

---

---

**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, 2023**

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of October 20, 2023, in addition to profit participation interests, there were two managing member interests outstanding.

---

---

## 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, 2023 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 12 of Notes to Condensed Consolidated Financial Statements.*

	<u>Page</u>
<b><u>Part I. Financial Information</u></b>	
<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	43
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	72
<u>Item 4. Controls and Procedures</u>	72
<b><u>Part II. Other Information</u></b>	
<u>Item 1. Legal Proceedings</u>	73
<u>Item 1A. Risk Factors</u>	73
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	73
<u>Item 3. Defaults Upon Senior Securities</u>	73
<u>Item 4. Mine Safety Disclosures</u>	73
<u>Item 5. Other Information</u>	73
<u>Item 6. Exhibits</u>	74
<b><u>Signatures</u></b>	77

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements (Unaudited)

	<u>Page</u>
<u>Condensed Consolidated Statements of Financial Condition as of September 30, 2023 and December 31, 2022</u>	2
<u>Condensed Consolidated Statements of Operations for the three month and nine month periods ended September 30, 2023 and 2022</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the three month and nine month periods ended September 30, 2023 and 2022</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2023 and 2022</u>	6
<u>Condensed Consolidated Statements of Changes in Members' Equity and Redeemable Noncontrolling Interests for the three month and nine month periods ended September 30, 2023 and 2022</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	12

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**  
**(UNAUDITED)**  
**(dollars in thousands)**

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 645,185	\$ 1,180,473
Deposits with banks and short-term investments	319,382	779,246
Restricted cash	34,038	625,381
Receivables (net of allowance for credit losses of \$21,081 and \$17,737 at September 30, 2023 and December 31, 2022, respectively):		
Fees	505,976	491,861
Customers and other	126,157	160,898
Lazard Ltd subsidiaries	78,343	74,005
	<u>710,476</u>	<u>726,764</u>
Investments	657,880	698,977
Property (net of accumulated amortization and depreciation of \$404,280 and \$393,595 at September 30, 2023 and December 31, 2022, respectively)	229,595	250,037
Operating lease right-of-use assets	412,353	430,665
Goodwill and other intangible assets (net of accumulated amortization of \$67,666 and \$67,621 at September 30, 2023 and December 31, 2022, respectively)	373,054	356,459
Deferred tax assets	47,188	37,601
Other assets	436,700	376,196
Total Assets	<u>\$ 3,865,851</u>	<u>\$ 5,461,799</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**  
**(UNAUDITED)**  
**(dollars in thousands)**

	September 30, 2023	December 31, 2022
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND MEMBERS' EQUITY</b>		
Liabilities:		
Deposits and other customer payables	\$ 462,841	\$ 921,834
Accrued compensation and benefits	495,393	733,460
Operating lease liabilities	491,193	512,730
Senior debt	1,689,579	1,687,714
Payable to Lazard Ltd subsidiaries	17,248	20,189
Deferred tax liabilities	5,383	3,920
Other liabilities	522,033	531,968
Total Liabilities	3,683,670	4,411,815
Commitments and contingencies		
Redeemable noncontrolling interests	81,781	583,471
<b>MEMBERS' EQUITY</b>		
Members' equity (net of 25,317,277 and 26,774,550 shares of Lazard Ltd Class A common stock, at a cost of \$937,728 and \$993,065 at September 30, 2023 and December 31, 2022, respectively)	332,607	638,956
Accumulated other comprehensive loss, net of tax	(277,590)	(280,587)
Total Lazard Group LLC Members' Equity	55,017	358,369
Noncontrolling interests	45,383	108,144
Total Members' Equity	100,400	466,513
Total Liabilities, Redeemable Noncontrolling Interests and Members' Equity	\$ 3,865,851	\$ 5,461,799

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, 2023 AND 2022**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>REVENUE</b>				
Investment banking and other advisory fees	\$ 265,764	\$ 450,818	\$ 892,383	\$ 1,243,390
Asset management fees	265,600	279,040	798,716	863,103
Interest income	11,484	8,013	34,597	13,789
Other	410	5,412	40,507	(2,203)
Total revenue	543,258	743,283	1,766,203	2,118,079
Interest expense	18,763	19,402	56,425	61,350
Net revenue	524,495	723,881	1,709,778	2,056,729
<b>OPERATING EXPENSES</b>				
Compensation and benefits	364,060	418,140	1,380,814	1,175,662
Occupancy and equipment	32,997	30,539	97,398	90,875
Marketing and business development	20,752	19,585	72,014	56,287
Technology and information services	46,858	44,534	142,182	124,437
Professional services	18,150	15,236	61,700	46,077
Fund administration and outsourced services	27,884	27,110	83,428	85,364
Amortization and other acquisition-related costs	96	15	239	45
Other	14,941	9,005	52,814	28,801
Total operating expenses	525,738	564,164	1,890,589	1,607,548
<b>OPERATING INCOME (LOSS)</b>	(1,243)	159,717	(180,811)	449,181
Provision (benefit) for income taxes	(29,374)	20,535	67,405	55,533
<b>NET INCOME (LOSS)</b>	28,131	139,182	(248,216)	393,648
<b>LESS - NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	(364)	16,996	10,245	20,265
<b>NET INCOME (LOSS) ATTRIBUTABLE TO LAZARD GROUP LLC</b>	<u>\$ 28,495</u>	<u>\$ 122,186</u>	<u>\$ (258,461)</u>	<u>\$ 373,383</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, 2023 AND 2022**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>NET INCOME (LOSS)</b>	\$ 28,131	\$ 139,182	\$ (248,216)	\$ 393,648
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>				
Currency translation adjustments:				
Currency translation adjustments before reclassification	(19,712)	(53,627)	(3,088)	(133,246)
Adjustment for items reclassified to earnings	2,472	138	2,500	265
Employee benefit plans:				
Actuarial gain (loss) (net of tax expense of \$1,195 and \$1,832 for the three months ended September 30, 2023 and 2022, respectively, and \$121 and \$4,436 for the nine months ended September 30, 2023 and 2022, respectively)	5,054	8,786	(332)	20,512
Adjustment for items reclassified to earnings (net of tax expense of \$374 and \$233 for the three months ended September 30, 2023 and 2022, respectively, and \$1,135 and \$748 for the nine months ended September 30, 2023 and 2022, respectively)	1,580	1,162	3,916	2,816
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	(10,606)	(43,541)	2,996	(109,653)
<b>COMPREHENSIVE INCOME (LOSS)</b>	17,525	95,641	(245,220)	283,995
<b>LESS - COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	(366)	16,997	10,244	20,264
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO LAZARD GROUP LLC</b>	<u>\$ 17,891</u>	<u>\$ 78,644</u>	<u>\$ (255,464)</u>	<u>\$ 263,731</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, 2023 AND 2022**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Nine Months Ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (248,216)	\$ 393,648
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	32,172	31,670
Noncash lease expense	47,509	45,884
Currency translation adjustment reclassification	2,500	265
Amortization of deferred expenses and share-based incentive compensation	352,826	332,074
Amortization and other acquisition-related costs	239	45
Deferred tax provision (benefit)	(10,280)	2,449
Impairment of equity method investments and other receivables	22,981	-
Impairment of assets associated with cost-saving initiatives	8,561	-
Loss on LGAC liquidation	17,929	-
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Receivables-net	14,135	34,973
Investments	(100,714)	236,275
Other assets	(26,546)	(69,708)
Accrued compensation and benefits and other liabilities	(285,210)	(487,089)
Net cash provided by (used in) operating activities	(172,114)	520,486
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	(19,505)	(24,986)
Disposals of property	352	272
Acquisition of business, net of cash acquired	(10,516)	-
Other investing activities	-	(7,500)
Net cash used in investing activities	(29,669)	(32,214)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Customer deposits, net	-	281,360
Contributions from noncontrolling interests	1,198	338
Other financing activities	50	40
Payments for:		
Customer deposits, net	(466,658)	-
Distributions to noncontrolling interests	(5,068)	(27,052)
Distribution to redeemable noncontrolling interests in connection with LGAC redemption	(585,891)	-
Purchase of Class A common stock	(102,051)	(612,175)
Distributions to members	(120,184)	(140,845)
Settlement of share-based incentive compensation in satisfaction of tax withholding requirements	(53,923)	(61,256)
LFI Consolidated Funds redemptions	(36,816)	(11,296)
Other financing activities	(10,186)	(10,844)
Net cash used in financing activities	(1,379,529)	(581,730)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>		
	(5,183)	(353,865)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	(1,586,495)	(447,323)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH— January 1</b>	2,585,100	3,400,568
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—September 30</b>	<u>\$ 998,605</u>	<u>\$ 2,953,245</u>

See notes to condensed consolidated financial statements.

