2,603	\$ (3,039)	\$ 7,702	\$ (4,816)
LFI and other similar deferred compensation arrangements	1,368	(11,261)	(22,610)	(15,427)
LGAC Warrants	3,795	-	2,070	-
Total return swaps and other	1,492	(5,202)	(9,482)	1,835
Total	<u>\$ 9,258</u>	<u>\$ (19,502)</u>	<u>\$ (22,320)</u>	<u>\$ (18,408)</u>

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**

(dollars in thousands, unless otherwise noted)

**8. PROPERTY**

At September 30, 2021 and December 31, 2020, property consisted of the following:

	Estimated Depreciable Life in Years	September 30, 2021	December 31, 2020
Buildings	33	\$ 146,668	\$ 155,434
Leasehold improvements	3-20	205,174	219,871
Furniture and equipment	3-10	210,073	240,284
Construction in progress		47,334	42,824
Total		609,249	658,413
Less - Accumulated depreciation and amortization		362,090	401,505
Property		<u>\$ 247,159</u>	<u>\$ 256,908</u>

**9. GOODWILL AND OTHER INTANGIBLE ASSETS**

The components of goodwill and other intangible assets at September 30, 2021 and December 31, 2020 are presented below:

	September 30, 2021	December 31, 2020
Goodwill	\$ 357,500	\$ 361,682
Other intangible assets (net of accumulated amortization)	165	210
	<u>\$ 357,665</u>	<u>\$ 361,892</u>

At September 30, 2021 and December 31, 2020, goodwill of \$292,959 and \$297,141, 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 nine month periods ended September 30, 2021 and 2020 are as follows:

	Nine Months Ended September 30,	
	2021	2020
Balance, January 1	\$ 361,682	\$ 350,029
Foreign currency translation adjustments	(4,182)	2,063
Balance, September 30	<u>\$ 357,500</u>	<u>\$ 352,092</u>

All changes in the carrying amount of goodwill for the nine month periods ended September 30, 2021 and 2020 are attributable to the Company's Financial Advisory segment.

The gross cost and accumulated amortization of other intangible assets as of September 30, 2021 and December 31, 2020, by major intangible asset category, are as follows:

	September 30, 2021			December 31, 2020		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Success/incentive fees	\$ 33,040	\$ 33,040	\$ -	\$ 33,040	\$ 33,040	\$ -
Management fees, customer relationships and non-compete agreements	34,671	34,506	165	34,671	34,461	210
	<u>\$ 67,711</u>	<u>\$ 67,546</u>	<u>\$ 165</u>	<u>\$ 67,711</u>	<u>\$ 67,501</u>	<u>\$ 210</u>



**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

Amortization expense of intangible assets, included in “amortization of intangible assets related to acquisitions” in the condensed consolidated statements of operations, for the three month and nine month periods ended September 30, 2021 was \$15 and \$45, respectively, and for the three month and nine month periods ended September 30, 2020 was \$443 and \$1,308, respectively. Estimated future amortization expense is as follows:

<u>Year Ending December 31,</u>	<u>Amortization</u>
	<u>Expense</u>
2021 (October 1 through December 31)	\$ 15
2022	60
2023	60
2024	30
Total amortization expense	<u>\$ 165</u>

**10. SENIOR DEBT**

Senior debt is comprised of the following as of September 30, 2021 and December 31, 2020:

	Initial Principal Amount	Maturity Date	Annual Interest Rate(a)	Outstanding as of					
				September 30, 2021			December 31, 2020		
				Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
Lazard Group 2025									
Senior Notes	\$ 400,000	2/13/25	3.75%	\$ 400,000	\$ 1,593	\$ 398,407	\$ 400,000	\$ 1,948	\$ 398,052
Lazard Group 2027									
Senior Notes	300,000	3/1/27	3.625%	300,000	2,113	297,887	300,000	2,405	297,595
Lazard Group 2028									
Senior Notes	500,000	9/19/28	4.50%	500,000	5,929	494,071	500,000	6,568	493,432
Lazard Group 2029									
Senior Notes	500,000	3/11/29	4.375%	500,000	5,759	494,241	500,000	6,338	493,662
Total				<u>\$ 1,700,000</u>	<u>\$ 15,394</u>	<u>\$ 1,684,606</u>	<u>\$ 1,700,000</u>	<u>\$ 17,259</u>	<u>\$ 1,682,741</u>

(a) The effective interest rates of Lazard Group’s 3.75% senior notes due February 13, 2025 (the “2025 Notes”), Lazard Group’s 3.625% senior notes due March 1, 2027 (the “2027 Notes”), Lazard Group’s 4.50% senior notes due September 19, 2028 (the “2028 Notes”) and Lazard Group’s 4.375% senior notes due March 11, 2029 (the “2029 Notes”) are 3.87%, 3.76%, 4.67% and 4.53%, respectively.

The Company’s senior debt at September 30, 2021 and December 31, 2020 is carried at their principal balances outstanding, net of unamortized debt costs. At those dates, the fair value of such senior debt was approximately \$1,905,600 and \$1,954,000, 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.

On July 22, 2020, Lazard Group entered into an Amended and Restated Credit Agreement for a three-year, \$200,000 senior revolving credit facility with a group of lenders, which expires in July 2023 (the “Amended and Restated Credit Agreement”). The Amended and Restated Credit Agreement amended and restated Lazard Group’s amended and restated credit agreement, dated September 25, 2015, in its entirety. 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. The Amended and Restated Credit Agreement contains certain covenants, events of default and other customary provisions, including customary LIBOR-replacement mechanics. At September 30, 2021 and December 31, 2020, no amounts were outstanding under the Amended and Restated Credit Agreement.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

As of September 30, 2021, the Company had approximately \$212,700 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 \$12,000.

The Amended and Restated Credit Agreement and 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 event of early redemption, where applicable. As of September 30, 2021, the Company was in compliance with such provisions. All of the Company’s senior debt obligations are unsecured.

**11. COMMITMENTS AND CONTINGENCIES**

**Other Commitments**—The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, LFB and LFNy may enter into underwriting commitments in which it will participate as an underwriter. At September 30, 2021, 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, governmental, 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.

**12. MEMBERS’ EQUITY**

**Lazard Group Distributions**—Distributions in respect of Lazard Group’s common membership interests are allocated to the holders of such interests in accordance with the provisions of the Operating Agreement. Such distributions primarily represent amounts necessary to fund (i) any dividends Lazard Ltd may declare on its Class A common stock (“common stock”), the only class of common stock of Lazard outstanding, and (ii) tax distributions in respect of income taxes that Lazard Ltd’s subsidiaries incur.

During the nine month periods ended September 30, 2021 and 2020, Lazard Group distributed \$127,234 and \$120,300, respectively, to the subsidiaries of Lazard Ltd.

Pursuant to Lazard Group’s Operating Agreement, Lazard Group allocates and distributes to its members a substantial portion of its distributable profits in installments as soon as practicable after the end of each fiscal year. Such installment distributions usually begin in February.

**Share Repurchase Program**— Since 2019 and through the nine month period ended September 30, 2021, the Board of Directors of Lazard authorized the repurchase of common stock as set forth in the table below:

<b>Date</b>	<b>Repurchase Authorization</b>	<b>Expiration</b>
February 2019	\$ 300,000	December 31, 2020
October 2019	\$ 300,000	December 31, 2021
April 2021	\$ 300,000	December 31, 2022

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

The Company expects that the share repurchase program will continue to 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, as amended (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 period to period due to a variety of factors. Purchases with respect to such program are set forth in the table below:

<b>Nine Months Ended September 30:</b>	<b>Number of Shares Purchased</b>	<b>Average Price Per Share</b>
2020	2,912,035	\$ 32.70
2021	6,469,429	\$ 44.24

During the nine month periods ended September 30, 2021 and 2020, certain of our executive officers received 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 common stock from certain of our executive officers equal in value to all or a portion of the estimated amount of such tax. In addition, during the nine month periods ended September 30, 2021 and 2020, the Company purchased shares of common stock from certain of our executive officers. The aggregate value of all such purchases during the nine month periods ended September 30, 2021 and 2020 was approximately \$18,600 and \$10,000, respectively. Such shares of common stock are reported at cost.

As of September 30, 2021, a total of \$313,807 of share repurchase authorization remained available under Lazard Ltd’s share repurchase program, \$13,807 of which will expire on December 31, 2021 and \$300,000 of which will expire on December 31, 2022.

During the nine month period ended September 30, 2021, Lazard Ltd 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.

**Accumulated Other Comprehensive Income (Loss) (“AOCI”), Net of Tax**—The tables below reflect the balances of each component of AOCI at September 30, 2021 and 2020 and activity during the three month and nine month periods then ended:

	<b>Three Months Ended September 30, 2021</b>				
	<b>Currency Translation Adjustments</b>	<b>Employee Benefit Plans</b>	<b>Total AOCI</b>	<b>Amount Attributable to Noncontrolling Interests</b>	<b>Total Lazard Group AOCI</b>
Balance, July 1, 2021	\$ (43,063)	\$ (170,624)	\$ (213,687)	\$ 1	\$ (213,688)
Activity:					
Other comprehensive income (loss) before reclassifications	(25,226)	4,442	(20,784)	1	(20,785)
Adjustments for items reclassified to earnings, net of tax	51	1,481	1,532	-	1,532
Net other comprehensive income (loss)	(25,175)	5,923	(19,252)	1	(19,253)
Balance, September 30, 2021	<u>\$ (68,238)</u>	<u>\$ (164,701)</u>	<u>\$ (232,939)</u>	<u>\$ 2</u>	<u>\$ (232,941)</u>

LAZARD GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(UNAUDITED)

(dollars in thousands, unless otherwise noted)

	Nine Months Ended September 30, 2021				
	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2021	\$ (20,438)	\$ (173,006)	\$ (193,444)	\$ 2	\$ (193,446)
Activity:					
Other comprehensive income (loss) before reclassifications	(40,268)	4,030	(36,238)	-	(36,238)
Adjustments for items reclassified to earnings, net of tax	(7,532)	4,275	(3,257)	-	(3,257)
Net other comprehensive income (loss)	(47,800)	8,305	(39,495)	-	(39,495)
Balance, September 30, 2021	<u>\$ (68,238)</u>	<u>\$ (164,701)</u>	<u>\$ (232,939)</u>	<u>\$ 2</u>	<u>\$ (232,941)</u>

	Three Months Ended September 30, 2020				
	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, July 1, 2020	\$ (99,984)	\$ (162,946)	\$ (262,930)	\$ (1)	\$ (262,929)
Activity:					
Other comprehensive income (loss) before reclassifications	33,763	(6,534)	27,229	1	27,228
Adjustments for items reclassified to earnings, net of tax	-	1,345	1,345	-	1,345
Net other comprehensive income (loss)	33,763	(5,189)	28,574	1	28,573
Balance, September 30, 2020	<u>\$ (66,221)</u>	<u>\$ (168,135)</u>	<u>\$ (234,356)</u>	<u>\$ -</u>	<u>\$ (234,356)</u>

	Nine Months Ended September 30, 2020				
	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2020	\$ (74,369)	\$ (176,035)	\$ (250,404)	\$ -	\$ (250,404)
Activity:					
Other comprehensive income before reclassifications	8,148	3,045	11,193	-	11,193
Adjustments for items reclassified to earnings, net of tax	-	4,855	4,855	-	4,855
Net other comprehensive income	8,148	7,900	16,048	-	16,048
Balance, September 30, 2020	<u>\$ (66,221)</u>	<u>\$ (168,135)</u>	<u>\$ (234,356)</u>	<u>\$ -</u>	<u>\$ (234,356)</u>

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

The table below reflects adjustments for items reclassified from AOCI, by component, for the three month and nine month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Currency translation (gains) losses (a)	\$ 51	\$ -	\$ (7,532)	\$ -
Employee benefit plans:				
Amortization relating to employee benefit plans (b)	1,903	1,757	5,561	5,943
Less - related income taxes	422	412	1,286	1,088
	1,481	1,345	4,275	4,855
Total reclassifications, net of tax	<u>\$ 1,532</u>	<u>\$ 1,345</u>	<u>\$ (3,257)</u>	<u>\$ 4,855</u>

- (a) Represents currency translation (gains) losses reclassified to earnings from AOCI associated with restructuring and closing of certain of our offices. Such amounts are included in “revenue—other” on the condensed consolidated statements of operations.
- (b) Included in the computation of net periodic benefit cost (see Note 14). Such amounts are included in “operating expenses—other” on the condensed consolidated statements of operations.

**Noncontrolling Interests**—Noncontrolling interests principally represent (i) interests held in Edgewater’s management vehicles that the Company is deemed to control, but does not own, (ii) LGAC interests (see Note 1) and (iii) consolidated VIE interests held by employees (see Note 19).

The tables below summarize net income (loss) attributable to noncontrolling interests for the three month and nine month periods ended September 30, 2021 and 2020 and noncontrolling interests as of September 30, 2021 and December 31, 2020 in the Company’s condensed consolidated financial statements:

	Net Income (Loss) Attributable to Noncontrolling Interests			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Edgewater	\$ 5,019	\$ 168	\$ 8,349	\$ (4,179)
Consolidated VIEs	471	1,253	5,159	(474)
LGAC	2,813	-	55	-
Other	1	2	5	3
Total	<u>\$ 8,304</u>	<u>\$ 1,423</u>	<u>\$ 13,568</u>	<u>\$ (4,650)</u>

	Noncontrolling Interests as of	
	September 30, 2021	December 31, 2020
Edgewater	\$ 46,404	\$ 45,352
Consolidated VIEs	61,840	40,517
LGAC	(12,051)	-
Other	20	16
Total	<u>\$ 96,213</u>	<u>\$ 85,885</u>

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

**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 and nine month periods ended September 30, 2021 and 2020 is presented below.

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

The 2018 Plan became effective on April 24, 2018 and was amended on April 29, 2021 to increase the aggregate number of shares authorized for issuance under the 2018 Plan by 20,000,000 shares. The 2018 Plan replaced the 2008 Plan, which was terminated on April 24, 2018. The 2018 Plan originally authorized issuance of up to 30,000,000 shares of common stock, plus any shares of common stock that were subject to outstanding awards under the 2008 Plan as of March 14, 2018 that are forfeited, canceled or settled in cash following April 24, 2018, which was the date that the 2018 Plan was approved by our shareholders. Such shares may be issued pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”), profits interest participation rights, including performance-based restricted participation units (“PRPUs”), and other share-based awards.

The 2008 Plan authorized the issuance of shares of 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 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 outstanding awards granted under the 2008 Plan before its termination continue to be subject to its terms.