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 645,185	\$ 1,180,473
Deposits with banks and short-term investments	319,382	779,246
Restricted cash	34,038	625,381
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>\$ 998,605</b>	<b>\$ 2,585,100</b>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND  
REDEEMABLE NONCONTROLLING INTERESTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2023  
(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, 2023 (*)</b>	<b>\$ 302,566</b>	<b>\$ (266,986)</b>	<b>\$ 35,580</b>	<b>\$ 42,437</b>	<b>\$ 78,017</b>	<b>\$ 83,583</b>
Comprehensive income (loss):						
Net income (loss)	28,495		28,495	2,887	31,382	(3,251)
Other comprehensive loss - net of tax		(10,604)	(10,604)	(2)	(10,606)	
Amortization of share-based incentive compensation	58,362		58,362		58,362	
(Distributions to) contributions from members and noncontrolling interests, net	(46,500)		(46,500)	61	(46,439)	
Purchase of Class A common stock	(2,954)		(2,954)		(2,954)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$6	(5,209)		(5,209)		(5,209)	
LFI Consolidated Funds			-	-	-	1,449
Dividend-equivalents	(2,153)		(2,153)		(2,153)	
<b>Balance - September 30, 2023 (*)</b>	<b>\$ 332,607</b>	<b>\$ (277,590)</b>	<b>\$ 55,017</b>	<b>\$ 45,383</b>	<b>\$ 100,400</b>	<b>\$ 81,781</b>

(\*) At July 1, 2023 and September 30, 2023, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND  
REDEEMABLE NONCONTROLLING INTERESTS  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023  
(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, 2023 (*)</b>	<b>\$ 638,956</b>	<b>\$ (280,587)</b>	<b>\$ 358,369</b>	<b>\$ 108,144</b>	<b>\$ 466,513</b>	<b>\$ 583,471</b>
Comprehensive income (loss):						
Net income (loss)	(258,461)		(258,461)	4,696	(253,765)	5,549
Other comprehensive income (loss) - net of tax		2,997	2,997	(1)	2,996	
Amortization of share-based incentive compensation	209,630		209,630		209,630	
Distributions to members and noncontrolling interests, net	(120,184)		(120,184)	(3,870)	(124,054)	
Purchase of Class A common stock	(102,051)		(102,051)		(102,051)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$9	(53,914)		(53,914)		(53,914)	
Business acquisitions and related equity transactions:						
Class A common stock issuable	1,775		1,775		1,775	
LFI Consolidated Funds				(74,164)	(74,164)	78,063
Change in redemption value of redeemable noncontrolling interests	(412)		(412)	(177)	(589)	589
LGAC liquidation:						
Distribution to redeemable noncontrolling interests						(585,891)
Reversal to net loss of amounts previously charged to members' equity and noncontrolling interests	13,195		13,195	4,734	17,929	
Reversal of deferred offering costs liability	14,087		14,087	6,038	20,125	
Dividend-equivalents	(9,334)		(9,334)		(9,334)	
Other	(680)	-	(680)	(17)	(697)	
<b>Balance - September 30, 2023 (*)</b>	<b>\$ 332,607</b>	<b>\$ (277,590)</b>	<b>\$ 55,017</b>	<b>\$ 45,383</b>	<b>\$ 100,400</b>	<b>\$ 81,781</b>

(\*) At January 1, 2023 and September 30, 2023, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND  
REDEEMABLE NONCONTROLLING INTERESTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2022  
(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, 2022 (*)</b>	<b>\$ 784,121</b>	<b>\$ (275,147)</b>	<b>\$ 508,974</b>	<b>\$ 102,002</b>	<b>\$ 610,976</b>	<b>\$ 575,710</b>
Comprehensive income (loss):						
Net income	122,186		122,186	13,254	135,440	3,742
Other comprehensive income (loss) - net of tax		(43,542)	(43,542)	1	(43,541)	
Amortization of share-based incentive compensation	74,916		74,916		74,916	
Contributions from (distributions to) members and noncontrolling interests, net	25		25	(17,410)	(17,385)	
Purchase of Class A common stock	(236,990)		(236,990)		(236,990)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$2	(2,516)		(2,516)		(2,516)	
LFI Consolidated Funds				6,702	6,702	
Change in redemption value of redeemable noncontrolling interests	670		670	287	957	(957)
Other	(4,094)		(4,094)	(2)	(4,096)	
<b>Balance - September 30, 2022 (*)</b>	<b>\$ 738,318</b>	<b>\$ (318,689)</b>	<b>\$ 419,629</b>	<b>\$ 104,834</b>	<b>\$ 524,463</b>	<b>\$ 578,495</b>

(\*) At July 1, 2022 and September 30, 2022, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND  
REDEEMABLE NONCONTROLLING INTERESTS  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022  
(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, 2022 (*)</b>	<b>\$ 984,807</b>	<b>\$ (209,037)</b>	<b>\$ 775,770</b>	<b>\$ 98,696</b>	<b>\$ 874,466</b>	<b>\$ 575,000</b>
Comprehensive income (loss):						
Net income	373,383		373,383	11,017	384,400	9,248
Other comprehensive loss - net of tax		(109,652)	(109,652)	(1)	(109,653)	
Amortization of share-based incentive compensation	201,102		201,102		201,102	
Distributions to members and noncontrolling interests, net	(140,845)		(140,845)	(26,714)	(167,559)	
Purchase of Class A common stock	(612,175)		(612,175)		(612,175)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$60	(61,196)		(61,196)		(61,196)	
LFI Consolidated Funds				20,110	20,110	
Change in redemption value of redeemable noncontrolling interests	4,027		4,027	1,726	5,753	(5,753)
Other	(10,785)		(10,785)		(10,785)	
<b>Balance - September 30, 2022 (*)</b>	<b>\$ 738,318</b>	<b>\$ (318,689)</b>	<b>\$ 419,629</b>	<b>\$ 104,834</b>	<b>\$ 524,463</b>	<b>\$ 578,495</b>

(\*) At January 1, 2022 and September 30, 2022, 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 as of December 31, 2022 was governed by an Amended and Restated Operating Agreement dated as of February 4, 2019. Such operating agreement was subsequently amended and restated effective as of January 1, 2023 (as so amended and restated 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 that specializes 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, 2023 and December 31, 2022. 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 strategic and mergers and acquisitions (“M&A”) advisory, capital markets advisory, shareholder advisory, restructuring and liability management sovereign advisory, geopolitical advisory, and other strategic advisory matters and capital raising and placement, and
- Asset Management, which offers a broad range of global investment solutions and investment and wealth 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 certain assets and liabilities associated with (i) Lazard Group’s Paris-based subsidiary, Lazard Frères Banque SA (“LFB”), and (ii) in 2022, a special purpose acquisition company that was 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, 2022. The accompanying December 31, 2022 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 condensed consolidated 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 estimated annual ratio of compensation and benefits expense to revenue, with the applicable

## LAZARD GROUP LLC

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

(dollars in thousands, unless otherwise noted)

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, 2023 are not indicative of the results to be expected for any future interim or annual period.

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 losses 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 dormant special purpose acquisition company, that was 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, was the sponsor of LGAC. LGAC is considered to be a VIE. The Company holds a controlling financial interest in 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 were 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 was recorded in "restricted cash" on the condensed consolidated statements of financial condition as of December 31, 2022.

Transaction costs, which consisted of a net underwriting fee of \$8,500, \$20,125 of non-cash deferred underwriting fees (included in "other liabilities" on the condensed consolidated statements of financial condition as of December 31, 2022) and \$852 of other offering costs, were charged against the gross proceeds of the LGAC IPO.

"Redeemable noncontrolling interests" of \$583,471 associated with the publicly held LGAC Class A ordinary shares were recorded on the Company's condensed consolidated statements of financial condition as of December 31, 2022 at redemption value and classified as temporary 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

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

each reporting period. Increases or decreases in the carrying amount of redeemable noncontrolling interests shall be affected by credits or charges to members' equity 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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815 and were classified as derivative liabilities which were remeasured at fair value at each balance sheet date until exercised or cancelled, with changes in fair value reported to earnings. See Note 6.

On February 23, 2023, LGAC redeemed all of its outstanding publicly held Class A ordinary shares as a result of LGAC not consummating a Business Combination within the time period required by its amended and restated memorandum and articles of association resulting in the distribution of \$585,891 of the cash held in the trust account to the LGAC shareholders. The Company recognized \$17,929 of losses on the liquidation of LGAC in "revenue-other" on the condensed consolidated statement of operations for the nine month period ended September 30, 2023. In addition, the \$20,125 of non-cash deferred underwriting fees noted above was no longer probable of being incurred and therefore was reversed from other liabilities to members' equity. There were no redemption rights or liquidating distributions with respect to the LGAC warrants.

**2. 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,	
	2023	2022	2023	2022
<b>Net Revenue:</b>				
<b>Financial Advisory (a)</b>	\$ 266,156	\$ 453,084	\$ 895,313	\$ 1,248,926
<b>Asset Management:</b>				
Management fees and other (b)	\$ 282,657	\$ 277,202	\$ 843,590	\$ 872,351
Incentive fees (c)	2,198	21,595	13,622	54,098
<b>Total Asset Management</b>	<b>\$ 284,855</b>	<b>\$ 298,797</b>	<b>\$ 857,212</b>	<b>\$ 926,449</b>

(a) Financial Advisory is comprised of a wide array of financial advisory services regarding M&A advisory, capital markets advisory, shareholder advisory, restructuring and liability management, sovereign advisory, geopolitical advisory, and other strategic advisory and capital raising and placement 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 may 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

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

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 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.

**3. RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES**

The Company's receivables represent fee receivables, amounts due from customers and other receivables and amounts due from Lazard Ltd subsidiaries. Where applicable, receivables are stated net of an estimated allowance for credit losses determined in accordance with the current expected credit losses ("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.

Of the Company's fee receivables at September 30, 2023 and December 31, 2022, \$115,379 and \$97,964, respectively, represented financing receivables for our Private Capital Advisory fees.

At September 30, 2023 and December 31, 2022, customers and other receivables included \$89,753 and \$128,890, respectively, of customer loans, which are fully collateralized and monitored for counterparty creditworthiness, with such collateral having a fair value in excess of the carrying amount of the loans as of both September 30, 2023 and December 31, 2022.

The aggregate carrying amount of other fees and customers and other receivables and amounts due from Lazard Ltd subsidiaries was \$505,344 and \$499,910 at September 30, 2023 and December 31, 2022, respectively.

Activity in the allowance for credit losses for the three month and nine month periods ended September 30, 2023 and 2022 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning Balance	\$ 27,095	\$ 30,269	\$ 17,737	\$ 33,955
Bad debt expense (credit), net of reversals	2,267	(457)	13,287	(999)
Charge-offs, foreign currency translation and other adjustments	(8,281)	(15,516)	(9,943)	(18,660)
Ending Balance	<u>\$ 21,081</u>	<u>\$ 14,296</u>	<u>\$ 21,081</u>	<u>\$ 14,296</u>

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.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

The allowance for credit losses is substantially all related to M&A and Restructuring fee receivables and other receivables.

**4. INVESTMENTS**

The Company's investments consist of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Debt	\$ 4,481	\$ -
Equities	40,659	43,889
Funds:		
Alternative investments (a)	60,210	56,947
Debt (a)	183,790	178,556
Equity (a)	324,239	350,282
Private equity	44,501	53,822
	<u>612,740</u>	<u>639,607</u>
Investments, at fair value	657,880	683,496
Equity method investments	-	15,481
Total investments	<u>\$ 657,880</u>	<u>\$ 698,977</u>

- (a) Interests in alternative investment funds, debt funds and equity funds include investments, including those held by LFI Consolidated Funds (see Note 19), with fair values of \$27,145, \$168,624 and \$262,223, respectively, at September 30, 2023 and \$24,137, \$142,632 and \$266,528, respectively, at December 31, 2022, held in order to satisfy the Company's obligation 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 interests in a number of Lazard-managed funds, subject to service-based vesting conditions (see Notes 6 and 12).

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

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

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

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) Edgewater Growth Capital Partners III, L.P. ("EGCP III"), a fund primarily making equity and buyout investments in middle market companies, (ii) a fund targeting significant noncontrolling-stake investments in established private companies and (iii) a seed investment in a fund that invests in sustainable private infrastructure opportunities.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

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”).

Equity method investments represent certain partnership interests accounted for under the equity method of accounting.

During the three month and nine month periods ended September 30, 2023 and 2022, 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,	
	2023	2022	2023	2022
Net unrealized investment gains (losses)	\$ (23,879)	\$ (31,093)	\$ 14,551	\$ (134,091)

**5. 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, or Level 2 when based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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 based on the publicly reported closing price for the fund, or Level 2 when based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

The fair value of investments in certain private equity funds is classified as Level 3 for (i) certain investments that are valued based on the potential transaction value and (ii) when the acquisition price is considered the best measure of fair 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 the contingent consideration liability is classified as Level 3 and the fair value of the liability is remeasured at each reporting period. The inputs used to derive the fair value of the contingent consideration include the

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

application of probabilities when assessing certain performance thresholds for the relevant periods. Any change in the fair value is recognized in “amortization and other acquisition-related costs” in the condensed consolidated statement of operations. Our business acquisitions may involve the potential payment of contingent consideration upon the achievement of certain performance thresholds. The contingent consideration liability is initially recorded at fair value of the contingent payments on the acquisition date and is included in “other liabilities” on the condensed consolidated statements of financial condition.

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. See Note 6.

**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, 2023 and December 31, 2022, 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, 2023				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets:</b>					
Investments:					
Debt	\$ 3,524	\$ 957	\$ -	\$ -	\$ 4,481
Equities	40,119	-	540	-	40,659
Funds:					
Alternative investments	15,534	-	-	44,676	60,210
Debt	173,546	10,240	-	4	183,790
Equity	324,197	-	-	42	324,239
Private equity	-	-	261	44,240	44,501
Derivatives	-	3,678	-	-	3,678
Total	<u>\$ 556,920</u>	<u>\$ 14,875</u>	<u>\$ 801</u>	<u>\$ 88,962</u>	<u>\$ 661,558</u>
<b>Liabilities:</b>					
Securities sold, not yet purchased	\$ 1,724	\$ -	\$ -	\$ -	\$ 1,724
Contingent consideration liability	-	-	6,503	-	6,503
Derivatives	-	342,483	-	-	342,483
Total	<u>\$ 1,724</u>	<u>\$ 342,483</u>	<u>\$ 6,503</u>	<u>\$ -</u>	<u>\$ 350,710</u>

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

	December 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets:</b>					
Investments:					
Equities	\$ 43,243	\$ -	\$ 646	\$ -	\$ 43,889
Funds:					
Alternative investments	27,073	-	-	29,874	56,947
Debt	178,552	-	-	4	178,556
Equity	350,242	-	-	40	350,282
Private equity	-	-	18,772	35,050	53,822
Derivatives	-	14,554	-	-	14,554
Total	\$ 599,110	\$ 14,554	\$ 19,418	\$ 64,968	\$ 698,050
<b>Liabilities:</b>					
Securities sold, not yet purchased	\$ 4,651	\$ -	\$ -	\$ -	\$ 4,651
Derivatives	115	327,045	-	-	327,160
Total	\$ 4,766	\$ 327,045	\$ -	\$ -	\$ 331,811

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, 2023 and 2022:

	Three Months Ended September 30, 2023					
	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Issuances	Sales/Settlements	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
Investments:						
Equities	\$ 642	\$ (95)	\$ -	\$ -	\$ (7)	\$ 540
Private equity funds	268	-	-	-	(7)	261
Total Level 3 assets	\$ 910	\$ (95)	\$ -	\$ -	\$ (14)	\$ 801
<b>Liabilities:</b>						
Contingent consideration liability	\$ 6,422	\$ 81	\$ -	\$ -	\$ -	\$ 6,503
Total Level 3 liabilities	\$ 6,422	\$ 81	\$ -	\$ -	\$ -	\$ 6,503

LAZARD GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, unless otherwise noted)

Nine Months Ended September 30, 2023

	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Acquisitions/Issuances	Sales/Settlements/Transfers (b)	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
<b>Investments:</b>						
Equities	\$ 646	\$ (81)	\$ -	\$ -	\$ (25)	\$ 540
Private equity funds	18,772	-	-	(18,508)	(3)	261
Total Level 3 assets	<u>\$ 19,418</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ (18,508)</u>	<u>\$ (28)</u>	<u>\$ 801</u>
<b>Liabilities:</b>						
Contingent consideration liability (c)	\$ -	\$ 194	\$ 7,754	\$ (1,445)	\$ -	\$ 6,503
Total Level 3 liabilities	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ 7,754</u>	<u>\$ (1,445)</u>	<u>\$ -</u>	<u>\$ 6,503</u>

Three Months Ended September 30, 2022

	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Issuances	Sales/Settlements	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
<b>Investments:</b>						
Equities	\$ 542	\$ 28	\$ -	\$ -	\$ (41)	\$ 529
Private equity funds	256	-	-	-	(16)	240
Total Level 3 assets	<u>\$ 798</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57)</u>	<u>\$ 769</u>

Nine Months Ended September 30, 2022

	Beginning Balance	Net Unrealized/Realized Gains/Losses Included In Earnings (a)	Purchases/Issuances	Sales/Settlements/	Foreign Currency Translation Adjustments	Ending Balance
<b>Assets:</b>						
<b>Investments:</b>						
Equities	\$ 578	\$ 35	\$ -	\$ -	\$ (84)	\$ 529
Private equity funds	293	-	-	(13)	(40)	240
Total Level 3 assets	<u>\$ 871</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ (124)</u>	<u>\$ 769</u>

- (a) Earnings recorded in “other revenue” for investments in Level 3 assets for the three month and nine month periods ended September 30, 2023 and 2022 include net unrealized gains (losses) of \$(76), \$(62), \$28 and \$35, respectively. Unrealized losses of \$81 and \$194 were recorded in “amortization and other acquisition-related costs” for the contingent consideration liability for the three month and nine month periods ended September 30, 2023.
- (b) Transfers out of Level 3 private equity funds in the nine month period ended September 30, 2023 reflect investments valued at NAV as of September 30, 2023.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

- (c) For the nine month period ended September 30, 2023, acquisitions represent the initial recognition of the contingent consideration liability (noncash transaction), and settlements represent aggregate cash and noncash settlement of contingent consideration after the acquisition date.