The 2005 Plan authorized the issuance of up to 25,000,000 shares of 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 outstanding deferred stock unit (“DSU”) awards granted under the 2005 Plan before its expiration continue to be subject to its terms.

The following reflects the amortization expense recorded with respect to share-based incentive plans within “compensation and benefits” expense (with respect to RSUs, PRSUs, restricted stock, profits interest participation rights, including PRPUs, and other share-based awards) and “professional services” expense (with respect to DSUs) within the Company’s accompanying condensed consolidated statements of operations for the three month and nine month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Share-based incentive awards:				
RSUs	\$ 30,780	\$ 29,295	\$ 101,687	\$ 112,435
PRSUs	157	636	5,871	5,627
Restricted Stock	2,826	5,423	14,592	22,969
Profits interest participation rights	17,980	4,121	71,662	37,172
DSUs	74	97	983	1,086
<b>Total</b>	<b>\$ 51,817</b>	<b>\$ 39,572</b>	<b>\$ 194,795</b>	<b>\$ 179,289</b>

The ultimate amount of compensation and benefits expense relating to share-based awards is dependent upon the actual number of shares of 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.

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

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

***RSUs and DSUs***

RSUs generally require future service as a condition for the delivery of the underlying shares of common stock (unless the recipient is then eligible for retirement under the Company's retirement policy) and convert into shares of common stock on a one-for-one basis after the stipulated vesting periods. 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 the applicable vesting period, each RSU is attributed additional RSUs equivalent to any dividends paid on common stock during such period. During the nine month period ended September 30, 2021, dividend participation rights required the issuance of 303,739 RSUs.

Non-executive members of the Board of Directors of Lazard Group, who are the same Non-Executive Directors of Lazard Ltd ("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 30,764 DSUs being granted during the nine month period ended September 30, 2021. 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 common stock at the time of cessation of service to the Board of Directors. DSUs include a cash dividend participation right equivalent to dividends paid on common stock.

Lazard Ltd'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 common stock on the date immediately preceding the date of the grant. During the nine month period ended September 30, 2021, 11,384 DSUs 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 nine month period ended September 30, 2021:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2021	9,266,344	\$ 42.96	478,800	\$ 36.36
Granted (including 303,739 RSUs relating to dividend participation)	3,101,679	\$ 43.19	42,148	\$ 46.66
Forfeited	(199,599)	\$ 41.45	-	-
Settled	(4,090,277)	\$ 47.00	(185,657)	\$ 35.89
Balance, September 30, 2021	8,078,147	\$ 41.04	335,291	\$ 37.92

In connection with RSUs that settled during the nine month period ended September 30, 2021, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 1,370,613 shares of common stock during such nine month period. Accordingly, 2,719,664 shares of common stock held by the Company were delivered during the nine month period ended September 30, 2021.

As of September 30, 2021, estimated unrecognized RSU compensation expense was \$112,306, with such expense expected to be recognized over a weighted average period of approximately 0.9 years subsequent to September 30, 2021.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

***Restricted Stock***

The following is a summary of activity related to shares of restricted common stock associated with compensation arrangements during the nine month period ended September 30, 2021:

	Restricted Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2021	1,144,959	\$ 41.09
Granted (including 27,311 relating to dividend participation)	445,263	\$ 43.30
Forfeited	(103,850)	\$ 40.81
Settled	(587,994)	\$ 42.95
Balance, September 30, 2021	<u>898,378</u>	<u>\$ 41.00</u>

In connection with shares of restricted common stock that settled during the nine month period ended September 30, 2021, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 198,040 shares of common stock during such nine month period. Accordingly, 389,954 shares of common stock held by the Company were delivered during the nine month period ended September 30, 2021.

Restricted stock awards granted in 2021 generally include a dividend participation right that provides that during the applicable vesting period each restricted stock award is attributed additional shares of restricted common stock equivalent to any dividends paid on common stock during such period. During the nine month period ended September 30, 2021, dividend participation rights required the issuance of 27,311 shares of restricted common stock.

At September 30, 2021, estimated unrecognized restricted stock expense was \$16,538, with such expense to be recognized over a weighted average period of approximately 0.9 years subsequent to September 30, 2021.

***PRsUs***

PRsUs are RSUs that are subject to performance-based and service-based vesting conditions, and beginning with awards granted in February 2021, a market-based condition. The number of shares of common stock that a recipient will receive upon vesting of a PRsU will be calculated by reference to certain performance-based and, for awards granted in February 2021, market-based metrics that relate to Lazard Ltd's performance over a three-year period. The target number of shares of common stock subject to each PRsU is one; however, based on the achievement of the performance criteria, the number of shares of common stock that may be received in connection with each PRsU generally can range from zero to two times the target number for awards granted prior to February 2021. For awards granted in February 2021, based on both the performance-based and market-based criteria, the number of shares of common stock can range from zero to 2.4 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. PRsUs granted prior to February 2021 include dividend participation rights that provide that during vesting periods, the target number of PRsUs receive dividend equivalents at the same rate that dividends are paid on 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. PRsUs granted in February 2021 include dividend participation rights that are subject to the same vesting restrictions (including performance criteria) as the underlying PRsUs to which they relate and are settled in cash at the same rate that dividends are paid on common stock.

The following is a summary of activity relating to PRsUs during the nine month period ended September 30, 2021:

	PRsUs	Weighted Average Grant Date Fair Value
Balance, January 1, 2021	546,959	\$ 53.48
Granted	32,394	\$ 46.63
Settled	(546,959)	\$ 53.48
Balance, September 30, 2021	<u>32,394</u>	<u>\$ 46.63</u>



**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

In connection with certain PRSUs that settled during the nine month period ended September 30, 2021, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 100,882 shares of common stock during such nine month period. Accordingly, 446,077 shares of common stock held by the Company were delivered during the nine month period ended September 30, 2021.

Compensation expense recognized for PRSU awards is determined by multiplying the number of shares of 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 September 30, 2021, the total estimated unrecognized compensation expense was \$1,505, and the Company expects to amortize such expense over a weighted-average period of approximately 1.3 years subsequent to September 30, 2021.

***Profits Interest Participation Rights***

Profits interest participation rights are equity incentive awards that, subject to certain conditions, may be exchanged for shares of common stock pursuant to the 2018 Plan. The Company granted profits interest participation rights subject to service-based and performance-based vesting criteria and other conditions, and beginning in February 2021, incremental market-based vesting criteria, which we refer to as performance-based restricted participation units ("PRPUs"), to certain of our executive officers. The Company also granted profits interest participation rights subject to service-based vesting criteria and other conditions, but not the performance-based and incremental market-based vesting criteria associated with PRPUs, to a limited number of other senior employees. Profits interest participation rights generally provide for vesting approximately three years following the grant date, so long as applicable conditions have been satisfied.

Profits interest participation rights are a class of membership interests in the Company that are intended to qualify as "profits interests" for U.S. federal income tax purposes, and are recorded within members' equity in the Company's condensed consolidated statements of financial condition. The profits interest participation rights generally allow the recipient to realize value only to the extent that both (i) the service-based vesting conditions and, if applicable, the performance-based and incremental market-based conditions, are satisfied, and (ii) an amount of economic appreciation in the assets of the Company occurs as necessary to satisfy certain partnership tax rules (referred to as the "Minimum Value Condition") before the fifth anniversary of the grant date, otherwise the profits interest participation rights will be forfeited. Upon satisfaction of such conditions, profits interest participation rights that are in parity with the value of common stock will be exchanged on a one-for-one basis for shares of common stock. If forfeited based solely on failing to meet the Minimum Value Condition, the associated compensation expense would not be reversed. With regard to the profits interest participation rights granted in February 2019 and February 2020, the Minimum Value Condition was met during the year ended December 31, 2020 and during February 2021, respectively.

Like outstanding RSUs and similar awards, profits interest participation rights are subject to continued employment and other conditions and restrictions and are forfeited if those conditions and restrictions are not fulfilled. More specifically, vesting of profits interest participation rights are subject to compliance with restrictive covenants including non-compete, non-solicitation of clients, no hire of employees and confidentiality, which are similar to those applicable to PRSUs and RSUs. In addition, profits interest participation rights must satisfy the Minimum Value Condition.

The number of shares of common stock that a recipient will receive upon the exchange of a PRPU award is calculated by reference to applicable performance-based and, beginning with PRPUs granted in 2021, incremental market-based conditions and only result in value to the recipient to the extent the conditions are satisfied. The target number of shares of common stock subject to each PRPU is one. Based on the achievement of performance criteria, as determined by the Compensation Committee, the number of shares of common stock that may be received in connection with the PRPU awards granted in February 2019 and February 2020 will range from zero to two times the target number. For the PRPU awards granted in February 2021, subject to both performance-based and incremental market-based criteria, the number of shares will range from zero to 2.4 times the target number. Unless applicable conditions are satisfied during the three year performance period, and the Minimum Value Condition is satisfied within five years following the grant date, all PRPUs will be forfeited, and the recipients will not be entitled to any such awards.

In addition, the performance metrics applicable to the PRPU awards granted in February 2019 and February 2020 will be evaluated on an annual basis at the end of each fiscal year during the performance period, and, if Lazard Ltd has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of PRPUs will no longer be at risk of forfeiture based on

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

the achievement of performance criteria. Profits interest participation rights are allocated income, subject to vesting and settled in cash, in respect of dividends paid on common stock.

The following is a summary of activity relating to profits interest participation rights, including PRPUs, during the nine month period ended September 30, 2021:

	Profits Interest Participation Rights		Weighted Average Grant Date Fair Value
Balance, January 1, 2021	2,523,075	\$	40.43
Granted	1,159,864	\$	44.73
Balance, September 30, 2021 (a)	<u>3,682,939</u>	\$	41.78

(a) Table includes 1,561,120 PRPUs, which represents the target number of PRPUs granted as of September 30, 2021, including 510,342 PRPUs granted during the nine month period ended September 30, 2021. The weighted average grant date fair values for PRPUs and other profits interest participation rights outstanding as of January 1, 2021 were \$40.61 and \$40.30, respectively. The weighted average grant date fair values for PRPUs and other profits interest participation rights granted during the nine month period ended September 30, 2021 were \$46.63 and \$43.23, respectively. The weighted average grant date fair values for PRPUs and other profits interest participation rights outstanding as of September 30, 2021 were \$42.58 and \$41.20, respectively.

Compensation expense recognized for profits interest participation rights, including PRPUs, is determined by multiplying the number of shares of 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 September 30, 2021, the total estimated unrecognized compensation expense was \$28,896. The Company expects to amortize such expense over a weighted-average period of approximately 0.8 years subsequent to September 30, 2021.

***LFI and Other Similar Deferred Compensation Arrangements***

In connection with LFI and other similar deferred compensation arrangements, granted to eligible employees, 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.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

The following is a summary of activity relating to LFI and other similar deferred compensation arrangements during the nine month period ended September 30, 2021:

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2021	\$ 101,631	\$ 311,400
Granted	161,892	161,892
Settled	-	(130,522)
Forfeited	(4,333)	(11,906)
Amortization	(123,155)	-
Change in fair value related to:		
Change in fair value of underlying investments	-	22,610
Adjustment for estimated forfeitures	-	7,840
Other	17	(2,564)
Balance, September 30, 2021	<u>\$ 136,052</u>	<u>\$ 358,750</u>

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 0.9 years subsequent to September 30, 2021.

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 and nine month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Amortization, net of forfeitures	\$ 41,629	\$ 25,897	\$ 123,422	\$ 95,322
Change in the fair value of underlying investments	(1,368)	11,261	22,610	15,427
Total	<u>\$ 40,261</u>	<u>\$ 37,158</u>	<u>\$ 146,032</u>	<u>\$ 110,749</u>

**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.

**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. Management also evaluates from time to time whether to make voluntary contributions to the plans.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

The following table summarizes the components of net periodic benefit cost (credit) related to the Company's pension plans for the three month and nine month periods ended September 30, 2021 and 2020:

	Pension Plans	
	Three Months Ended September 30, 2021	2020
<b>Components of Net Periodic Benefit Cost (Credit):</b>		
Service cost	\$ 212	\$ 224
Interest cost	2,123	3,013
Expected return on plan assets	(6,507)	(6,750)
Amortization of:		
Prior service cost	29	28
Net actuarial loss (gain)	1,874	1,729
Settlement loss	378	622
Net periodic benefit cost (credit)	<u>\$ (1,891)</u>	<u>\$ (1,134)</u>

	Pension Plans	
	Nine Months Ended September 30, 2021	2020
<b>Components of Net Periodic Benefit Cost (Credit):</b>		
Service cost	\$ 669	\$ 594
Interest cost	6,379	8,906
Expected return on plan assets	(19,638)	(19,813)
Amortization of:		
Prior service cost	89	82
Net actuarial loss (gain)	5,472	5,861
Settlement loss	1,142	2,132
Net periodic benefit cost (credit)	<u>\$ (5,887)</u>	<u>\$ (2,238)</u>

**15. INCOME TAXES**

Although a portion of Lazard Group's income is subject to U.S. federal income taxes, Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income from its U.S. operations is generally not subject to U.S. federal income taxes because such income is attributable to its partners. Lazard Group, 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 Unincorporated Business Tax ("UBT") attributable to its operations apportioned to New York City.

The Company recorded income tax provisions of \$22,827 and \$78,876 for the three month and nine month periods ended September 30, 2021, respectively, and \$17,983 and \$40,886 for the three month and nine month periods ended September 30, 2020, respectively, representing effective tax rates of 14.4%, 15.9%, 16.6% and 13.9%, respectively. The difference between the U.S. federal statutory rate of 21.0% and the effective tax rates reflected above principally relates to (i) Lazard Group primarily operating as a limited liability company in the U.S., (ii) taxes payable to foreign jurisdictions, (iii) the tax impact of differences in the value of share based incentive compensation and other discrete items, (iv) change in the valuation allowance affecting the provision for income taxes, (v) U.S. state and local taxes, which are incremental to the U.S. federal statutory tax rate, and (vi) impact of U.S. tax reform, including base erosion and anti-abuse tax.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

**16. RELATED PARTIES**

***Receivables from and Payables to Lazard Ltd Subsidiaries***

Lazard Group's receivables from subsidiaries of Lazard Ltd at September 30, 2021 and December 31, 2020 included interest-bearing loans of \$40,000 and \$86,800, respectively. Interest income relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$15 and \$76 for the three month and nine month periods ended September 30, 2021, respectively, and \$64 for the nine month period ended September 30, 2020.