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, 2023 and 2022.

The following tables present, at September 30, 2023 and December 31, 2022, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

	September 30, 2023				
	NAV	Unfunded Commitments	% of NAV Not Redeemable	Investments Redeemable	
				Redemption Frequency	Redemption Notice Period
<b>Alternative investment funds:</b>					
Hedge funds	\$ 44,022	\$ -	NA	(a)	30-60 days
Other	654	-	NA	(b)	<30-30 days
Debt funds	4	-	NA	(c)	<30 days
Equity funds	42	-	NA	(d)	<30-60 days
<b>Private equity funds:</b>					
Equity growth	44,240	5,547 (e)	100 % (f)	NA	NA
<b>Total</b>	<b>\$ 88,962</b>	<b>\$ 5,547</b>			

- (a) monthly (73%) and quarterly (27%)  
 (b) daily (5%) and monthly (95%)  
 (c) daily (100%)  
 (d) monthly (33%) and annually (67%)  
 (e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$10,206 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, 2022				
	NAV	Unfunded Commitments	% of NAV Not Redeemable	Investments Redeemable	
				Redemption Frequency	Redemption Notice Period
<b>Alternative investment funds:</b>					
Hedge funds	\$ 29,259	\$ -	NA	(a)	30-60 days
Other	615	-	NA	(b)	<30-30 days
Debt funds	4	-	NA	(c)	<30 days
Equity funds	40	-	NA	(d)	<30-60 days
<b>Private equity funds:</b>					
Equity growth	35,050	5,455 (e)	100 % (f)	NA	NA
<b>Total</b>	<b>\$ 64,968</b>	<b>\$ 5,455</b>			

- (a) monthly (68%) and quarterly (32%)  
 (b) daily (5%) and monthly (95%)  
 (c) daily (100%)

**LAZARD GROUP LLC**

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

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

- (d) monthly (35%) and annually (65%)
- (e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$8,003 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, 2023, the Company’s maximum unfunded commitments for capital contributions to investment funds primarily arose from commitments to EGCP III, which amounted to \$5,028. 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.

**6. DERIVATIVES**

The tables below present 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 12) on the accompanying condensed consolidated statements of financial condition as of September 30, 2023 and December 31, 2022. Notional amounts provide an indication of the volume of the Company’s derivative activity.

Derivative assets and liabilities, as well as the related cash collateral from the same counterparty, have been netted on the condensed consolidated statements of financial condition where the Company has obtained an appropriate legal opinion with respect to the master netting agreement. Where such a legal opinion has not been either sought or obtained, amounts are not eligible for netting on the condensed consolidated statements of financial condition, and those derivative assets and liabilities are shown separately in the table below.

In addition to the cash collateral received and transferred that is presented on a net basis with derivative assets and liabilities, the Company receives and transfers additional securities and cash collateral. These amounts mitigate counterparty credit risk associated with the Company’s derivative instruments, but are not eligible for net presentation on the condensed consolidated statements of financial condition.

	September 30, 2023			
	Derivative Assets		Derivative Liabilities	
	Fair Value	Notional	Fair Value	Notional
Forward foreign currency exchange rate contracts	\$ 1,985	\$ 151,496	\$ 1,979	\$ 207,558
Total return swaps and other	4,042	79,756	2,270	54,754
LFI and other similar deferred compensation arrangements	-	-	340,583	357,133
Total gross derivatives	6,027	<u>\$ 231,252</u>	344,832	<u>\$ 619,445</u>
Counterparty and cash collateral netting:				
Forward foreign currency exchange rate contracts	(79)		(83)	
Total return swaps and other	(2,270)		(2,265)	
Net derivatives in "other assets" and "other liabilities"	3,678		342,484	
Amounts not netted (a):				
Cash collateral	-		(1,692)	
Securities collateral	-		-	
	<u>\$ 3,678</u>		<u>\$ 340,792</u>	

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

	December 31, 2022			
	Derivative Assets		Derivative Liabilities	
	Fair Value	Notional	Fair Value	Notional
Forward foreign currency exchange rate contracts	\$ 1,356	\$ 170,103	\$ 921	\$ 128,098
Total return swaps and other	13,427	155,026	72	1,398
LGAC Warrants	-	-	115	11,500
LFI and other similar deferred compensation arrangements	-	-	326,282	338,126
<b>Total gross derivatives</b>	<b>14,783</b>	<b>\$ 325,129</b>	<b>327,390</b>	<b>\$ 479,122</b>
Counterparty and cash collateral netting:				
Forward foreign currency exchange rate contracts	(157)		(158)	
Total return swaps and other	(72)		(72)	
<b>Net derivatives in "other assets" and "other liabilities"</b>	<b>14,554</b>		<b>327,160</b>	
Amounts not netted (a):				
Cash collateral	-		-	
Securities collateral	-		-	
	<u>\$ 14,554</u>		<u>\$ 327,160</u>	

(a) Amounts are subject to master netting arrangements but do not meet the criteria for netting on the condensed consolidated statements of financial condition under U.S. GAAP. For some counterparties, the collateral amounts of securities and cash collateral pledged may exceed the derivative assets and derivative liabilities balances. Where this is the case, the total amount reported is limited to the net derivative assets and net derivative liabilities balances with that counterparty.

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, 2023 and 2022, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Forward foreign currency exchange rate contracts	\$ (984)	\$ 2,650	\$ (1,684)	\$ 8,260
LFI and other similar deferred compensation arrangements	10,598	16,180	(15,530)	65,601
LGAC Warrants	-	2,300	115	9,430
Total return swaps and other	6,523	7,177	(4,907)	32,676
<b>Total</b>	<b>\$ 16,137</b>	<b>\$ 28,307</b>	<b>\$ (22,006)</b>	<b>\$ 115,967</b>

See Note 1 for additional information on LGAC Warrants.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

**7. PROPERTY, NET**

At September 30, 2023 and December 31, 2022, property consisted of the following:

	<b>Estimated Depreciable Life in Years</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Buildings	33	\$ 163,900	\$ 135,103
Leasehold improvements	3-20	224,556	207,285
Furniture and equipment	3-10	232,150	235,684
Construction in progress		13,269	65,560
<b>Total</b>		<b>633,875</b>	<b>643,632</b>
Less - Accumulated depreciation and amortization		404,280	393,595
<b>Property, net</b>		<b>\$ 229,595</b>	<b>\$ 250,037</b>

**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

The components of goodwill and other intangible assets at September 30, 2023 and December 31, 2022 are presented below:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Goodwill	\$ 373,009	\$ 356,369
Other intangible assets (net of accumulated amortization)	45	90
	<b>\$ 373,054</b>	<b>\$ 356,459</b>

At September 30, 2023 and December 31, 2022, goodwill of \$291,739 and \$291,828, respectively, was attributable to the Company's Financial Advisory segment and, goodwill of \$81,270 and \$64,541, respectively, was attributable to the Company's Asset Management segment.

Changes in the carrying amount of goodwill for the nine month periods ended September 30, 2023 and 2022 are as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance, January 1	\$ 356,369	\$ 357,187
Acquisition of business	16,729	-
Foreign currency translation adjustments	(89)	(1,956)
<b>Balance, September 30</b>	<b>\$ 373,009</b>	<b>\$ 355,231</b>

The acquisition in the nine month period ended September 30, 2023 was attributable to the Company's Asset Management segment. All other changes in the carrying amount of goodwill for the nine month periods ended September 30, 2023 and 2022 are attributable to the Company's Financial Advisory segment.

Amortization expense of intangible assets, included in "amortization and other acquisition-related costs" in the condensed consolidated statements of operations, for both the three month and nine month periods ended September 30, 2023 and 2022 was \$15 and \$45, respectively.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

**9. SENIOR DEBT**

Senior debt is comprised of the following as of September 30, 2023 and December 31, 2022:

	Initial Principal Amount	Maturity Date	Annual Interest Rate(a)	Outstanding as of					
				September 30, 2023			December 31, 2022		
				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	\$ 649	\$ 399,351	\$ 400,000	\$ 1,003	\$ 398,997
Lazard Group 2027 Senior Notes	300,000	3/1/27	3.625 %	300,000	1,333	298,667	300,000	1,625	298,375
Lazard Group 2028 Senior Notes	500,000	9/19/28	4.50 %	500,000	4,225	495,775	500,000	4,864	495,136
Lazard Group 2029 Senior Notes	500,000	3/11/29	4.375 %	500,000	4,214	495,786	500,000	4,794	495,206
<b>Total</b>				<u>\$ 1,700,000</u>	<u>\$ 10,421</u>	<u>\$ 1,689,579</u>	<u>\$ 1,700,000</u>	<u>\$ 12,286</u>	<u>\$ 1,687,714</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, 2023 and December 31, 2022 is carried at their principal balances outstanding, net of unamortized debt costs. At those dates, the fair value of such senior debt was approximately \$1,586,000 and \$1,602,000, 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 June 6, 2023, Lazard Group entered into a Second Amended and Restated Credit Agreement with a group of lenders for a five-year, \$200,000 senior revolving credit facility expiring in June 2028 (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement amended and restated the three-year, \$200,000 senior revolving credit facility that was due to expire in July 2023 (the “Previous Credit Agreement”) in its entirety. Borrowings under the Second Amended and Restated Credit Agreement generally will bear interest at adjusted term SOFR plus an applicable margin for specific interest periods determined based on Lazard Group’s highest credit rating from an internationally recognized credit agency. The Second Amended and Restated Credit Agreement contains certain covenants, events of default and other customary provisions, including customary benchmark-replacement mechanics.

At September 30, 2023 and December 31, 2022, no amounts were outstanding under the Second Amended and Restated Credit Agreement and the Previous Credit Agreement, respectively.

As of September 30, 2023, the Company had approximately \$209,000 in unused lines of credit available to it, including the credit facility provided under the Second Amended and Restated Credit Agreement.

The Second 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, 2023, the Company was in compliance with such provisions. All of the Company’s senior debt obligations are unsecured.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

**10. COMMITMENTS AND CONTINGENCIES**

**Guarantees**—A subsidiary of LAM guaranteed a revolving credit facility of an unconsolidated fund expiring on October 1, 2023. At September 30, 2023, the maximum amount of future payments under such guarantee is \$10,000.

**Other Commitments**—From time to time, LFB and LFNY may enter into underwriting commitments in which they will participate as an underwriter. At September 30, 2023, LFB and LFNY had no such underwriting commitments.

See Notes 5 and 13 for information regarding commitments relating to investment capital funding commitments and obligations to fund our pension plans, respectively.

The fulfillment of the commitments described herein should 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 may experience 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 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.

**11. MEMBERS’ EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS**

**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, 2023 and 2022, Lazard Group distributed \$120,184 and \$140,845, respectively, to the subsidiaries of Lazard Ltd.

In addition, in March 2023 and February 2022, Lazard Group distributed 1,521,620 and 1,902,756 shares of common stock, respectively, to one of its managing members, which is a subsidiary of Lazard Ltd, in non-cash transactions, in connection with the settlement of profits interest participation rights during the nine month periods ended September 30, 2023 and 2022, respectively (see Note 12). There was no impact on total members’ equity resulting from such distributions.

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 2021 and through the nine month period ended September 30, 2023, 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>
April 2021	\$ 300,000	December 31, 2022
February 2022	\$ 300,000	December 31, 2024
July 2022	\$ 500,000	December 31, 2024

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 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:

<u>Nine Months Ended September 30:</u>	<u>Number of Shares Purchased</u>	<u>Average Price Per Share</u>
2022	17,249,880	\$ 35.49
2023	2,782,662	\$ 36.67

During the nine month periods ended September 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 was approximately \$11,100 and \$16,500, respectively. Such shares of common stock are reported at cost.

As of September 30, 2023, a total of \$200,095 of share repurchase authorization remained available under Lazard Ltd’s share repurchase program, which authorization will expire on December 31, 2024.

During the nine month period ended September 30, 2023, 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, 2023 and 2022 and activity during the three month and nine month periods then ended:

	<u>Three Months Ended September 30, 2023</u>				
	<u>Currency Translation Adjustments</u>	<u>Employee Benefit Plans</u>	<u>Total AOCI</u>	<u>Amount Attributable to Noncontrolling Interests</u>	<u>Total Lazard Group AOCI</u>
Balance, July 1, 2023	\$ (123,450)	\$ (143,533)	\$ (266,983)	\$ 3	\$ (266,986)
Activity:					
Other comprehensive income (loss) before reclassifications	(19,712)	5,054	(14,658)	(2)	(14,656)
Adjustments for items reclassified to earnings, net of tax	2,472	1,580	4,052	-	4,052
Net other comprehensive income (loss)	(17,240)	6,634	(10,606)	(2)	(10,604)
Balance, September 30, 2023	<u>\$ (140,690)</u>	<u>\$ (136,899)</u>	<u>\$ (277,589)</u>	<u>\$ 1</u>	<u>\$ (277,590)</u>

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

**Nine Months Ended September 30, 2023**

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2023	\$ (140,102)	\$ (140,483)	\$ (280,585)	\$ 2	\$ (280,587)
Activity:					
Other comprehensive loss before reclassifications	(3,088)	(332)	(3,420)	(1)	(3,419)
Adjustments for items reclassified to earnings, net of tax	2,500	3,916	6,416	-	6,416
Net other comprehensive income (loss)	(588)	3,584	2,996	(1)	2,997
Balance, September 30, 2023	<u>\$ (140,690)</u>	<u>\$ (136,899)</u>	<u>\$ (277,589)</u>	<u>\$ 1</u>	<u>\$ (277,590)</u>

**Three Months Ended September 30, 2022**

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, July 1, 2022	\$ (155,847)	\$ (119,300)	\$ (275,147)	\$ -	\$ (275,147)
Activity:					
Other comprehensive income (loss) before reclassifications	(53,627)	8,786	(44,841)	1	(44,842)
Adjustments for items reclassified to earnings, net of tax	138	1,162	1,300	-	1,300
Net other comprehensive income (loss)	(53,489)	9,948	(43,541)	1	(43,542)
Balance, September 30, 2022	<u>\$ (209,336)</u>	<u>\$ (109,352)</u>	<u>\$ (318,688)</u>	<u>\$ 1</u>	<u>\$ (318,689)</u>

**Nine Months Ended September 30, 2022**

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2022	\$ (76,355)	\$ (132,680)	\$ (209,035)	\$ 2	\$ (209,037)
Activity:					
Other comprehensive income (loss) before reclassifications	(133,246)	20,512	(112,734)	(1)	(112,733)
Adjustments for items reclassified to earnings, net of tax	265	2,816	3,081	-	3,081
Net other comprehensive income (loss)	(132,981)	23,328	(109,653)	(1)	(109,652)
Balance, September 30, 2022	<u>\$ (209,336)</u>	<u>\$ (109,352)</u>	<u>\$ (318,688)</u>	<u>\$ 1</u>	<u>\$ (318,689)</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 out of AOCI, by component, for the three month and nine month periods ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Currency translation losses (a)	\$ 2,472	\$ 138	\$ 2,500	\$ 265
Employee benefit plans:				
Amortization relating to employee benefit plans (b)	\$ 1,954	\$ 1,395	5,051	3,564
Less - related income taxes	374	233	1,135	748
	1,580	1,162	3,916	2,816
Total reclassifications, net of tax	\$ 4,052	\$ 1,300	\$ 6,416	\$ 3,081

- (a) Represents currency translation losses reclassified from AOCI associated with 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 13). 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, 2023 and 2022 and noncontrolling interests as of September 30, 2023 and December 31, 2022 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,	
	2023	2022	2023	2022
Edgewater	\$ 2,885	\$ 18,209	\$ 4,557	\$ 28,715
LFI Consolidated Funds	(3,251)	(5,237)	3,718	(18,393)
LGAC	-	4,023	1,968	9,941
Other	2	1	2	2
Total	\$ (364)	\$ 16,996	\$ 10,245	\$ 20,265

	Noncontrolling Interests as of	
	September 30, 2023	December 31, 2022
Edgewater	\$ 45,371	\$ 44,681
LFI Consolidated Funds	-	74,164
LGAC	-	(10,714)
Other	12	13
Total	\$ 45,383	\$ 108,144

**Redeemable Noncontrolling Interests**—Redeemable noncontrolling interests principally represent LGAC interests as of December 31, 2022 (see Note 1) and consolidated VIE interests held by employees as of September 30, 2023 (see Note 19). Consolidated VIE interests held by employees (vested LFI awards), which may be redeemed at any time at

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

the option of the holder for cash, are recorded on the Company’s condensed consolidated statements of financial position at redemption value and classified as temporary 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.