Lazard Group's payables to subsidiaries of Lazard Ltd at December 31, 2020 included interest-bearing loans of \$50,000. Interest expense relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$3 and \$30 for the three month and nine month periods ended September 30, 2021, respectively, and \$54 for the nine month period ended September 30, 2020. The partial settlement of the interest-bearing loans in the nine month period ended September 30, 2021 of \$10,536 reflects the transfer of 241,235 shares of common stock from Lazard Group to a subsidiary of Lazard Ltd. Such amount was reflected in members' equity as of September 30, 2021 and was a non-cash transaction.

In the first quarter of 2020, a subsidiary of Lazard Ltd contributed an interest-bearing intercompany loan, including interest thereon, of \$55,941 due from a Lazard Group subsidiary to Lazard Group. Such amount was reflected in members' equity as of September 30, 2020 and was a non-cash transaction.

***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 \$164,340 and \$524,464 for the three month and nine month periods ended September 30, 2021, respectively, and \$131,885 and \$386,413 for the three month and nine month periods ended September 30, 2020, respectively, and are included in "asset management fees" on the condensed consolidated statements of operations. Of such amounts, \$57,375 and \$72,076 remained as receivables at September 30, 2021 and December 31, 2020, respectively, and are included in "fees receivable" on the condensed consolidated statements of financial condition.

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

**17. 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 \$5, whichever is greater. In addition, the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15:1. At September 30, 2021, LFNY's regulatory net capital was \$130,195, which exceeded the minimum requirement by \$124,982. LFNY's aggregate indebtedness to net capital ratio was 0.60:1 as of September 30, 2021.

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 September 30, 2021, the aggregate regulatory net capital of the U.K. Subsidiaries was \$173,662, which exceeded the minimum requirement by \$150,860.

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 September 30, 2021, the consolidated regulatory net capital of CFLF was \$146,256, which exceeded the minimum requirement set for regulatory capital levels by \$81,613. In addition, pursuant to the consolidated supervision rules in the

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

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 June 30, 2021, the regulatory net capital of the combined European regulated group was \$170,270, which exceeded the minimum requirement set for regulatory capital levels by \$88,137. 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 September 30, 2021, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$217,599, which exceeded the minimum required capital by \$188,283.

At September 30, 2021, 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.

#### **18. 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 and nine month periods ended September 30, 2021 and 2020 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 records other revenue, 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.

**LAZARD GROUP LLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**(UNAUDITED)**

**(dollars in thousands, unless otherwise noted)**

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		Nine Months Ended	
		September 30,		September 30,	
		2021	2020	2021	2020
<b>Financial Advisory</b>	Net Revenue	\$ 384,793	\$ 305,478	\$ 1,185,233	\$ 908,878
	Operating Expenses	301,570	263,572	924,507	756,591
	Operating Income	\$ 83,223	\$ 41,906	\$ 260,726	\$ 152,287
<b>Asset Management</b>	Net Revenue	\$ 338,747	\$ 277,243	\$ 1,051,492	\$ 814,613
	Operating Expenses	246,094	200,194	747,511	600,012
	Operating Income	\$ 92,653	\$ 77,049	\$ 303,981	\$ 214,601
<b>Corporate</b>	Net Revenue	\$ (6,095)	\$ (4,940)	\$ (5,749)	\$ (36,055)
	Operating Expenses	11,577	5,960	63,264	37,083
	Operating Loss	\$ (17,672)	\$ (10,900)	\$ (69,013)	\$ (73,138)
<b>Total</b>	Net Revenue	\$ 717,445	\$ 577,781	\$ 2,230,976	\$ 1,687,436
	Operating Expenses	559,241	469,726	1,735,282	1,393,686
	Operating Income	<u>\$ 158,204</u>	<u>\$ 108,055</u>	<u>\$ 495,694</u>	<u>\$ 293,750</u>

	As Of	
	September 30, 2021	December 31, 2020
<b>Total Assets</b>		
Financial Advisory	\$ 1,113,703	\$ 1,157,844
Asset Management	990,047	958,588
Corporate	4,232,417	3,399,315
<b>Total</b>	<u>\$ 6,336,167</u>	<u>\$ 5,515,747</u>

**19. CONSOLIDATED VIEs**

The Company's consolidated VIEs as of September 30, 2021 and December 31, 2020 include certain funds that were established for the benefit of employees participating in the Company's existing LFI deferred compensation arrangement. Lazard invests in these funds and is the investment manager and is therefore deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds. The Company's consolidated VIE assets, except as it relates to \$147,505 and \$121,376 of LFI held by Lazard Group as of September 30, 2021 and December 31, 2020, respectively, can only be used to settle the obligations of the consolidated VIEs. The Company's consolidated VIE assets and liabilities as reflected in the condensed consolidated statements of financial condition consist of the following at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,013	\$ 3,558
Customers and other receivables	1,157	160
Investments	202,131	158,370
Other assets	757	400
Total Assets	<u>\$ 211,058</u>	<u>\$ 162,488</u>
<b>LIABILITIES</b>		
Deposits and other customer payables	\$ 1,404	\$ 104
Other liabilities	309	491
Total Liabilities	<u>\$ 1,713</u>	<u>\$ 595</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with Lazard Group's condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (the "Form 10-Q"), as well as Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K"). All references to "2021," "2020," "third quarter," "first nine months" or "the period" refer to, as the context requires, the three month and nine month periods ended September 30, 2021 and 2020.*

### Forward-Looking Statements and Certain Factors that May Affect Our Business

Management has included in Parts I and II of this Form 10-Q, including in its MD&A, statements that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "target," "goal" or "continue," and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies, business plans and initiatives and anticipated trends in our business. These statements, including with respect to the current COVID-19 pandemic, are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, but are not limited to, those discussed in our Form 10-K under the caption "Risk Factors," including the following:

- a decline in general economic conditions or the global or regional financial markets;
- a decline in our revenues, for example due to a decline in overall mergers and acquisitions ("M&A") activity, our share of the M&A market or our assets under management ("AUM");
- losses caused by financial or other problems experienced by third parties;
- losses due to unidentified or unanticipated risks;
- a lack of liquidity, *i.e.*, ready access to funds, for use in our businesses; and
- competitive pressure on our businesses and on our ability to retain and attract employees at current compensation levels.

These risks and uncertainties are not exhaustive. Other sections of the Form 10-K and this Form 10-Q describe additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

- financial goals, including ratios of compensation and benefits expense to operating revenue;
- ability to deploy surplus cash through distributions to members, purchases of common stock and debt repurchases;
- possible or assumed future results of operations and operating cash flows;
- strategies and investment policies;
- financing plans and the availability of short-term borrowing;
- competitive position;
- future acquisitions, including the consideration to be paid and the timing of consummation;
- potential growth opportunities available to our businesses;



- potential impact of investments in our technology infrastructure and data science capabilities;
- recruitment and retention of our managing directors and employees;
- potential levels of compensation expense, including awarded compensation and benefits expense and adjusted compensation and benefits expense, and non-compensation expense;
- potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;
- likelihood of success and impact of litigation;
- expected tax rates, including effective tax rates;
- changes in interest and tax rates;
- availability of certain tax benefits, including certain potential deductions;
- potential impact of certain events or circumstances on our financial statements and operations, including the ongoing COVID-19 pandemic;
- changes in foreign currency exchange rates;
- expectations with respect to the economy, the securities markets, the market for mergers, acquisitions, restructuring and other financial advisory activity, the market for asset management activity and other macroeconomic, regional and industry trends;
- effects of competition on our business; and
- impact of new or future legislation and regulation, including tax laws and regulations, on our business.

The Company is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, the Company uses its website, its twitter account ([twitter.com/Lazard](https://twitter.com/Lazard)) and other social media sites to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates of AUM in our Asset Management business. Investors can link to Lazard Ltd, Lazard Group and their operating company websites through <http://www.lazard.com>. Our websites and social media sites and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-Q.

## **Business Summary**

Lazard, one of the world's preeminent financial advisory and asset management firms, operates from 41 cities across 26 countries in North America, Europe, Asia, Australia, Central and South America. With origins dating to 1848, we have long specialized in crafting solutions to the complex financial and strategic challenges of a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals.

Our primary business purpose is to serve our clients. Our deep roots in business centers around the world form a global network of relationships with key decision-makers in corporations, governments and investing institutions. This network is both a competitive strength and a powerful resource for Lazard and our clients. As a firm that competes on the quality of our advice, we have two fundamental assets: our people and our reputation.

We operate in cyclical businesses across multiple geographies, industries and asset classes. In recent years, we have expanded our geographic reach, bolstered our industry expertise and continued to build in growth areas. Companies, government bodies and investors seek independent advice with a geographic perspective, deep understanding of capital structure, informed research and knowledge of global, regional and local economic conditions. We believe that our business model as an independent advisor will continue to create opportunities for us to attract new clients and key personnel.

Our principal sources of revenue are derived from activities in the following 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 M&A, restructurings, capital advisory, shareholder advisory, sovereign advisory, capital raising and other strategic advisory matters, 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 (i) Lazard Group’s Paris-based subsidiary, Lazard Frères Banque SA (“LFB”), and (ii) a special purpose acquisition company sponsored by an affiliate of the Company, Lazard Growth Acquisition Corp. I (“LGAC”).

Our consolidated net revenue was derived from the following segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Financial Advisory	54%	53%	53%	54%
Asset Management	47	48	47	48
Corporate	(1)	(1)	-	(2)
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

We also invest our own capital from time to time, generally alongside capital of qualified institutional and individual investors in alternative investments or private equity investments, and, since 2005, we have engaged in a number of alternative investments and private equity activities, including, historically, investments through (i) Edgewater, our Chicago-based private equity firm and (ii) a fund targeting significant noncontrolling-stake investments in established private companies. We also make investments to seed our Asset Management strategies.

## Business Environment and Outlook

Economic and global financial market conditions can materially affect our financial performance. As described above, our principal sources of revenue are derived from activities in our Financial Advisory and Asset Management business segments. As our Financial Advisory revenues are primarily dependent on the successful completion of merger, acquisition, restructuring, capital raising or similar transactions, and our Asset Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

In the U.S., economic growth is generally robust and appears likely to continue into next year. In Europe, business conditions continue to improve. However, the course of the coronavirus (“COVID-19”) pandemic remains uncertain. Governments and central banks have taken extraordinary measures to support local economies and capital markets, but the macroeconomic outlook remains uncertain while significant health risks persist.

Our outlook with respect to our Financial Advisory and Asset Management businesses is described below.

- **Financial Advisory**—During a very active M&A market, we are focused on serving clients with our depth of expertise in capital structure, capital raising, and restructuring. Announced M&A transaction volumes achieved record levels during the third quarter and the first nine months of 2021, with particularly strong activity among private equity sponsors. However, we still expect there to be elevated uncertainty in the near term due to the ongoing health crisis, emergent concerns about inflation, and a more stringent regulatory market. The global scale and breadth of our Financial Advisory business enables us to advise on a wide range of strategic and restructuring transactions across a variety of industries. In addition, we continue to invest in our Financial Advisory business by selectively hiring talented senior professionals in an effort to enhance our capabilities and sector expertise in M&A, capital structure and public and private capital markets.
- **Asset Management**—In the short to intermediate term, we normally would expect most investor demand to come through financial institutions, and from defined benefit and defined contribution plans in developed economies because of their sheer scope and size. However, uncertainty due to the ongoing health crisis and emergent concerns about inflation may impact our

business in a manner that we cannot predict. Over the longer term, and depending upon local and global market conditions, we would expect an increasing share of our AUM to come from the developing economies around the globe, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Given our diversified investment platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from opportunities across the asset management industry despite the current challenges that markets have created for that industry. We are continually developing new investment strategies that extend our existing platforms and assessing potential product acquisitions or other inorganic growth opportunities. Among other efforts, we have been particularly focused on continuing to incorporate environmental, social and corporate governance (“ESG”) considerations, as appropriate, into our investment research and launching strategies that use ESG and sustainability factors to drive long-term investment returns. In addition to these new ESG and sustainable strategies, recent examples of growth initiatives include the following: various Quantitative Equity strategies, new convertible bond strategies, thematically oriented strategies, a new long/short credit strategy and a new Technology, Media and Telecom long/short equity strategy.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge continuously, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See Item 1A, “Risk Factors” in our Form 10-K. Furthermore, net income and revenue in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Overall, we continue to focus on the development of our business, including the generation of stable revenue growth, earnings growth and member returns, the evaluation of potential growth opportunities, the investment in new technology to support the development of existing and new business opportunities, the prudent management of our costs and expenses, the efficient use of our assets and the return of equity to our members.

Certain market data with respect to our Financial Advisory and Asset Management businesses is included below.

### ***Financial Advisory***

As reflected in the following table, which sets forth global M&A industry statistics, the value of all completed transactions, including the subset of completed transactions involving values greater than \$500 million, increased in the first nine months of 2021 as compared to 2020. With respect to announced M&A transactions, the value and number of all transactions, including the subset of announced transactions involving values greater than \$500 million, increased in the first nine months of 2021 as compared to 2020.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Incr / (Decr)	2021	2020	% Incr / (Decr)
	(\$ in billions)					
<b>Completed M&amp;A Transactions:</b>						
All deals:						
Value	\$ 1,216	\$ 754	61%	\$ 3,379	\$ 2,378	42%
Number	7,208	8,436	(15)%	23,937	24,575	(3)%
Deals Greater than \$500 million:						
Value	\$ 964	\$ 552	75%	\$ 2,610	\$ 1,824	43%
Number	393	232	69%	1,058	721	47%
<b>Announced M&amp;A Transactions:</b>						
All deals:						
Value	\$ 1,573	\$ 1,175	34%	\$ 4,487	\$ 2,272	97%
Number	7,848	8,781	(11)%	25,490	24,728	3%
Deals Greater than \$500 million:						
Value	\$ 1,294	\$ 944	37%	\$ 3,625	\$ 1,699	113%
Number	513	320	60%	1,425	711	100%

Source: Dealogic as of October 6, 2021.

Global restructuring activity during the first nine months of 2021, as measured by the number of corporate defaults, decreased as compared to the first nine months of 2020. The number of defaulting issuers was 41 in the first nine months of 2021 according to Moody's Investors Service, Inc., as compared to 171 in the first nine months of 2020.

Net revenue trends in Financial Advisory are generally correlated to the level of completed industry-wide M&A transactions and restructuring transactions occurring subsequent to corporate debt defaults, respectively. However, deviations from this relationship can occur in any given year for a number of reasons. For instance, our results can diverge from industry-wide activity where there are material variances from the level of industry-wide M&A activity in a particular market where Lazard has significant market share, or regarding the relative number of our advisory engagements with respect to larger-sized transactions, and where we are involved in non-public or sovereign advisory assignments.