**12. INCENTIVE PLANS**

***Share-Based Incentive Plan Awards***

A description of Lazard Ltd’s 2018 Plan, 2008 Incentive Compensation Plan (the “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, 2023 and 2022 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”), restricted stock awards (“RSAs”), profits interest participation rights, including performance-based restricted participation units (“PRPUs”) and stock performance-based restricted participation units (“SPRPUs”), 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 although outstanding deferred stock unit (“DSU”) 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 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, RSAs and profits interest participation rights, including PRPUs and SPRPUs) 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, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Share-based incentive awards:				
RSUs	\$ 41,085	\$ 37,061	\$ 136,772	\$ 98,012
PRSUs	569	498	1,920	1,387
RSAs	5,742	6,420	21,117	19,197
Profits interest participation rights	10,815	30,762	48,077	80,454
DSUs	75	88	872	1,026
<b>Total</b>	<b>\$ 58,286</b>	<b>\$ 74,829</b>	<b>\$ 208,758</b>	<b>\$ 200,076</b>

LAZARD GROUP LLC

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

(dollars in thousands, unless otherwise noted)

Compensation and benefits expense relating to share-based awards with service and/or performance conditions is reversed if the awards are forfeited due to these conditions not being met. Compensation and benefits expense relating to share-based awards with market conditions is not reversed if these awards are forfeited based solely on failing to meet such market conditions.

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.

***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 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, 2023, dividend participation rights required the issuance of 515,420 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 43,999 DSUs being granted during the nine month period ended September 30, 2023. 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, 2023, 14,415 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.

**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 RSUs and DSUs during the nine month period ended September 30, 2023:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2023	9,022,917	\$ 37.97	400,820	\$ 37.66
Granted (including 515,420 RSUs relating to dividend participation)	5,496,350	\$ 36.51	58,414	\$ 29.87
Forfeited	(127,546)	\$ 33.34	-	\$ -
Settled	(3,359,950)	\$ 41.65	(134,744)	\$ 36.21
Balance, September 30, 2023	11,031,771	\$ 36.17	324,490	\$ 36.86

The weighted-average grant date fair value of RSUs granted in the nine month periods ended September 30, 2023 and 2022 was \$36.51 and \$33.64, respectively. The weighted-average grant date fair value of DSUs granted in the nine month periods ended September 30, 2023 and 2022 was \$29.87 and \$35.53, respectively.

In connection with RSUs that settled during the nine month period ended September 30, 2023, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 1,204,403 shares of common stock during such nine month period. Accordingly, 2,155,547 shares of common stock held by the Company were delivered during the nine month period ended September 30, 2023.

As of September 30, 2023, estimated unrecognized RSU compensation expense was \$156,284, with such expense expected to be recognized over a weighted average period of approximately 1.0 year subsequent to September 30, 2023.

**RSAs**

The following is a summary of activity related to RSAs associated with compensation arrangements during the nine month period ended September 30, 2023:

	RSAs	Weighted Average Grant Date Fair Value
Balance, January 1, 2023	1,266,424	\$ 36.99
Granted (including 71,900 relating to dividend participation)	646,979	\$ 37.65
Forfeited	(12,447)	\$ 38.35
Settled	(660,282)	\$ 39.27
Balance, September 30, 2023	1,240,674	\$ 36.10

The weighted-average grant date fair value of RSAs granted in the nine month periods ended September 30, 2023 and 2022 was \$37.65 and \$33.31, respectively.

In connection with RSAs that settled during the nine month period ended September 30, 2023, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 268,402 shares of common stock during such nine month period. Accordingly, 391,880 shares of common stock held by the Company were delivered during the nine month period ended September 30, 2023.

RSAs granted in 2023 generally include a dividend participation right that provides that during the applicable vesting period each RSA is attributed additional RSAs equivalent to any dividends paid on common stock during such

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

period. During the nine month period ended September 30, 2023, dividend participation rights required the issuance of 71,900 RSAs.

At September 30, 2023, estimated unrecognized RSAs expense was \$20,050, with such expense to be recognized over a weighted average period of approximately 0.9 years subsequent to September 30, 2023.

***PRSU*s**

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 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 both the performance-based and market-based criteria, the number of shares of common stock that may be received will 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 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, 2023:

	<b>PRSUs</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance, January 1, 2023	94,690	\$ 39.27
Balance, September 30, 2023	94,690	\$ 39.27

The weighted-average grant date fair value of PRSUs granted in the nine month period ended September 30, 2022 was \$35.44.

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, 2023, the total estimated unrecognized compensation expense was \$1,754, and the Company expects to amortize such expense over a weighted-average period of approximately 0.5 years subsequent to September 30, 2023.

***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 has 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 has 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, including in March 2023 to certain of our executive officers. In August 2023, the Company granted profits interest participation rights, SPRPUs, to certain of our executive officers that are eligible to vest in three tranches, each subject to service-based vesting criteria and the achievement of specified common stock price milestones measured as of a specified anniversary of the grant date. Profits interest participation rights, with the exception of SPRPUs, as explained below, generally provide for vesting approximately three years following the grant date, so long as applicable conditions have been satisfied.

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

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 (i) the service-based vesting conditions and, if applicable, the performance-based and incremental market-based conditions, or stock price milestones, 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”), 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, or, if applicable, stock price milestones, the associated compensation expense would not be reversed. With regard to the profits interest participation rights granted in February 2020, the Minimum Value Condition was met during the year ended December 31, 2021. On March 8, 2023, the profits interest participation rights granted in February 2020, for which the Minimum Value Condition and other vesting conditions were satisfied, were exchanged on a one-for-one basis for shares of common stock.

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 conditions 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 prior to February 2021 will range from zero to two times the target number. For the PRPU awards granted beginning in February 2021, subject to both performance-based and incremental market-based criteria, the number of shares that may be received 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.

SPRPUs are eligible to vest in three tranches (each, a “Tranche”) based on the achievement of service conditions and Tranche-specific common stock price milestones measured as of a specified anniversary of the date of grant, as described below. Their aggregate fair value at the grant date, which based on the estimated probability of achieving the common stock price milestones is approximately \$33,900, is amortized over the requisite service periods.

SPRPUs will vest:

- 20% if, three years following the date of grant, Lazard Ltd’s common stock price has appreciated 25% above the average trailing 30 consecutive day stock price preceding the date of grant (the “Grant Date Stock Price”);
- 40% if, five years following the date of grant, Lazard Ltd’s common stock price has appreciated 50% above the Grant Date Stock Price;
- and the remainder of the SPRPUs will vest if, seven years following the date of grant, the Lazard Ltd’s common stock price has appreciated 100% above the Grant Date Stock Price.

Each Tranche is subject to the executive’s continued employment through the applicable anniversary of the date of grant and requires that the applicable common stock price milestone is sustained for any 30 consecutive day period prior to the anniversary of the date of grant of the applicable Tranche (the “Expiration Date”).

If the vesting conditions, as described above, are not achieved as of the Expiration Date, all SPRPUs in such Tranche will be forfeited.

**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 all profits interest participation rights, including PRPUs and SPRPUs, during the nine month period ended September 30, 2023:

	<b>Profits Interest Participation Rights</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance, January 1, 2023	4,131,628	\$ 40.15
Granted	3,488,074	\$ 22.47
Forfeited	(16,695)	\$ 43.23
Settled	(1,521,620)	\$ 42.17
Balance, September 30, 2023 (a)	<u>6,081,387</u>	<u>\$ 29.50</u>

- (a) Table includes 1,474,002 PRPUs and 2,250,000 SPRPUs as of September 30, 2023. This includes 2,447,224 PRPUs as of January 1, 2023, net of 973,222 PRPUs settled and 2,250,000 SPRPUs granted during the nine month period ended September 30, 2023. The balance as of September 30, 2023 reflects the target number of PRPUs granted in February 2021 and March 2022. There were no PRPUs granted during the nine month period ended September 30, 2023. The weighted average grant date fair values for PRPUs and other profits interest participation rights outstanding as of January 1, 2023 were \$40.29 and \$39.96, respectively. The weighted average grant date fair values for SPRPUs and other profits interest participation rights granted during the nine month period ended September 30, 2023 was \$15.06 and \$35.94, respectively. The weighted average grant date fair values for other profits interest participation rights forfeited during the nine month period ended September 30, 2023 was \$43.23. The weighted average grant date fair values for PRPUs and other profits interest participation rights settled during the nine month period ended September 30, 2023 were \$41.76 and \$42.89, respectively. The weighted average grant date fair values for PRPUs, SPRPUs and other profits interest participation rights outstanding as of September 30, 2023 were \$39.31, \$15.06 and \$37.14, respectively.

The weighted average grant date fair value of profits interest participation rights, including PRPUs and SPRPUs, granted in the nine month periods ended September 30, 2023 and 2022 was \$22.47 and \$34.53, 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. Compensation expense recognized for SPRPUs is determined by multiplying the number of shares of common stock underlying such awards by the grant date fair value. As of September 30, 2023, the total estimated unrecognized compensation expense of all profits interest participation rights, including PRPUs and SPRPUs was \$57,590 and the Company expects to amortize such expense over a weighted-average period of approximately 1.9 years subsequent to September 30, 2023.

***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 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, 2023:

	<b>Prepaid Compensation Asset</b>	<b>Compensation Liability</b>
Balance, January 1, 2023	\$ 112,124	\$ 326,282
Granted	159,981	159,981
Settled	-	(167,526)
Amortization and the impact of forfeitures	(126,169)	7,285
Change in fair value of underlying investments	-	15,530
Other	109	(969)
Balance, September 30, 2023	<u>\$ 146,045</u>	<u>\$ 340,583</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, 2023.

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, 2023 and 2022:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Amortization and the impact of forfeitures	\$ 41,368	\$ 41,956	\$ 133,454	\$ 125,210
Change in the fair value of underlying investments	(10,598)	(16,180)	15,530	(65,601)
Total	<u>\$ 30,770</u>	<u>\$ 25,776</u>	<u>\$ 148,984</u>	<u>\$ 59,609</u>

**13. 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, 2023 and 2022:

	<b>Pension Plans</b>	
	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Components of Net Periodic Benefit Cost (Credit):</b>		
Service cost	\$ 74	\$ 116
Interest cost	5,322	2,642
Expected return on plan assets	(6,068)	(5,808)
Amortization of:		
Prior service cost	28	25
Net actuarial loss	1,926	1,370
Settlement loss	791	380
Net periodic benefit cost (credit)	<u>\$ 2,073</u>	<u>\$ (1,275)</u>

	<b>Pension Plans</b>	
	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Components of Net Periodic Benefit Cost (Credit):</b>		
Service cost	\$ 256	\$ 386
Interest cost	15,746	8,459
Expected return on plan assets	(17,916)	(18,627)
Amortization of:		
Prior service cost	81	80
Net actuarial loss (gain)	4,970	3,484
Settlement loss	2,333	1,223
Net periodic benefit cost (credit)	<u>\$ 5,470</u>	<u>\$ (4,995)</u>

**14. COST-SAVING INITIATIVES**

The Company is conducting firm-wide cost-saving initiatives over the course of 2023.

**LAZARD GROUP LLC**

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

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

Expenses and losses associated with the cost-saving initiatives for the three month and nine month periods ended September 30, 2023 consisted of the following:

	<b>Three Months Ended September 30, 2023</b>			
	<b>Financial Advisory</b>	<b>Asset Management</b>	<b>Corporate</b>	<b>Total</b>
Severance and other employee termination expenses (included in "compensation and benefits" expense)	\$ (529)	\$ 4,190	\$ 4,772	\$ 8,433
Technology asset impairments (included in "technology and information services")	56	515	-	571
Foreign exchange related losses associated with closing of certain offices (included in "revenue-other")	2,507	-	2,483	4,990
Other	1,469	28	42	1,539
<b>Total</b>	<b>\$ 3,503</b>	<b>\$ 4,733</b>	<b>\$ 7,297</b>	<b>\$ 15,533</b>

	<b>Nine Months Ended September 30, 2023</b>			
	<b>Financial Advisory</b>	<b>Asset Management</b>	<b>Corporate</b>	<b>Total</b>
Severance and other employee termination expenses (included in "compensation and benefits" expense)	\$ 86,254	\$ 44,958	\$ 31,309	\$ 162,521
Technology asset impairments (included in "technology and information services")	144	7,812	-	7,956
Foreign exchange related losses associated with closing of certain offices (included in "revenue-other")	2,507	-	2,483	4,990
Other	1,991	308	1,952	4,251
<b>Total</b>	<b>\$ 90,896</b>	<b>\$ 53,078</b>	<b>\$ 35,744</b>	<b>\$ 179,718</b>

Activity related to the obligations pursuant to the cost-saving initiatives during the nine month period ended September 30, 2023 was as follows:

	<b>Accrued Compensation and Benefits</b>	<b>Other</b>	<b>Total</b>
Balance, January 1, 2023	\$ -	\$ -	\$ -
Total expenses	162,521	17,197	179,718
Less:			
Noncash expenses (a)	30,050	11,069	41,119
Payments and settlements	71,446	4,825	76,271
<b>Balance, September 30, 2023</b>	<b>\$ 61,025</b>	<b>\$ 1,303</b>	<b>\$ 62,328</b>

LAZARD GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(UNAUDITED)

(dollars in thousands, unless otherwise noted)

- (a) Noncash expenses reflected in “accrued compensation and benefits” activity principally represents accelerated amortization of deferred incentive compensation awards. Noncash expenses reflected in “other” activity principally relates to technology asset impairments and certain foreign exchange related losses.

**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 provision (benefit) of \$(29,374) and \$67,405 for the three month and nine month periods ended September 30, 2023, respectively, and \$20,535 and \$55,533 for the three month and nine month periods ended September 30, 2022, respectively, representing effective tax rates of 2,363.2%, (37.3)%, 12.9% and 12.4%, 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 and (v) U.S. state and local taxes, which are incremental to the U.S. federal statutory tax rate.

**16. RELATED PARTIES**

*Sponsored Funds*

The Company serves as an investment advisor for certain affiliated investment companies and fund entities and receives management fees and, for the alternative investment funds, performance-based incentive fees for providing such services. Investment advisory fees relating to such services were \$135,899 and \$405,269 for the three month and nine month periods ended September 30, 2023, respectively, and \$159,749 and \$458,462 for the three month and nine month periods ended September 30, 2022, respectively, and are included in “asset management fees” on the condensed consolidated statements of operations. Of such amounts, \$57,040 and \$57,283 remained as receivables at September 30, 2023 and December 31, 2022, respectively, and are included in “fees receivable” on the condensed consolidated statements of financial condition.

*Other*

See Note 11 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 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, 2023, LFNY’s regulatory net capital was \$73,105, which exceeded the minimum requirement by \$69,493. LFNY’s aggregate indebtedness to net capital ratio was 0.74:1 as of September 30, 2023.

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

## LAZARD GROUP LLC

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

(dollars in thousands, unless otherwise noted)

September 30, 2023, the aggregate regulatory net capital of the U.K. Subsidiaries was \$174,572, which exceeded the minimum requirement by \$111,142.

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 exercised through LFB and other subsidiaries of CFLF, primarily LFG, also are subject to regulation and supervision by the Autorité des Marchés Financiers. At June 30, 2023, the consolidated regulatory net capital of CFLF was \$154,143, which exceeded the minimum requirement set for regulatory capital levels by \$68,939. In addition, pursuant to the consolidated supervision rules in the European Union, LFB, in particular, as a French credit institution, is required to be supervised by a regulatory body, either in the U.S. or in the European Union. During the third quarter of 2013, the Company and the ACPR agreed on terms for the consolidated supervision of LFB and certain other non-Financial Advisory European subsidiaries of the Company (referred to herein, on a combined basis, as the “combined European regulated group”) under such rules. Under this supervision, the combined European regulated group is required to comply with minimum requirements for regulatory net capital to be reported on a quarterly basis and satisfy periodic financial and other reporting obligations. At June 30, 2023, the regulatory net capital of the combined European regulated group was \$180,261, which exceeded the minimum requirement set for regulatory capital levels by \$86,449. 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, 2023, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$141,320, which exceeded the minimum required capital by \$114,703.

At September 30, 2023, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

#### **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, 2023 and 2022 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

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

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.

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:

		<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
		<b>September 30,</b>		<b>September 30,</b>	
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Financial Advisory</b>	Net Revenue	\$ 266,156	\$ 453,084	\$ 895,313	\$ 1,248,926
	Operating Expenses	294,848	337,025	1,057,506	947,466
	Operating Income (Loss)	\$ (28,692)	\$ 116,059	\$ (162,193)	\$ 301,460
<b>Asset Management</b>	Net Revenue	\$ 284,855	\$ 298,797	\$ 857,212	\$ 926,449
	Operating Expenses	232,011	233,614	749,281	707,676
	Operating Income	\$ 52,844	\$ 65,183	\$ 107,931	\$ 218,773
<b>Corporate</b>	Net Revenue (Loss)	\$ (26,516)	\$ (28,000)	\$ (42,747)	\$ (118,646)
	Operating Expenses (Credit)	(1,121)	(6,475)	83,802	(47,594)
	Operating Loss	\$ (25,395)	\$ (21,525)	\$ (126,549)	\$ (71,052)
<b>Total</b>	Net Revenue	\$ 524,495	\$ 723,881	\$ 1,709,778	\$ 2,056,729
	Operating Expenses	525,738	564,164	1,890,589	1,607,548
	Operating Income (Loss)	\$ (1,243)	\$ 159,717	\$ (180,811)	\$ 449,181

		<b>As Of</b>	
		<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Total Assets</b>			
Financial Advisory		\$ 1,013,299	\$ 1,074,278
Asset Management		828,890	978,083
Corporate		2,023,662	3,409,438
<b>Total</b>		<b>\$ 3,865,851</b>	<b>\$ 5,461,799</b>

**LAZARD GROUP LLC**

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

**(UNAUDITED)**

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

**19. CONSOLIDATED VIEs**

The Company's consolidated VIEs as of September 30, 2023 and December 31, 2022 include LGAC (see Note 1) and certain funds ("LFI Consolidated 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 assets of LFI Consolidated Funds, except as it relates to \$112,773 and \$115,666 of LFI held by Lazard Group as of September 30, 2023 and December 31, 2022, respectively, can only be used to settle the obligations of LFI Consolidated Funds. The Company's consolidated VIE assets and liabilities for LFI Consolidated Funds as reflected in the condensed consolidated statements of financial condition consist of the following at September 30, 2023 and December 31, 2022.