### *Asset Management*

Equity market indices for major markets at September 30, 2021 generally increased as compared to such indices at December 31, 2020 and September 30, 2020. The percentage change in major equity market indices at September 30, 2021, as compared to such indices at June 30, 2021, December 31, 2020 and at September 30, 2020, is shown in the table below.

	Percentage Changes September 30, 2021 vs.		
	June 30, 2021	December 31, 2020	September 30, 2020
MSCI World Index	0%	13%	29%
Euro Stoxx	0%	16%	30%
MSCI Emerging Market	(8)%	(1)%	19%
S&P 500	1%	16%	30%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM and the nature of the AUM product mix. Accordingly, market movements, foreign currency exchange rate volatility and changes in our AUM product mix will impact the level of revenues we receive from our Asset Management business when comparing periodic results. A substantial portion of our AUM is invested in equities. Movements in AUM during the period generally reflect the changes in equity market indices.

## **Financial Statement Overview**

### *Net Revenue*

The majority of Lazard's Financial Advisory net revenue historically has been earned from the successful completion of M&A transactions, restructuring, capital advisory services, shareholder advisory, sovereign advisory, capital raising and other strategic advisory matters. The main drivers of Financial Advisory net revenue are overall M&A activity, the level of corporate debt defaults and the environment for capital raising activities, particularly in the industries and geographic markets in which Lazard focuses. In some client engagements, often those involving financially distressed companies, revenue is earned in the form of retainers and similar fees that are contractually agreed upon with each client for each assignment and are not necessarily linked to the completion of a transaction. In addition, Lazard also earns fees from providing strategic advice to clients, with such fees not being dependent on a specific transaction, and may also earn fees in connection with public and private securities offerings. Significant fluctuations in Financial Advisory net revenue can occur over the course of any given year, because a significant portion of such net revenue is earned upon the successful completion of a transaction, restructuring or capital raising activity, the timing of which is uncertain and is not subject to Lazard's control.

Lazard's Asset Management segment principally includes Lazard Asset Management LLC (together with its subsidiaries, "LAM"), Lazard Frères Gestion SAS ("LFG") and Edgewater. Asset Management net revenue is derived from fees for investment management and advisory services provided to clients. As noted above, the main driver of Asset Management net revenue is the level and product mix of AUM, which is generally influenced by the performance of the global equity markets and, to a lesser extent, fixed income markets as well as Lazard's investment performance, which impacts its ability to successfully attract and retain assets. As a result, fluctuations (including timing thereof) in financial markets and client asset inflows and outflows have a direct effect on Asset Management net revenue and operating income. Asset Management fees are generally based on the level of AUM measured daily, monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations, currency fluctuations, changes in product mix, or net client asset flows will result in a corresponding increase or decrease in management fees. The majority of our investment advisory contracts are generally terminable at any time or on notice of 30 days or less. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their

funds to other types of accounts with different rate structures for a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In addition, as Lazard's AUM includes significant amounts of assets that are denominated in currencies other than U.S. Dollars, changes in the value of the U.S. Dollar relative to foreign currencies will impact the value of Lazard's AUM and the overall amount of management fees generated by the AUM. Fees vary with the type of assets managed and the vehicle in which they are managed, with higher fees earned on equity assets and alternative investment funds, such as hedge funds and private equity funds, and lower fees earned on fixed income and cash management products.

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 specified 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 at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates or redemption occurs 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 are often 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 interest during the life of the fund can occur. As a result, incentive fees earned on our private equity funds are not recognized until potential uncertainties regarding the ultimate realizable amounts have been determined, including any potential for clawback.

Corporate segment net revenue consists primarily of investment gains and losses on the Company's "seed investments" related to our Asset Management business and principal investments in private equity funds, net of hedging activities, as well as gains and losses on investments held in connection with Lazard Fund Interests ("LFI") and interest income and interest expense. Corporate net revenue also can fluctuate due to changes in the fair value of debt and equity securities, as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness.

Corporate segment total assets represented 67% of Lazard's consolidated total assets as of September 30, 2021, which are attributable to cash and cash equivalents, restricted cash associated with LGAC, investments in debt and equity securities, interests in alternative investment, debt, equity and private equity funds, deferred tax assets and certain other assets associated with LFB and LGAC.

### ***Operating Expenses***

The majority of Lazard's operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards, including (a) share-based incentive compensation under the Lazard Ltd 2018 Incentive Compensation Plan, as amended (the "2018 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan") and (b) LFI and other similar deferred compensation arrangements (see Note 13 of Notes to Condensed Consolidated Financial Statements), (iii) a provision for discretionary or guaranteed cash bonuses and profit pools and (iv) when applicable, severance payments. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our actual and forecasted operating and financial performance, staffing levels, estimated forfeiture rates, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

For interim periods, we use "adjusted compensation and benefits expense" and the ratio of "adjusted compensation and benefits expense" to "operating revenue," both non-GAAP measures, for comparison of compensation and benefits expense between periods. For the reconciliations and calculations with respect to "adjusted compensation and benefits expense" and related ratios to "operating revenue," see the table under "Consolidated Results of Operations" below.

We believe that “awarded compensation and benefits expense” and the ratio of “awarded compensation and benefits expense” to “operating revenue,” both non-GAAP measures, when presented in conjunction with accounting principles generally accepted in the United States of America (“U.S. GAAP”) measures, are appropriate measures to assess the annual cost of compensation and provide a meaningful and useful basis for comparison of compensation and benefits expense between present, historical and future years. “Awarded compensation and benefits expense” for a given year is calculated using “adjusted compensation and benefits expense,” also a non-GAAP measure, as modified by the following items:

- we deduct amortization expense recorded for U.S. GAAP purposes in the fiscal year associated with deferred incentive compensation awards;
- we add incentive compensation with respect to the fiscal year, which is comprised of:
  - (i) the deferred incentive compensation awards granted in the year-end compensation process with respect to the fiscal year (*e.g.*, deferred incentive compensation awards granted in 2021 related to the 2020 year-end compensation process), including performance-based restricted stock unit (“PRSU”) and performance-based restricted participation unit (“PRPU”) awards (based on the target payout level);
  - (ii) the portion of investments in people (*e.g.*, “sign-on” bonuses or retention awards) and other special deferred incentive compensation awards that is applicable to the fiscal year the award becomes effective; and
  - (iii) amounts in excess of the target payout level for PRSU and PRPU awards at the end of their respective performance periods; and
- we reduce the amounts in (i), (ii) and (iii) above by an estimate of future forfeitures with respect to such awards.

Compensation and benefits expense is the largest component of our operating expenses. We seek to maintain discipline with respect to compensation, including the rate at which we award deferred compensation. Our goal is to maintain a ratio of awarded compensation and benefits expense to operating revenue and a ratio of adjusted compensation and benefits expense to operating revenue over the cycle in the mid-to high-50s percentage range. While we have implemented policies and initiatives that we believe will assist us in maintaining ratios within this range, there can be no guarantee that we will continue to maintain such ratios, or that our policies or initiatives will not change, in the future. Increased competition for professionals, changes in the macroeconomic environment or the financial markets generally, lower operating revenue resulting from, for example, a decrease in M&A activity, our share of the M&A market or our AUM levels, changes in the mix of revenues from our businesses, investments in our businesses or various other factors could prevent us from achieving this goal; however, in future periods we may benefit from pressure on compensation costs within the financial services industry.

Our operating expenses also include “non-compensation expense”, which includes costs for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and other expenses. Our occupancy costs represent a significant portion of our aggregate operating expenses and are subject to change from time to time, particularly as leases for real property expire and are renewed or replaced with new, long-term leases for the same or other real property.

We believe that “adjusted non-compensation expense”, a non-GAAP measure, when presented in conjunction with U.S. GAAP measures provides a meaningful and useful basis for our investors to assess our operating results. For calculations with respect to “adjusted non-compensation expense”, see the table under “Consolidated Results of Operations” below.

Our operating expenses also include “amortization of intangible assets related to acquisitions”.

### ***Provision for Income Taxes***

Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group’s income pertaining to the limited liability company is not subject to U.S. federal income tax because taxes associated with such income represent obligations of its partners. Lazard Group, 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 Unincorporated Business Tax (“UBT”) attributable to its operations apportioned to New York City.

See “Critical Accounting Policies and Estimates—Income Taxes” below and Note 15 of Notes to Condensed Consolidated Financial Statements for additional information regarding income taxes and our deferred tax assets.

### Noncontrolling Interests

Noncontrolling interests primarily consist of (i) amounts related to Edgewater's management vehicles that the Company is deemed to control but not own, (ii) LGAC interests (see Note 1 of Notes to Condensed Consolidated Financial Statements) and (iii) consolidated VIE interests held by employees. See Notes 12 and 19 of Notes to Condensed Consolidated Financial Statements for information regarding the Company's noncontrolling interests and consolidated VIEs.

### Consolidated Results of Operations

Lazard's condensed consolidated financial statements are presented in U.S. Dollars. Many of our non-U.S. subsidiaries have a functional currency (*i.e.*, the currency in which operational activities are primarily conducted) that is other than the U.S. Dollar, generally the currency of the country in which the subsidiaries are domiciled. Such subsidiaries' assets and liabilities are translated into U.S. Dollars using exchange rates as of the respective balance sheet date, while revenue and expenses are translated at average exchange rates during the respective periods based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary's functional currency are reported as a component of members' equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included in the condensed consolidated statements of operations.

The condensed consolidated financial statements are prepared in conformity with U.S. GAAP. Selected financial data derived from the Company's reported condensed consolidated results of operations is set forth below, followed by a more detailed discussion of both the consolidated and business segment results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(\$ in thousands)			
<b>Net Revenue</b>	\$ 717,445	\$ 577,781	\$ 2,230,976	\$ 1,687,436
<b>Operating Expenses:</b>				
Compensation and benefits	417,020	351,840	1,328,930	1,018,791
Non-compensation	142,206	117,443	406,307	373,587
Amortization of intangible assets related to acquisitions	15	443	45	1,308
Total operating expenses	559,241	469,726	1,735,282	1,393,686
<b>Operating Income</b>	158,204	108,055	495,694	293,750
Provision for income taxes	22,827	17,983	78,876	40,886
<b>Net Income</b>	135,377	90,072	416,818	252,864
<b>Less - Net Income (Loss) Attributable to Noncontrolling Interests</b>	8,304	1,423	13,568	(4,650)
<b>Net Income Attributable to Lazard Group</b>	<u>\$ 127,073</u>	<u>\$ 88,649</u>	<u>\$ 403,250</u>	<u>\$ 257,514</u>
<b>Operating Income, as a % of net revenue</b>	<u>22.1%</u>	<u>18.7%</u>	<u>22.2%</u>	<u>17.4%</u>

The tables below describe the components of operating revenue, adjusted compensation and benefits expense, adjusted non-compensation expense, earnings from operations and related key ratios, which are non-GAAP measures used by the Company to manage its business. We believe such non-GAAP measures in conjunction with U.S. GAAP measures provide a meaningful and useful basis for comparison between present, historical and future periods, as described above.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(\$ in thousands)				
<b>Operating Revenue:</b>				
Net revenue	\$ 717,445	\$ 577,781	\$ 2,230,976	\$ 1,687,436
Adjustments:				
Interest expense (a)	18,623	18,639	55,467	55,877
Distribution fees, reimbursable deal costs, bad debt expense and other (b)	(23,874)	(12,019)	(62,204)	(50,333)
Revenue related to noncontrolling interests (c)	(11,994)	(4,042)	(24,109)	(3,443)
(Gains) losses on investments pertaining to LFI (d)	1,368	(11,261)	(22,610)	(15,427)
(Gains) losses associated with restructuring and closing of certain offices (e)	51	-	(7,532)	-
Operating revenue	<u>\$ 701,619</u>	<u>\$ 569,098</u>	<u>\$ 2,169,988</u>	<u>\$ 1,674,110</u>

- (a) Interest expense (excluding interest expense incurred by LFB) is added back in determining operating revenue because such expense relates to corporate financing activities and is not considered to be a cost directly related to the revenue of our business.
- (b) Represents certain distribution, introducer and management fees paid to third parties, reimbursable deal costs and bad debt expense relating to fees that are deemed uncollectible for which an equal amount is excluded for purposes of determining adjusted non-compensation expense.
- (c) Revenue or loss related to the consolidation of noncontrolling interests is excluded from operating revenue because the Company has no economic interest in such amount.
- (d) Represents changes in the fair value of investments held in connection with LFI and other similar deferred compensation arrangements for which a corresponding equal amount is excluded from compensation and benefits expense.
- (e) Represents (gains) losses related to the reclassification of currency translation adjustments to earnings from accumulated other comprehensive loss associated with restructuring and closing of certain of our offices in the three month and nine month periods ended September 30, 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(\$ in thousands)				
<b>Adjusted Compensation and Benefits Expense:</b>				
Total compensation and benefits expense	\$ 417,020	\$ 351,840	\$ 1,328,930	\$ 1,018,791
Adjustments:				
Noncontrolling interests (a)	(2,504)	(1,936)	(6,842)	(5,658)
(Charges) credits pertaining to LFI (b)	1,368	(11,261)	(22,610)	(15,427)
Expenses associated with restructuring and closing of certain offices	(1,012)	-	(14,922)	-
Adjusted compensation and benefits expense	<u>\$ 414,872</u>	<u>\$ 338,643</u>	<u>\$ 1,284,556</u>	<u>\$ 997,706</u>
Adjusted compensation and benefits expense, as a % of operating revenue	<u>59.1%</u>	<u>59.5%</u>	<u>59.2%</u>	<u>59.6%</u>

- (a) Expenses related to the consolidation of noncontrolling interests are excluded because Lazard has no economic interest in such amounts.
- (b) Represents changes in fair value of the compensation liability recorded in connection with LFI and other similar deferred incentive compensation awards for which a corresponding equal amount is excluded from operating revenue.



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(\$ in thousands)				
<b>Adjusted Non-Compensation Expense:</b>				
Total non-compensation expense	\$ 142,206	\$ 117,443	\$ 406,307	\$ 373,587
Adjustments:				
Expenses relating to office space reorganization (a)	(991)	(2,311)	(3,644)	(8,462)
Distribution fees, reimbursable deal costs, bad debt expense and other (b)	(23,874)	(12,019)	(62,204)	(50,333)
Noncontrolling interests (c)	(1,188)	(507)	(3,704)	(1,907)
Expenses associated with restructuring and closing of certain offices	(39)	-	(1,424)	-
Adjusted non-compensation expense	<u>\$ 116,114</u>	<u>\$ 102,606</u>	<u>\$ 335,331</u>	<u>\$ 312,885</u>
Adjusted non-compensation expense, as a % of operating revenue	<u>16.5%</u>	<u>18.0%</u>	<u>15.5%</u>	<u>18.7%</u>

- (a) Represents incremental rent expense, building depreciation and legal fees related to office space reorganization.
- (b) Represents certain distribution, introducer and management fees paid to third parties, reimbursable deal costs and bad debt expense relating to fees that are deemed uncollectible for which an equal amount is included for purposes of determining operating revenue.
- (c) Expenses related to the consolidation of noncontrolling interests are excluded because the Company has no economic interest in such amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(\$ in thousands)				
<b>Earnings From Operations:</b>				
Operating revenue	\$ 701,619	\$ 569,098	\$ 2,169,988	\$ 1,674,110
Deduct:				
Adjusted compensation and benefits expense	(414,872)	(338,643)	(1,284,556)	(997,706)
Adjusted non-compensation expense	(116,114)	(102,606)	(335,331)	(312,885)
Earnings from operations	<u>\$ 170,633</u>	<u>\$ 127,849</u>	<u>\$ 550,101</u>	<u>\$ 363,519</u>
Earnings from operations, as a % of operating revenue	<u>24.3%</u>	<u>22.5%</u>	<u>25.4%</u>	<u>21.7%</u>

Headcount information is set forth below:

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
<b>Headcount:</b>			
Managing Directors:			
Financial Advisory	179	168	166
Asset Management	108	105	105
Corporate	22	21	22
Total Managing Directors	309	294	293
Other Business Segment Professionals and Support Staff:			
Financial Advisory	1,345	1,370	1,385
Asset Management	1,066	1,012	994
Corporate	424	412	409
Total	<u>3,144</u>	<u>3,088</u>	<u>3,081</u>

## Operating Results

The Company's quarterly revenue and profits can fluctuate materially depending on the number, size and timing of completed transactions on which it advised, as well as seasonality, the performance of equity markets and other factors. Accordingly, the revenue and profits in any particular quarter may not be indicative of future results. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

### *Three Months Ended September 30, 2021 versus September 30, 2020*

The Company reported net income attributable to Lazard Group of \$127 million, as compared to net income attributable to Lazard Group of \$89 million in the 2020 period.

Net revenue increased \$140 million, or 24%, with operating revenue increasing \$133 million, or 23%, as compared to the 2020 period. Fee revenue from investment banking and other advisory activities increased \$80 million, or 26%, as compared to the 2020 period. Asset management fees, including incentive fees, increased \$58 million, or 22%, as compared to the 2020 period. In the aggregate, interest income, other revenue and interest expense increased \$2 million, as compared to the 2020 period.

Compensation and benefits expense increased \$65 million, or 19%, as compared to the 2020 period, primarily associated with increased operating revenue.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) was \$415 million, an increase of \$76 million, or 23%, as compared to \$339 million in the 2020 period. The ratio of adjusted compensation and benefits expense to operating revenue was 59.1% for the 2021 period, as compared to 59.5% for the 2020 period.

Non-compensation expense increased \$25 million, or 21%, as compared to the 2020 period. Adjusted non-compensation expense increased \$14 million, or 13%, as compared to the 2020 period. The ratio of adjusted non-compensation expense to operating revenue was 16.5% for the 2021 period, as compared to 18.0% for the 2020 period.

Amortization of intangible assets related to acquisitions remained substantially the same as compared the 2020 period.

Operating income increased \$50 million, or 46%, as compared to the 2020 period.

Earnings from operations increased \$43 million, or 33%, as compared to the 2020 period, and, as a percentage of operating revenue, was 24.3%, as compared to 22.5% in the 2020 period.

The provision for income taxes reflects an effective tax rate of 14.4%, as compared to 16.6% for the 2020 period. The decrease in the effective tax rate principally relates to changes in the geographic mix of earnings and a decrease in discrete benefits.

Net income attributable to noncontrolling interests increased \$7 million as compared to the 2020 period.

### *Nine Months Ended September 30, 2021 versus September 30, 2020*

The Company reported net income attributable to Lazard Group of \$403 million, as compared to net income attributable to Lazard Group of \$258 million in the 2020 period.

Net revenue increased \$544 million, or 32%, with operating revenue increasing \$496 million, or 30%, as compared to the 2020 period. Fee revenue from investment banking and other advisory activities increased \$270 million, or 30%, as compared to the 2020 period. Asset management fees, including incentive fees, increased \$217 million, or 28%, as compared to the 2020 period. In the aggregate, interest income, other revenue and interest expense increased \$57 million, as compared to the 2020 period.

Compensation and benefits expense increased \$310 million, or 30%, as compared to the 2020 period, primarily associated with increased operating revenue.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) was \$1,285 million, an increase of \$287 million, or 29%, as compared to \$998 million in the 2020 period. The ratio of adjusted compensation and benefits expense to operating revenue was 59.2% for the 2021 period, as compared to 59.6% for the 2020 period.

Non-compensation expense increased \$33 million, or 9%, as compared to the 2020 period. Adjusted non-compensation expense increased \$22 million, or 7%, as compared to the 2020 period. The ratio of adjusted non-compensation expense to operating revenue was 15.5% for the 2021 period, as compared to 18.7% in the 2020 period.

Amortization of intangible assets related to acquisitions decreased \$1 million as compared to the 2020 period.

Operating income increased \$202 million, or 69%, as compared to the 2020 period.

Earnings from operations increased \$187 million, or 51%, as compared to the 2020 period, and, as a percentage of operating revenue, was 25.4%, as compared to 21.7% in the 2020 period.

The provision for income taxes reflects an effective tax rate of 15.9%, as compared to 13.9% for the 2020 period. The increase in the effective tax rate principally relates to changes in the geographic mix of earnings and a decrease in discrete benefits.

Net income (loss) attributable to noncontrolling interests reflects income of \$14 million as compared to a loss of \$5 million in the 2020 period.

## Business Segments

The following is a discussion of net revenue and operating income for the Company's segments: Financial Advisory, Asset Management and Corporate. Each segment's operating expenses include (i) compensation and benefits expenses that are incurred directly in support of the segment 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 outsourcing, and indirect support costs (including compensation and benefits expense and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, human resources, legal, information technology, facilities management and senior management activities. Such support costs are allocated to the relevant segments based on various statistical drivers such as revenue, headcount, square footage and other factors.

### Financial Advisory

The following table summarizes the reported operating results attributable to the Financial Advisory segment:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$ in thousands)			
Net Revenue	\$ 384,793	\$ 305,478	\$ 1,185,233	\$ 908,878
Operating Expenses	301,570	263,572	924,507	756,591
Operating Income	\$ 83,223	\$ 41,906	\$ 260,726	\$ 152,287
Operating Income, as a % of net revenue	21.6%	13.7%	22.0%	16.8%

Certain Lazard fee and transaction statistics for the Financial Advisory segment are set forth below:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Lazard Statistics:</b>				
Number of clients with fees greater than \$1 million:				
Financial Advisory	89	65	254	178
Percentage of total Financial Advisory net revenue from top 10 clients	32%	39%	18%	25%
Number of M&A transactions completed with values greater than \$500 million (a)	22	12	63	47

(a) Source: Dealogic as of October 6, 2021.

The geographical distribution of Financial Advisory net revenue is set forth below in percentage terms and is based on the Lazard offices that generate Financial Advisory net revenue, which are located in the Americas (U.S. and Latin America), EMEA (primarily in the U.K., France, Germany, Italy and Spain) and the Asia Pacific region and therefore may not be reflective of the geography in which the clients are located.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Americas	63%	70%	64%	67%
EMEA	36	28	35	31
Asia Pacific	1	2	1	2
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Company's managing directors and many of its professionals have significant experience, and many of them are able to use this experience to advise on M&A, restructuring and other strategic advisory matters, depending on clients' needs. This flexibility allows Lazard to better match its professionals with the counter-cyclical business cycles of mergers and acquisitions and restructurings. While Lazard measures revenue by practice area, Lazard does not separately measure the costs or profitability of M&A services as compared to restructuring or other services. Accordingly, Lazard measures performance in its Financial Advisory segment based on overall segment operating revenue and operating income margins.

### ***Financial Advisory Results of Operations***

**Financial Advisory's quarterly revenue and profits can fluctuate materially depending on the number, size and timing of completed transactions on which it advised, as well as seasonality and other factors. Accordingly, the revenue and profits in any particular quarter or period may not be indicative of future results. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.**

#### ***Three Months Ended September 30, 2021 versus September 30, 2020***

Financial Advisory net revenue increased \$79 million, or 26%, as compared to the 2020 period. The increase in Financial Advisory net revenue was primarily a result of an increase in the number of fees between \$1 million and \$5 million as compared to the 2020 period.

Operating expenses increased \$38 million, or 14%, as compared to the 2020 period, primarily due to increases in compensation and benefits expense associated with increased operating revenue.

Financial Advisory operating income was \$83 million, an increase of \$41 million, or 99%, as compared to operating income of \$42 million in the 2020 period and, as a percentage of net revenue, was 21.6%, as compared to 13.7% in the 2020 period.

#### ***Nine Months Ended September 30, 2021 versus September 30, 2020***

Financial Advisory net revenue increased \$276 million, or 30%, as compared to the 2020 period. The increase in Financial Advisory net revenue was primarily a result of an increase in the number of fees between \$1 million and \$5 million as compared to the 2020 period.

Operating expenses increased \$168 million, or 22%, as compared to the 2020 period, primarily due to increases in compensation and benefits expense associated with increased operating revenue.

Financial Advisory operating income was \$261 million, an increase of \$108 million, or 71%, as compared to operating income of \$152 million in the 2020 period and, as a percentage of net revenue, was 22.0%, as compared to 16.8% in the 2020 period.

## Asset Management

The following table shows the composition of AUM for the Asset Management segment:

	September 30, 2021	As of December 31, 2020
	(\$ in millions)	
<b>AUM by Asset Class:</b>		
<b>Equity:</b>		
Emerging Markets	\$ 31,316	\$ 33,254
Global	58,348	56,246
Local	54,764	48,672
Multi-Regional	74,840	71,560
Total Equity	219,268	209,732
<b>Fixed Income:</b>		
Emerging Markets	12,917	13,651
Global	14,469	11,962
Local	6,070	5,600
Multi-Regional	13,731	12,571
Total Fixed Income	47,187	43,784
<b>Alternative Investments</b>	3,934	2,748
<b>Private Equity</b>	1,288	1,420
<b>Cash Management</b>	895	958
Total AUM	<u>\$ 272,572</u>	<u>\$ 258,642</u>

Total AUM at September 30, 2021 was \$273 billion, an increase of \$14 billion, or 5%, as compared to total AUM of \$259 billion at December 31, 2020 due to market appreciation, partially offset by foreign exchange depreciation and net outflows. Average AUM for the three month and nine month periods ended September 30, 2021 increased 23% and 24% as compared to the three month and nine month periods ended September 30, 2020.

As of both September 30, 2021 and December 31, 2020, approximately 87% of our AUM was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. As of both September 30, 2021 and December 31, 2020, approximately 13% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and individuals.

As of September 30, 2021, AUM with foreign currency exposure represented approximately 67% of our total AUM, as compared to 69% at December 31, 2020. AUM with foreign currency exposure generally declines in value with the strengthening of the U.S. Dollar and increases in value as the U.S. Dollar weakens, with all other factors held constant.

The following is a summary of changes in AUM by asset class for the three month and nine month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021						
	AUM Beginning Balance	Inflows (a)	Outflows (a)	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 224,559	\$ 7,674	\$ (10,964)	\$ (3,290)	\$ 454	\$ (2,455)	\$ 219,268
Fixed Income	47,150	2,361	(1,802)	559	286	(808)	47,187
Other	5,669	592	(192)	400	98	(50)	6,117
Total	<u>\$ 277,378</u>	<u>\$ 10,627</u>	<u>\$ (12,958)</u>	<u>\$ (2,331)</u>	<u>\$ 838</u>	<u>\$ (3,313)</u>	<u>\$ 272,572</u>

(a) Inflows in the Equity asset class were primarily attributable to the Emerging Markets, Global and Multi-Regional platforms, and inflows in the Fixed Income asset class were primarily attributable to the Global and Multi-Regional platforms. Outflows in the Equity asset class were primarily attributable to the Global, Multi-Regional and Emerging Markets equity platforms, and outflows in the Fixed Income asset class were primarily attributable to the Multi-Regional and Global platforms.

**Nine Months Ended September 30, 2021**

	AUM Beginning Balance	Inflows (a)	Outflows (a)	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 209,732	\$ 21,492	\$ (31,825)	\$ (10,333)	\$ 24,757	\$ (4,888)	\$ 219,268
Fixed Income	43,784	9,859	(5,515)	4,344	768	(1,709)	47,187
Other	5,126	1,994	(843)	1,151	(65)	(95)	6,117
<b>Total</b>	<b>\$ 258,642</b>	<b>\$ 33,345</b>	<b>\$ (38,183)</b>	<b>\$ (4,838)</b>	<b>\$ 25,460</b>	<b>\$ (6,692)</b>	<b>\$ 272,572</b>

(a) Inflows in the Equity asset class were primarily attributable to the Multi-Regional, Global and Emerging Markets platforms, and inflows in the Fixed Income asset class were primarily attributable to the Global and Multi-Regional platforms. Outflows in the Equity asset class were primarily attributable to the Multi-Regional, Global and Emerging Markets equity platforms, and outflows in the Fixed Income asset class were primarily attributable to the Global and Emerging Markets platforms.

**Three Months Ended September 30, 2020**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 173,515	\$ 8,013	\$ (9,654)	\$ (1,641)	\$ 8,969	\$ 2,912	\$ 183,755
Fixed Income	36,884	2,991	(1,616)	1,375	480	758	39,497
Other	4,305	245	(180)	65	75	55	4,500
<b>Total</b>	<b>\$ 214,704</b>	<b>\$ 11,249</b>	<b>\$ (11,450)</b>	<b>\$ (201)</b>	<b>\$ 9,524</b>	<b>\$ 3,725</b>	<b>\$ 227,752</b>

**Nine Months Ended September 30, 2020**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 205,541	\$ 22,615	\$ (34,092)	\$ (11,477)	\$ (10,034)	\$ (275)	\$ 183,755
Fixed Income	38,263	7,632	(7,356)	276	1,109	(151)	39,497
Other	4,435	713	(594)	119	(59)	5	4,500
<b>Total</b>	<b>\$ 248,239</b>	<b>\$ 30,960</b>	<b>\$ (42,042)</b>	<b>\$ (11,082)</b>	<b>\$ (8,984)</b>	<b>\$ (421)</b>	<b>\$ 227,752</b>

As of October 22, 2021, AUM was \$278.9 billion, a \$6.3 billion increase since September 30, 2021. The increase in AUM was due to market appreciation of \$6.6 billion and foreign exchange appreciation of \$0.8 billion, partially offset by net outflows of \$1.1 billion.

Average AUM for the three month and nine month periods ended September 30, 2021 and 2020 for each significant asset class is set forth below. Average AUM generally represents the average of the monthly ending AUM balances for the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(\$ in millions)			
<b>Average AUM by Asset Class:</b>				
Equity	\$ 224,773	\$ 182,191	\$ 220,135	\$ 176,972
Fixed Income	47,456	39,355	46,177	37,353
Alternative Investments	3,596	2,250	3,306	2,087
Private Equity	1,305	1,399	1,326	1,401
Cash Management	811	851	817	839
<b>Total Average AUM</b>	<b>\$ 277,941</b>	<b>\$ 226,046</b>	<b>\$ 271,761</b>	<b>\$ 218,652</b>

The following table summarizes the reported operating results attributable to the Asset Management segment:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$ in thousands)			
Net Revenue	\$ 338,747	\$ 277,243	\$ 1,051,492	\$ 814,613
Operating Expenses	246,094	200,194	747,511	600,012
Operating Income	\$ 92,653	\$ 77,049	\$ 303,981	\$ 214,601
Operating Income, as a % of net revenue	27.4%	27.8%	28.9%	26.3%

The geographical distribution of Asset Management net revenue is set forth below in percentage terms, and is based on the Lazard offices that manage and distribute the respective AUM amounts. Such geographical distribution may not be reflective of the geography of the investment products or clients.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Americas	50%	50%	47%	51%
EMEA	39	38	42	37
Asia Pacific	11	12	11	12
Total	100%	100%	100%	100%

#### *Asset Management Results of Operations*

Asset Management's quarterly revenue and profits in any particular quarter or period may not be indicative of future results and may fluctuate based on the performance of the equity and other capital markets. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

#### *Three Months Ended September 30, 2021 versus September 30, 2020*

Asset Management net revenue increased \$62 million, or 22%, as compared to the 2020 period. Management fees and other revenue was \$331 million, an increase of \$57 million, or 21%, as compared to \$274 million in the 2020 period, primarily due to an increase in average AUM. Incentive fees were \$7 million, an increase of \$4 million as compared to \$3 million in the 2020 period.

Operating expenses increased \$46 million, or 23%, as compared to the 2020 period primarily due to increases in compensation and benefits expense associated with increased operating revenue.

Asset Management operating income was \$93 million, an increase of \$16 million, or 20%, as compared to operating income of \$77 million in the 2020 period and as a percentage of net revenue, was 27.4%, as compared to 27.8% in the 2020 period.

#### *Nine Months Ended September 30, 2021 versus September 30, 2020*

Asset Management net revenue increased \$237 million, or 29%, as compared to the 2020 period. Management fees and other revenue was \$977 million, an increase of \$168 million, or 21%, as compared to \$809 million in the 2020 period, primarily due to an increase in average AUM. Incentive fees were \$75 million, an increase of \$69 million as compared to \$6 million in the 2020 period.

Operating expenses increased \$147 million, or 25%, as compared to the 2020 period primarily due to increases in compensation and benefits expense associated with increased operating revenue.

Asset Management operating income was \$304 million, an increase of \$89 million, or 42%, as compared to operating income of \$215 million in the 2020 period and, as a percentage of net revenue, was 28.9%, as compared to 26.3% in the 2020 period.

## Corporate

The following table summarizes the reported operating results attributable to the Corporate segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(\$ in thousands)			
Interest Income	\$ 762	\$ (120)	\$ 1,972	\$ 2,463
Interest Expense	(18,862)	(18,898)	(56,259)	(56,680)
Net Interest (Expense)	(18,100)	(19,018)	(54,287)	(54,217)
Other Revenue	12,005	14,078	48,538	18,162
Net Revenue (Expense)	(6,095)	(4,940)	(5,749)	(36,055)
Operating Expenses	11,577	5,960	63,264	37,083
Operating Income (Loss)	\$ (17,672)	\$ (10,900)	\$ (69,013)	\$ (73,138)

### Corporate Results of Operations

Corporate operating results in any particular quarter or period may not be indicative of future results and may fluctuate based on a variety of factors. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

#### Three Months Ended September 30, 2021 versus September 30, 2020

Net interest expense remained substantially the same as compared to the 2020 period.

Other revenue decreased \$2 million, or 15%, as compared to the 2020 period.

Operating expenses increased \$6 million, or 94%, as compared to the 2020 period, primarily due to an increase in compensation and benefits expense and other operating expenses.

#### Nine Months Ended September 30, 2021 versus September 30, 2020

Net interest expense remained substantially the same as compared to the 2020 period.

Other revenue increased \$30 million as compared to the 2020 period primarily due to higher income in the 2021 period attributable to investments held in connection with LFI.

Operating expenses increased \$26 million, or 71%, as compared to the 2020 period, primarily due to an increase in compensation and benefits expense, including an increase in charges pertaining to LFI.

### Cash Flows

The Company's cash flows are influenced primarily by the timing of the receipt of Financial Advisory and Asset Management fees, the timing of distributions to members, payments of incentive compensation to managing directors and employees and purchases of common stock.

M&A and other advisory and Asset Management fees are generally collected within 60 days of billing, while Restructuring fee collections may extend beyond 60 days, particularly those that involve bankruptcies with court-ordered holdbacks. Fees from our Private Capital Advisory activities are generally collected over a four-year period from billing and typically include an interest component.

The Company makes cash payments for, or in respect of, a significant portion of its incentive compensation during the first three months of each calendar year with respect to the prior year's results.



## Summary of Cash Flows:

	Nine Months Ended September 30,	
	2021	2020
	(\$ in millions)	
<b>Cash Provided By (Used In):</b>		
Operating activities:		
Net income	\$ 417	\$ 253
Adjustments to reconcile net income to net cash provided by operating activities (a)	406	348
Other operating activities (b)	(397)	(338)
Net cash provided by operating activities	426	263
Investing activities	(25)	(34)
Financing activities (c)	366	(332)
Effect of exchange rate changes	(118)	53
<b>Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash</b>	<b>649</b>	<b>(50)</b>
<b>Cash and Cash Equivalents and Restricted Cash (d):</b>		
Beginning of Period	2,499	2,388
End of Period	<u>\$ 3,148</u>	<u>\$ 2,338</u>

(a) Consists of the following:

	Nine Months Ended September 30,	
	2021	2020
	(\$ in millions)	
Depreciation and amortization of property	\$ 28	\$ 25
Noncash lease expense	52	47
Currency translation adjustment reclassification	(8)	-
Amortization of deferred expenses and share-based incentive compensation	325	282
Deferred tax provision (benefit)	9	(7)
Amortization of intangible assets related to acquisitions	-	1
Total	<u>\$ 406</u>	<u>\$ 348</u>

(b) Includes net changes in operating assets and liabilities.

(c) Consists primarily of purchases of shares of common stock, tax withholdings related to the settlement of vested RSUs, vested restricted stock awards and vested PRSUs, changes in customer deposits, distributions to members and noncontrolling interest holders and activity relating to borrowings and in 2021, contributions from redeemable noncontrolling interests and payments of underwriting fees and other offering costs associated with the LGAC IPO.

(d) Cash and cash equivalents and restricted cash consists of cash and cash equivalents, deposits with banks and short-term investments and restricted cash.

## Liquidity and Capital Resources

The Company's liquidity and capital resources are derived from operating activities, financing activities and equity offerings.

### Operating Activities

Net revenue, operating income and cash receipts fluctuate significantly between periods and could be affected by various risks and uncertainties, including, but not limited to, the ongoing effects of the COVID-19 pandemic. In the case of Financial Advisory, fee receipts are generally dependent upon the successful completion of client transactions, the occurrence and timing of which is irregular and not subject to Lazard's control.

Liquidity is significantly impacted by cash payments for, or in respect of, incentive compensation, a significant portion of which are made during the first three months of the year. As a consequence, cash on hand generally declines in the beginning of the year and gradually builds over the remainder of the year. We also pay certain tax advances during the year on behalf of certain managing directors, which serve to reduce their respective incentive compensation payments. We expect this seasonal pattern of cash flow to continue.

Liquidity is also affected by the level of deposits and other customer payables, principally at LFB. To the extent that such deposits and other customer payables rise or fall, this has a corresponding impact on liquidity held at LFB, with the majority of such amounts generally being recorded in “deposits with banks and short-term investments”. In the first nine months of 2021, as reflected on the condensed consolidated statements of financial condition, both “deposits with banks and short-term investments” and “deposits and other customer payables” increased as compared to December 31, 2020, and reflect the level of LFB customer-related demand deposits, primarily from clients and funds managed by LFG.

Lazard’s condensed consolidated financial statements are presented in U.S. Dollars. Many of Lazard’s non-U.S. subsidiaries have a functional currency (*i.e.*, the currency in which operational activities are primarily conducted) that is other than the U.S. Dollar, generally the currency of the country in which such subsidiaries are domiciled. Such subsidiaries’ assets and liabilities are translated into U.S. Dollars at the respective balance sheet date exchange rates, while revenue and expenses are translated at average exchange rates during the year based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary’s functional currency are reported as a component of members’ equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included on the condensed consolidated statements of operations.

We regularly monitor our liquidity position, including cash levels, investments in U.S. Treasury securities, credit lines, principal investment commitments, interest and principal payments on debt, capital expenditures, distributions to members, purchases of shares of common stock and matters relating to liquidity and to compliance with regulatory net capital requirements. At September 30, 2021, Lazard had approximately \$1,172 million of cash, with such amount including approximately \$687 million held at Lazard’s operations outside the U.S. Lazard provides for income taxes on substantially all of its foreign earnings. We expect that no material amount of additional taxes would be recognized upon receipt of dividends or distributions of such earnings from our foreign operations.

As of September 30, 2021, Lazard had approximately \$213 million in unused lines of credit available to it, including a \$200 million, three-year, senior revolving credit facility with a group of lenders that expires in July 2023 (the “Amended and Restated Credit Agreement”) and unused lines of credit available to LFB of approximately \$12 million.

The Amended and Restated Credit Agreement contains customary terms and conditions, including limitations on consolidations, mergers, indebtedness and certain payments, as well as financial condition covenants relating to leverage and interest coverage ratios. Lazard Group’s obligations under the Amended and Restated Credit Agreement may be accelerated upon customary events of default, including non-payment of principal or interest, breaches of covenants, cross-defaults to other material debt, a change in control and specified bankruptcy events. 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.

As long as the lenders’ commitments remain in effect, any loan pursuant to the Amended and Restated Credit Agreement remains outstanding and unpaid or any other amount is due to the lending bank group, the Amended and Restated Credit Agreement includes financial covenants that require that Lazard Group not permit (i) its Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Agreement) for the 12-month period ending on the last day of any fiscal quarter to be greater than 3.25 to 1.00, provided that the Consolidated Leverage Ratio may be greater than 3.25 to 1.00 for two (consecutive or nonconsecutive) quarters so long as it is not greater than 3.50 to 1.00 on the last day of any such quarter, or (ii) its Consolidated Interest Coverage Ratio (as defined in the Amended and Restated Credit Agreement) for the 12-month period ending on the last day of any fiscal quarter to be less than 3.00 to 1.00. For the 12-month period ended September 30, 2021, Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 1.38 to 1.00 and its Consolidated Interest Coverage Ratio being 16.21 to 1.00. In any event, no amounts were outstanding under the Amended and Restated Credit Agreement as of September 30, 2021.

In addition, the Amended and Restated Credit Agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions and also contains customary LIBOR-replacement mechanics. At September 30, 2021, the Company was in compliance with all of these provisions.

Lazard’s annual cash flow generated from operations historically has been sufficient to enable it to meet its annual obligations. We believe that our cash flows from operating activities should be sufficient for us to fund our current obligations for the next 12 months.

## Financing Activities

The table below sets forth our corporate indebtedness as of September 30, 2021 and December 31, 2020. The agreements with respect to this indebtedness are discussed in more detail in our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Form 10-K.

Senior Debt	Maturity Date	Outstanding as of					
		September 30, 2021			December 31, 2020		
		Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
(\$ in millions)							
Lazard Group 2025 Senior Notes	2025	\$ 400.0	\$ 1.6	\$ 398.4	\$ 400.0	\$ 2.0	\$ 398.0
Lazard Group 2027 Senior Notes	2027	300.0	2.1	297.9	300.0	2.4	297.6
Lazard Group 2028 Senior Notes	2028	500.0	5.9	494.1	500.0	6.6	493.4
Lazard Group 2029 Senior Notes	2029	500.0	5.8	494.2	500.0	6.3	493.7
		<u>\$ 1,700.0</u>	<u>\$ 15.4</u>	<u>\$ 1,684.6</u>	<u>\$ 1,700.0</u>	<u>\$ 17.3</u>	<u>\$ 1,682.7</u>

The indenture and supplemental indentures relating to Lazard Group's senior notes contain certain covenants (none of which relate to financial condition), events of default and other customary provisions. At September 30, 2021, the Company was in compliance with all of these provisions. We may, to the extent required and subject to restrictions contained in our financing arrangements, use other financing sources, which may cause us to be subject to additional restrictions or covenants.

See Note 10 of Notes to Condensed Consolidated Financial Statements for additional information regarding senior debt.

## Members' Equity

At September 30, 2021, total members' equity was \$790 million, as compared to \$711 million at December 31, 2020, including \$694 million and \$625 million attributable to Lazard Group on the respective dates. The net activity in members' equity during the nine month period ended September 30, 2021 is reflected in the table below (in millions of dollars):

Members' Equity - January 1, 2021	\$	711
Increase (decrease) due to:		
Net income		417
Other comprehensive loss		(39)
Amortization of share-based incentive compensation		196
Purchase of common stock		(286)
Settlement of share-based incentive compensation (a)		(68)
Distributions to members and noncontrolling interests		(135)
Contributions from members		14
Change in redemption value of redeemable noncontrolling interests		(40)
Other - net		20
Members' Equity - September 30, 2021	<u>\$</u>	<u>790</u>

(a) The tax withholding portion of share-based compensation is settled in cash, not shares.

The Board of Directors of Lazard has issued a series of authorizations to repurchase common stock, which help offset the dilutive effect of our share-based incentive compensation plans. During a given year Lazard Ltd intends to repurchase at least as many shares as it expects to ultimately issue pursuant to such compensation plans in respect of year-end incentive compensation attributable to the prior year. The rate at which Lazard Ltd purchases shares in connection with this annual objective may vary from period to period due to a variety of factors. Purchases with respect to such program are set forth in the table below:

<u>Nine Months Ended September 30:</u>	<u>Number of Shares Purchased</u>	<u>Average Price Per Share</u>
2020	2,912,035	\$ 32.70
2021	6,469,429	\$ 44.24

As of September 30, 2021, a total of \$314 million of share repurchase authorization remained available under Lazard Ltd’s share repurchase program, of which \$14 million will expire on December 31, 2021 and \$300 million of which will expire on December 31, 2022.

During the nine month period ended September 30, 2021, Lazard Ltd 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.

See Notes 12 and 13 of Notes to Condensed Consolidated Financial Statements for additional information regarding Lazard’s members’ equity and incentive plans, respectively.

## Regulatory Capital

We actively monitor our regulatory capital base. Our principal subsidiaries are subject to regulatory requirements in their respective jurisdictions to ensure their general financial soundness and liquidity, which require, among other things, that we comply with rules regarding certain minimum capital requirements, record-keeping, reporting procedures, relationships with customers, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to and from affiliates. See Note 17 of Notes to Condensed Consolidated Financial Statements for further information. These regulations differ in the U.S., the U.K., France and other countries in which we operate. Our capital structure is designed to provide each of our subsidiaries with capital and liquidity consistent with its business and regulatory requirements. For a discussion of regulations relating to us, see Item 1, “Business—Regulation” included in our Form 10-K.

## Contractual Obligations

The following table sets forth information relating to Lazard’s contractual obligations as of September 30, 2021:

	Contractual Obligations Payment Due by Period				
	Total	Less than 1 Year	1-3 Years (\$ in thousands)	3-5 Years	More than 5 Years
Senior debt (including interest)	\$ 2,133,167	\$ 70,250	\$ 140,500	\$ 517,292	\$ 1,405,125
Operating leases (exclusive of \$5,889 of committed sublease income)	669,273	22,175	144,102	126,771	376,225
Investment capital funding commitments (a)	5,597	5,597	-	-	-
Total (b)	<u>\$ 2,808,037</u>	<u>\$ 98,022</u>	<u>\$ 284,602</u>	<u>\$ 644,063</u>	<u>\$ 1,781,350</u>

- (a) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$9,128 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders. See Note 6 of Notes to Condensed Consolidated Financial Statements. These amounts are generally due on demand and therefore are presented in the “less than 1 year” category.
- (b) The table above excludes contingent obligations, as well as any possible payments for uncertain tax positions, given the inability to make a reasonably reliable estimate of the timing of the amounts of any such payments. See also Notes 11, 13, 14 and 15 of Notes to Condensed Consolidated Financial Statements regarding information in connection with commitments, incentive plans, employee benefit plans and income taxes, respectively.

## Critical Accounting Policies and Estimates

The preparation of Lazard’s condensed consolidated financial statements, which have been prepared in conformity with U.S. GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, Lazard evaluates its estimates, including those related to revenue recognition, income taxes, investing activities and goodwill. Lazard bases these estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments, including judgments regarding the carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates.

Lazard believes that the critical accounting policies set forth below comprise the most significant estimates and judgments used in the preparation of its condensed consolidated financial statements.

## ***Revenue Recognition***

Lazard generates substantially all of its net revenue from providing Financial Advisory and Asset Management services to clients. Lazard recognizes revenue when the following criteria are met:

- a contract with a client has been identified;
- the performance obligations in the contract have been identified;
- the fee or other transaction price has been determined;
- the fee or other transaction price has been allocated to each performance obligation in the contract; and
- the Company has satisfied the applicable performance obligation.

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. See “Financial Statement Overview” for a description of our revenue recognition policies on such fees. If, in Lazard’s judgment, collection of a fee is not probable, Lazard will not recognize revenue until the uncertainty is removed. We maintain an allowance for doubtful accounts to provide coverage for estimated losses from our receivables. We determine the adequacy of the allowance under CECL by (i) applying a bad debt charge-off rate based on historical charge-off experience; (ii) estimating the probability of loss based on our analysis of the client’s creditworthiness and specifically reserve against exposures where we determine the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced; and (iii) performing qualitative assessments to monitor economic risks that may require additional adjustments.

With respect to fees receivable from Financial Advisory activities, such receivables are generally deemed past due when they are outstanding 60 days from the date of invoice, except for certain transactions that include specific contractual payment terms which may vary from approximately one month to four years following the invoice date (as is the case for certain Private Capital Advisory fees) or may be subject to court approval (as is the case with restructuring activities that include bankruptcy proceedings). In such cases, receivables are deemed past due when payment is not received by the agreed-upon contractual date or the court approval date, respectively. Financial Advisory fee receivables past due, from the date of the invoice or specific contractual payment terms, in excess of 180 days are fully provided for unless there is evidence that the balance is collectible. Notwithstanding our policy for receivables past due, any receivables that we determine are impaired result in specific reserves against such exposures. Asset Management fees are fully provided for when such receivables are outstanding 12 months after the invoice date. In addition, the Company specifically reserves against exposures relating to Asset Management fees where we determine receivables are impaired prior to being outstanding for 12 months.

## ***Compensation Liabilities***

Annual discretionary compensation represents a significant portion of our annual compensation and benefits expense. We allocate the estimated amount of such annual discretionary compensation to interim periods in proportion to the amount of operating revenue earned in such periods based on an assumed annual ratio of awarded compensation and benefits expense to operating revenue. See “Financial Statement Overview—Operating Expenses” for more information on our periodic compensation and benefits expense.

## ***Income Taxes***

As part of the process of preparing our consolidated financial statements, we estimate our income taxes for each of our tax-paying entities in its respective jurisdiction. In addition to estimating actual current tax liabilities for these jurisdictions, we also must account for the tax effects of differences between the financial reporting and tax reporting of items, such as basis adjustments, compensation and benefits expense, and depreciation and amortization. Differences which are temporary in nature result in deferred tax assets and liabilities. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, any valuation allowance recorded against our deferred tax assets and our unrecognized tax benefits.

We recognize a deferred tax asset if it is more likely than not (defined as a likelihood of greater than 50%) that a tax benefit will be accepted by a taxing authority. The measurement of deferred tax assets and liabilities is based upon currently enacted tax rates in the applicable jurisdictions. At December 31, 2020, on a consolidated basis, we recorded gross deferred tax assets of approximately \$154 million, with such amount partially offset by a valuation allowance of approximately \$77 million (as described below).

Subsequent to the initial recognition of deferred tax assets, we also must continually assess the likelihood that such deferred tax assets will be realized. If we determine that we may not fully derive the benefit from a deferred tax asset, we consider whether it would be appropriate to apply a valuation allowance against the applicable deferred tax asset, taking into account all available

information. The ultimate realization of a deferred tax asset for a particular entity depends, among other things, on the generation of taxable income by such entity in the applicable jurisdiction.

We consider multiple possible sources of taxable income when assessing a valuation allowance against a deferred tax asset, including:

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- taxable income in prior carryback years; and
- tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available information, including the following:

- nature, frequency, magnitude and duration of any past losses and current operating results;
- duration of statutory carryforward periods;
- historical experience with tax attributes expiring unused; and
- near-term and medium-term financial outlook.

The weight we give to any particular item is, in part, dependent upon the degree to which it can be objectively verified. We give greater weight to the recent results of operations of a relevant entity. Pre-tax operating losses on a three year cumulative basis or lack of sustainable profitability are considered objectively verifiable evidence and will generally outweigh a projection of future taxable income.

Certain of our tax-paying entities have individually experienced losses on a cumulative three year basis or have tax attributes that may expire unused. In addition, one of our tax-paying entities has recorded a valuation allowance on substantially all of its deferred tax assets due to the combined effect of operating losses in certain subsidiaries of that entity as well as foreign taxes that together substantially offset any U.S. tax liability. Taking into account all available information, we cannot determine that it is more likely than not that deferred tax assets held by these entities will be realized. Consequently, we have recorded valuation allowances on \$77 million of deferred tax assets held by these entities as of December 31, 2020.

We record tax positions taken or expected to be taken in a tax return based upon our estimates regarding the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, we recognize liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. Such liabilities are evaluated periodically as new information becomes available and any changes in the amounts of such liabilities are recorded as adjustments to “income tax expense.” Liabilities for unrecognized tax benefits involve significant judgment and the ultimate resolution of such matters may be materially different from our estimates.

In addition to the discussion above regarding deferred tax assets and associated valuation allowances, as well as unrecognized tax benefit liability estimates, other factors affect our provision for income taxes, including changes in the geographic mix of our business, the level of our annual pre-tax income, transfer pricing and intercompany transactions.

See Item 1A, “Risk Factors” in our Form 10-K and Note 15 of Notes to Condensed Consolidated Financial Statements for additional information related to income taxes.

### ***Investments***

Investments consist primarily of debt and equity securities, and interests in alternative investment, debt, equity and private equity funds.

These investments are carried at fair value on the condensed consolidated statements of financial condition, and any increases or decreases in the fair value of these investments are reflected in earnings. The fair value of investments is generally based upon market prices or the net asset value (“NAV”) or its equivalent for investments in funds. See Note 6 of Notes to Condensed Consolidated Financial Statements for additional information on the measurement of the fair value of investments.

Lazard is subject to market and credit risk on investments held. As such, gains and losses on investment positions held, which arise from sales or changes in the fair value of the investments, are not predictable and can cause periodic fluctuations in net income.

Data relating to investments is set forth below:

	September 30, 2021	December 31, 2020
	(\$ in thousands)	
Seed investments by asset class:		
Equities (a)	\$ 106,778	\$ 82,699
Fixed income	10,374	10,977
Alternative investments	23,357	22,113
Total seed investments	140,509	115,789
Other investments owned:		
Private equity (b)	26,991	20,675
Fixed income and other (c)	274,577	125,565
Total other investments owned	301,568	146,240
Subtotal	442,077	262,029
Add:		
Private equity consolidated, not owned (d)	18,367	16,892
LFI (e)	454,531	379,611
Total investments	<u>\$ 914,975</u>	<u>\$ 658,532</u>

(a) At September 30, 2021 and December 31, 2020, seed investments in directly owned equity securities were invested as follows:

	September 30, 2021	December 31, 2020
Percentage invested in:		
Financials	13%	16%
Consumer	34	38
Industrial	13	12
Technology	25	21
Other	15	13
Total	<u>100%</u>	<u>100%</u>

- (b) Private equity investments include investments related to certain legacy businesses and co-investments in private equity funds managed by our Asset Management business. Co-investments owned were \$17 million as of both September 30, 2021 and December 31, 2020.
- (c) At September 30, 2021 and December 31, 2020, includes investments in U.S. Treasury securities of \$250 million and \$100 million, respectively, with original maturities of greater than three months and less than one year.
- (d) Represents private equity investments that are consolidated but owned by noncontrolling interests, and therefore do not subject the Company to market or credit risk. The applicable noncontrolling interests are presented within “members’ equity” on the condensed consolidated statements of financial condition.
- (e) Composed of investments held in connection with LFI and other similar deferred compensation arrangements. The market risk associated with such investments is equally offset by the market risk associated with the derivative liability with respect to awards expected to vest. The Company is subject to market risk associated with any portion of such investments that employees may forfeit. See “—Risk Management—Risks Related to Derivatives” for risk management information relating to derivatives. LFI investments held in entities in which the Company maintained a controlling interest were \$187 million in ten entities as of September 30, 2021, as compared to \$155 million in nine entities as of December 31, 2020.

At September 30, 2021 and December 31, 2020, total investments with a fair value of \$915 million and \$659 million, respectively, included \$61 million and \$53 million, respectively, or 7% and 8%, respectively, of investments that were classified using NAV or its equivalent as a practical expedient. See Notes 5 and 6 of Notes to Condensed Consolidated Financial Statements for additional information regarding investments measured at fair value, including the levels of fair value within which such measurements of fair value fall.

As of September 30, 2021 and December 31, 2020, the Company held seed investments of approximately \$141 million and \$116 million, respectively. Seed investments held in entities in which the Company maintained a controlling interest were \$76 million in ten entities as of September 30, 2021, as compared to \$59 million in seven entities as of December 31, 2020.

As of September 30, 2021 and December 31, 2020, the Company did not consolidate or deconsolidate any seed investment entities or LFI investment entities with the exception of the consolidation of certain LFI funds (see Note 19 of Notes to the Condensed Consolidated Financial Statements). As such, 100% of the recorded balance of seed investments and substantially all of LFI investments as of September 30, 2021 and December 31, 2020 represented the Company's economic interest in the seed and LFI investments. See "—Consolidation of Variable Interest Entities" below for more information on the Company's policy regarding the consolidation of seed and LFI investment entities.

For additional information regarding risks associated with our investments, see "Risk Management—Investments" below as well as Item 1A, "Risk Factors—Other Business Risks—Our results of operations may be affected by fluctuations in the fair value of positions held in our investment portfolios" in our Form 10-K.

### ***Assets Under Management***

AUM primarily consists of debt and equity instruments, which have a value that is readily available based on either prices quoted on a recognized exchange or prices provided by external pricing services.

Prices of equity and debt securities and other instruments that comprise our AUM are provided by well-recognized, independent, third-party vendors. Such third-party vendors rely on prices provided by external pricing services which are obtained from recognized exchanges or markets, or, for certain fixed income securities, from an evaluated bid or other similarly sourced price.

Either directly, or through our third-party vendors, we perform a variety of regular due diligence procedures on our pricing service providers. Those procedures include oversight by our internal operations group, review of the pricing service providers' internal control frameworks, review of the pricing service providers' valuation methodologies, reconciliation to client custodial account values and comparison of significant pricing differences.

### ***Goodwill***

In accordance with current accounting guidance, goodwill has an indefinite life and is tested for impairment annually, as of November 1, or more frequently if circumstances indicate impairment may have occurred. The Company performs a qualitative evaluation about whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in lieu of actually calculating the fair value of the reporting unit. See Note 9 of Notes to Condensed Consolidated Financial Statements for additional information regarding goodwill.

### ***Consolidation***

The condensed consolidated financial statements include the accounts of Lazard Group and entities in which it has a controlling interest. Lazard determines whether it has a controlling interest in an entity by first evaluating whether the entity is a voting interest entity ("VOE") or a variable interest entity ("VIE") under U.S. GAAP.

- Voting Interest Entities. VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance itself independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. Lazard is required to consolidate a VOE if it holds a majority of the voting interest in such VOE.



- **Variable Interest Entities.** VIEs are entities that lack one or more of the characteristics of a VOE. If Lazard has a variable interest, or a combination of variable interests, in a VIE, it is required to analyze whether it needs to consolidate such VIE. Lazard is required to consolidate a VIE if we are the primary beneficiary having (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of, or receive benefits from, the VIE that could be potentially significant to the VIE.

Lazard's involvement with various entities that are VOEs or VIEs primarily arises from LFI investments and investment management contracts with fund entities in our Asset Management business. Lazard is not required to consolidate such entities because, with the exception of certain seed and LFI investments, as discussed below, we do not hold more than an inconsequential equity interest in such entities and we do not hold other variable interests (including our investment management agreements, which do not meet the definition of variable interests) in such entities.

Lazard makes seed and LFI investments in certain entities that are considered VOEs and VIEs and often require consolidation as a result of our investment. The impact of seed and LFI investment entities that require consolidation on the condensed consolidated financial statements, including any consolidation or deconsolidation of such entities, is not material to our financial statements. Our exposure to loss from entities in which we have made such investments is limited to the extent of our investment in, or investment commitment to, such entities. See "Critical Accounting Policies and Estimates—Investments" above for more information regarding our investments.

Generally, when the Company initially invests to seed an investment entity, the Company is the majority owner of the entity. Our majority ownership in seed investment entities represents a controlling interest, except when we are the general partner in such entities and the third-party investors have the right to replace the general partner. To the extent material, we consolidate seed and LFI investment entities in which we own a controlling interest, and we would deconsolidate any such entity when we no longer have a controlling interest in such entity.

## **Risk Management**

### *Investments*

The Company has investments in a variety of asset classes, primarily debt and equity securities, and interests in alternative investments, debt, equity and private equity funds. The Company makes investments primarily to seed strategies in our Asset Management business or to reduce exposure arising from LFI and other similar deferred compensation arrangements. The Company measures its net economic exposure to market and other risks arising from investments that it owns, excluding (i) investments held in connection with LFI and other similar deferred compensation arrangements, (ii) investments in funds owned entirely by the noncontrolling interest holders of certain acquired entities and (iii) interest-bearing deposits with maturities over 90 days that allow daily withdrawals without principal penalties.

Risk sensitivities include the effects of economic hedging. For equity market price risk, investment portfolios and their corresponding hedges are beta-adjusted to the All-Country World equity index. Fair value and sensitivity measurements presented herein are based on various portfolio exposures at a particular point in time and may not be representative of future results. Risk exposures may change as a result of ongoing portfolio activities and changing market conditions, among other things.

**Equity Market Price Risk**—At September 30, 2021 and December 31, 2020, the Company's exposure to equity market price risk in its investment portfolio, which primarily relates to investments in equity securities, equity funds and hedge funds, was approximately \$125 million and \$95 million, respectively. The Company hedges market exposure arising from a significant portion of our equity investment portfolios by entering into total return swaps. The Company estimates that a hypothetical 10% adverse change in market prices would result in a net decrease of approximately \$0.3 million and \$0.2 million in the carrying value of such investments as of September 30, 2021 and December 31, 2020, respectively, including the effect of the hedging transactions.

**Interest Rate/Credit Spread Risk**—At September 30, 2021 and December 31, 2020, the Company's exposure to interest rate and credit spread risk in its investment portfolio related to investments in debt securities or funds which invest primarily in debt securities was \$294 million and \$139 million, respectively. The Company hedges market exposure arising from a portion of our debt investment portfolios by entering into total return swaps. The Company estimates that a hypothetical 100 basis point adverse change in interest rates or credit spreads would result in a decrease of approximately \$0.7 million and \$1.0 million in the carrying value of such investments as of September 30, 2021 and December 31, 2020, respectively, including the effect of the hedging transactions.

**Foreign Exchange Rate Risk**—At September 30, 2021 and December 31, 2020, the Company's exposure to foreign exchange rate risk in its investment portfolio, which primarily relates to investments in foreign currency denominated equity and debt securities, was \$72 million and \$48 million, respectively. A significant portion of the Company's foreign currency exposure related to our equity

and debt investment portfolios is hedged through the aforementioned total return swaps. The Company estimates that a 10% adverse change in foreign exchange rates versus the U.S. Dollar would result in a decrease of approximately \$2.5 million and \$0.4 million in the carrying value of such investments as of September 30, 2021 and December 31, 2020, respectively, including the effect of the hedging transactions.

Private Equity—The Company invests in private equity primarily as a part of its co-investment activities and in connection with certain legacy businesses. At September 30, 2021 and December 31, 2020, the Company's exposure to changes in fair value of such investments was approximately \$27 million and \$21 million, respectively. The Company estimates that a hypothetical 10% adverse change in fair value would result in a decrease of approximately \$2.7 million and \$2.1 million in the carrying value of such investments as of September 30, 2021 and December 31, 2020, respectively.

### ***Risks Related to Receivables***

We maintain an allowance for doubtful accounts to provide coverage for probable losses from our receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client's creditworthiness, among other things, and specifically provide for exposures where we determine the receivables are impaired. At September 30, 2021, total receivables amounted to \$793 million, net of an allowance for doubtful accounts of \$37 million. As of that date, Financial Advisory and Asset Management fees, receivables from Lazard Ltd subsidiaries and customers and other receivables comprised 69%, 12% and 19% of total receivables, respectively. At December 31, 2020, total receivables amounted to \$875 million, net of an allowance for doubtful accounts of \$37 million. As of that date, Financial Advisory and Asset Management fees, receivables from Lazard Ltd subsidiaries and customers and other receivables comprised 71%, 15% and 14% of total receivables, respectively. See also "Critical Accounting Policies and Estimates—Revenue Recognition" above and Note 4 of Notes to Condensed Consolidated Financial Statements for additional information regarding receivables.

LFB engages in lending activities, including commitments to extend credit (primarily for clients of LFG). At September 30, 2021 and December 31, 2020, customers and other receivables included \$122 million and \$100 million, respectively, of LFB loans, with such loans being fully collateralized and closely monitored for counterparty creditworthiness.

### ***Credit Concentrations***

To reduce the exposure to concentrations of credit, the Company monitors large exposures to individual counterparties.

### ***Risks Related to Derivatives***

Lazard enters into forward foreign currency exchange contracts and interest rate swaps to hedge exposures to currency exchange rates and interest rates and uses total return swap contracts on various equity and debt indices to hedge a portion of its market exposure with respect to certain seed investments related to our Asset Management business. Derivative contracts are recorded at fair value. Derivative assets amounted to \$2 million and \$1 million at September 30, 2021 and December 31, 2020, respectively, and derivative liabilities, excluding the derivative liability arising from the Company's obligation pertaining to LFI and other similar deferred compensation arrangements and the derivative liability for warrants exercisable for LGAC Class A ordinary shares that were issued in connection with the LGAC IPO (the "LGAC Warrants") amounted to \$3 million at both September 30, 2021 and December 31, 2020.

The Company records the LGAC Warrants as derivative liabilities at fair value, which amounted to \$9 million at September 30, 2021, with remeasurement gains and losses recorded in earnings.

The Company also records derivative liabilities relating to its obligations pertaining to LFI awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures. Changes in the fair value of the derivative liabilities are equally offset by the changes in the fair value of investments which are expected to be delivered upon settlement of LFI awards. Derivative liabilities relating to LFI amounted to \$359 million and \$311 million at September 30, 2021 and December 31, 2020, respectively.

### **Risks Related to Cash and Cash Equivalents and Corporate Indebtedness**

A significant portion of the Company's indebtedness has fixed interest rates, while its cash and cash equivalents generally have market interest rates. Based on account balances as of September 30, 2021, Lazard estimates that its annual operating income relating to cash and cash equivalents would increase by approximately \$12 million in the event interest rates were to increase by 1% and decrease by approximately \$12 million if rates were to decrease by 1%.

As of September 30, 2021, the Company's cash and cash equivalents totaled approximately \$1,172 million. Substantially all of the Company's cash and cash equivalents were invested in (i) highly liquid institutional money market funds (a significant majority of which were invested solely in U.S. Government or agency money market funds), (ii) in short-term interest bearing and non-interest bearing accounts at a number of leading banks throughout the world, and (iii) in short-term certificates of deposit from such banks. Cash and cash equivalents are constantly monitored. On a regular basis, management reviews its investment profile as well as the credit profile of its list of depositor banks in order to adjust any deposit or investment thresholds as necessary.

### **Operational Risk**

Operational risk is inherent in all of our businesses and may, for example, manifest itself in the form of errors, breaches in the system of internal controls, employee misconduct, business interruptions, fraud, including fraud perpetrated by third parties, or legal actions due to operating deficiencies or noncompliance. The Company maintains a framework including policies and a system of internal controls designed to monitor and manage operational risk and provide management with timely and accurate information. Management within each of the operating companies is primarily responsible for its operational risk programs. The Company has in place business continuity and disaster recovery programs that manage its capabilities to provide services in the case of a disruption. We purchase insurance policies designed to help protect the Company against accidental loss and losses that may significantly affect our financial objectives, personnel, property or our ability to continue to meet our responsibilities to our various stakeholder groups.

### **Recent Accounting Developments**

For a discussion of recently issued accounting developments and their impact or potential impact on Lazard's consolidated financial statements, see Note 2 of Notes to Condensed Consolidated Financial Statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Risk Management**

Quantitative and qualitative disclosures about market risk are included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management".

### **Item 4. Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during our most recent fiscal quarter that has materially affected, or is likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is involved from time to time in judicial, governmental, 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.

### Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

## PART IV

### Item 6. Exhibits

- 3.1 Certificate of Formation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
- 3.2 Certificate of Amendment of Certificate of Formation of the Registrant, changing name to Lazard Group LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
- 3.3 Amended and Restated Operating Agreement of the Registrant, dated as of February 4, 2019 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report (File No. 333-126751) on Form 8-K filed on February 5, 2019).
- 4.1 Indenture, dated as of May 10, 2005, by and between the Registrant and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
- 4.2 Sixth Supplemental Indenture, dated as of February 13, 2015, between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on February 13, 2015).
- 4.3 Seventh Supplemental Indenture, dated as of November 4, 2016, between Lazard Group LLC and the Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on November 7, 2016).
- 4.4 Eighth Supplemental Indenture, dated as of September 19, 2018, between Lazard Group LLC and the Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on September 19, 2018).
- 4.5 Ninth Supplemental Indenture, dated as of March 11, 2019, between Lazard Group LLC and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on March 11, 2019).
- 4.6 Form of Senior Note (included in Exhibits 4.2, 4.3, 4.4 and 4.5).
- 10.1 Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.19 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.2 Fourth Amendment dated as of February 16, 2011, by and among RCPI Landmark Properties, L.L.C. (as the successor in interest to Rockefeller Center Properties), RCPI 30 Rock 22234849, L.L.C. and Lazard Group LLC (as the successor in interest to Lazard Frères & Co. LLC), to the Lease dated as of January 27, 1994, by and among Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
- 10.3\* Lazard Ltd's 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on May 2, 2005).
- 10.4\* Lazard Ltd's 2008 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 24, 2008).
- 10.5\* Lazard Ltd 2018 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 15, 2018).
- 10.6\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
- 10.7\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Ashish Bhutani (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
- 10.8\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Scott D. Hoffman (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).

- 10.09\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Evan L. Russo (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 333-126751) filed April 3, 2019).
- 10.10\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Alexander F. Stern (incorporated by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
- 10.11\* Agreement relating to Retention and Noncompetition and Other Covenants, dated as of February 25, 2021, by and among the Registrant, Lazard Ltd and Peter Orszag (incorporated by reference to Exhibit 10.11 to the Registrant’s Quarterly Report on Form 10-Q (File No. 333-126751) filed on May 4, 2021).
- 10.12\* Form of Award Letter for Annual Grant of Deferred Stock Units to Non-Executive Directors (incorporated by reference to Exhibit 99.1 to Lazard Ltd’s Current Report on Form 8-K (File No. 001-32492) filed on September 8, 2005).
- 10.13\* Directors’ Fee Deferral Unit Plan (incorporated by reference to Exhibit 10.39 to Lazard Ltd’s Quarterly Report on Form 10-Q (File No.001-32492) filed on May 11, 2006).
- 10.14 Amended and Restated Credit Agreement, dated as of July 22, 2020, among the Registrant, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.16 to the Registrant’s Quarterly Report on Form 10-Q (File No. 333-126751) filed on August 4, 2020).
- 10.15\* Form of Agreement for Performance-Based Profits Interest Participation Right Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.22 to the Registrant’s Quarterly Report on Form 10-Q (File No 333-126751) filed on April 30, 2019).
- 10.16\* First Amendment to the Lazard Ltd 2018 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd’s Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 16, 2021).
- 10.17\* Form of Agreement evidencing grant of Performance-Based Restricted Participation Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.17 to the Registrant’s Quarterly Report on Form 10-Q (File No. 333-126751) filed on May 4, 2021).
- 10.18\* Form of Agreement evidencing grant of Lazard Fund Interests to Named Executive Officers under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.18 to the Registrant’s Quarterly Report on Form 10-Q (File No. 333-126751) filed on May 4, 2021).
- 10.19\* Form of Agreement for Profits Interest Participation Right Units under the 2018 Compensation Plan (incorporated by reference to Exhibit 10.19 to the Registrant’s Quarterly Report on Form 10-Q (File No. 333-126751) filed on May 4, 2021).
- 31.1 Rule 13a-14(a) Certification of Kenneth M. Jacobs.
- 31.2 Rule 13a-14(a) Certification of Evan L. Russo.
- 32.1 Section 1350 Certification for Kenneth M. Jacobs.
- 32.2 Section 1350 Certification for Evan L. Russo.
- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

---

\* Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 1, 2021

LAZARD GROUP LLC

By: /s/ Evan L. Russo  
Name: Evan L. Russo  
Title: Chief Financial Officer

By: /s/ Dominick Ragone  
Name: Dominick Ragone  
Title: Chief Accounting Officer

I, Kenneth M. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 of Lazard Group LLC (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 1, 2021

/s/ Kenneth M. Jacobs

\_\_\_\_\_  
Kenneth M. Jacobs

Chairman and Chief Executive Officer



I, Evan L. Russo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 of Lazard Group LLC (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 1, 2021

/s/ Evan L. Russo

---

Evan L. Russo

Chief Financial Officer

November 1, 2021  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Kenneth M. Jacobs

\_\_\_\_\_  
Kenneth M. Jacobs  
Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

November 1, 2021  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Evan L. Russo  
\_\_\_\_\_  
Evan L. Russo  
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.