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,224	\$ 3,644
Customers and other receivables	1,789	240
Investments	190,511	186,300
Other assets	737	622
Total assets	<u>\$ 196,261</u>	<u>\$ 190,806</u>
<b>LIABILITIES</b>		
Deposits and other customer payables	\$ 1,307	\$ 528
Other liabilities	400	448
Total liabilities	<u>\$ 1,707</u>	<u>\$ 976</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, 2022 (the “Form 10-K”). All references to “2023,” “2022,” “third quarter,” “first nine months” or “the period” refer to, as the context requires, the three month and nine month periods ended September 30, 2023 and 2022.*

### 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 strategies, business plans and initiatives and anticipated trends in our business. These statements 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 statements 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;
- statements regarding environmental, social and governance (“ESG”) goals and initiatives;
- 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;
- 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 and 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 in North and South America, Europe, Asia and Australia. 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 strategic and mergers and acquisitions (“M&A”) advisory, capital markets advisory, shareholder advisory, restructuring and liability management, sovereign advisory, geopolitical advisory, and other strategic advisory matters and capital raising and placement, and
- Asset Management, which offers a broad range of global investment solutions and investment and wealth 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 certain assets and liabilities associated with (i) Lazard Group’s Paris-based subsidiary, Lazard Frères Banque SA (“LFB”), and (ii) in 2022, a special purpose acquisition company that was 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,	
	2023	2022	2023	2022
<b>Financial Advisory</b>	51 %	63 %	52 %	61 %
<b>Asset Management</b>	54	41	50	45
<b>Corporate</b>	(5)	(4)	(2)	(6)
<b>Total</b>	100 %	100 %	100 %	100 %

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 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. 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 assets under management (“AUM”). Weak global economic and 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.

While there remains a level of uncertainty in the markets, the global macroeconomic environment is improving as inflation continues to fall and expectations of further interest rate hikes are moderating. We believe that the M&A market is stabilizing, however that is yet to be reflected in M&A completions, which have remained low since transaction volume began to slow in the first quarter of 2022 and the pace of recovery will likely be slow. In the meantime, we are seeing regulatory headwinds reducing, valuation gaps narrowing and financing, while more expensive, is becoming more accessible.

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

- Financial Advisory—Despite the lower level of M&A announcements in 2023, we remain actively engaged with our clients. 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, restructuring and public and private capital markets.

- **Asset Management**—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. We are continually developing new investment strategies that extend our existing platforms and assessing potential product acquisitions or other inorganic growth opportunities.

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 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 and number of all completed transactions, including the subset of completed transactions involving values greater than \$500 million, decreased in the first nine months of 2023 as compared to the first nine months of 2022. 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, decreased in the first nine months of 2023 as compared to the first nine months of 2022.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Incr / (Decr)	2023	2022	% Incr / (Decr)
	(\$ in billions)					
<b>Completed M&amp;A Transactions:</b>						
All deals:						
Value	\$ 675	\$ 922	(27)%	\$ 1,952	\$ 3,287	(41)%
Number	6,072	10,182	(40)%	24,843	32,855	(24)%
Deals Greater than \$500 million:						
Value	\$ 552	\$ 697	(21)%	\$ 1,488	\$ 2,486	(40)%
Number	214	343	(38)%	649	1,100	(41)%
<b>Announced M&amp;A Transactions:</b>						
All deals:						
Value	\$ 728	\$ 738	(1)%	\$ 2,120	\$ 2,969	(29)%
Number	7,010	10,265	(32)%	26,820	33,425	(20)%
Deals Greater than \$500 million:						
Value	\$ 558	\$ 515	8 %	\$ 1,582	\$ 2,162	(27)%
Number	281	277	1 %	765	970	(21)%

Source: Dealogic as of October 4, 2023.

Global restructuring activity during the first nine months of 2023, as measured by the number of corporate defaults, decreased as compared to 2022. The number of defaulting issuers was 119 in the first nine months of 2023 according to Moody’s Investors Service, Inc., as compared to 128 in the first nine months of 2022.

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 greater or lesser relative 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*

The percentage change in major equity market indices at September 30, 2023, as compared to such indices at June 30, 2023, December 31, 2022 and at September 30, 2022, is shown in the table below:

	Percentage Changes September 30, 2023 vs.		
	June 30, 2023	December 31, 2022	September 30, 2022
MSCI World Index	(3)%	11 %	22 %
Euro Stoxx	(5)%	13 %	30 %
MSCI Emerging Market	(3)%	2 %	12 %
S&P 500	(3)%	13 %	22 %

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, capital markets advisory, shareholder advisory, restructuring and liability management, sovereign advisory, geopolitical advisory, and other strategic advisory matters and capital raising and placement. 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 Funds (“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 or investment by investment basis and, therefore, clawback of carried interest toward the end of the life of the fund can occur. As a result, the Company recognizes incentive fees earned on our private equity funds when it is probable that a clawback will not occur.

Corporate segment net revenue consists primarily of investment gains and losses on the Company's investments to seed strategies and funds in 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 52% of Lazard's consolidated total assets as of September 30, 2023, which are attributable to cash and cash equivalents, 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.

### ***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 (b) LFI and other similar deferred compensation arrangements (see Note 12 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 2023 related to the 2022 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 including stock performance-based restricted participation units (“SPRPUs”) 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 targeting a consistent deferral policy. 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 be able 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 and other acquisition-related costs”.

To the extent inflation results in rising interest rates and has other effects upon the securities markets or general macroeconomic conditions, it may adversely affect our financial position and results of operations by impacting overall levels of M&A activity, reducing our AUM or net revenue, increasing non-compensation expense, or otherwise.

### ***Cost-Saving Initiatives***

The Company is conducting firm-wide cost-saving initiatives over the course of 2023. See Note 14 of Notes to Condensed Consolidated Financial Statements.

### ***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 11 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,	
	2023	2022	2023	2022
	(\$ in thousands)			
<b>Net Revenue</b>	\$ 524,495	\$ 723,881	\$ 1,709,778	\$ 2,056,729
<b>Operating Expenses:</b>				
Compensation and benefits	364,060	418,140	1,380,814	1,175,662
Non-compensation	161,582	146,009	509,536	431,841
Amortization and other acquisition-related costs	96	15	239	45
Total operating expenses	525,738	564,164	1,890,589	1,607,548
<b>Operating Income (Loss)</b>	(1,243)	159,717	(180,811)	449,181
Provision (benefit) for income taxes	(29,374)	20,535	67,405	55,533
<b>Net Income (Loss)</b>	28,131	139,182	(248,216)	393,648
<b>Less - Net Income (Loss) Attributable to Noncontrolling Interests</b>	(364)	16,996	10,245	20,265
<b>Net Income (Loss) Attributable to Lazard Group</b>	\$ 28,495	\$ 122,186	\$ (258,461)	\$ 373,383
<b>Operating Income (Loss), as a % of net revenue</b>	(0.2)%	22.1 %	(10.6)%	21.8 %

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,	
	2023	2022	2023	2022
	(\$ in thousands)			
<b>Operating Revenue:</b>				
Net revenue	\$ 524,495	\$ 723,881	\$ 1,709,778	\$ 2,056,729
<b>Adjustments:</b>				
Interest expense (a)	18,739	18,778	56,294	56,408
Distribution fees, reimbursable deal costs, bad debt expense and other (b)	(23,879)	(16,686)	(76,898)	(52,533)
Asset impairment charges	-	-	19,129	-
Revenue related to noncontrolling interests (c)	(2,895)	(20,847)	(19,955)	(32,302)
(Gains) losses on investments pertaining to LFI (d)	10,598	16,180	(15,530)	65,601
Losses associated with cost-saving initiatives (e)	4,990	-	4,990	-
<b>Operating revenue</b>	\$ 532,048	\$ 721,306	\$ 1,677,808	\$ 2,093,903

- (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 and other receivables 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 losses associated with the closing of certain offices as part of the cost-saving initiatives including the reclassification of currency translation adjustments to earnings from accumulated other comprehensive loss and transactions related to foreign currency exchange.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(\$ in thousands)				
<b>Adjusted Compensation and Benefits Expense:</b>				
Total compensation and benefits expense	\$ 364,060	\$ 418,140	\$ 1,380,814	\$ 1,175,662
Adjustments:				
Noncontrolling interests (a)	(2,636)	(2,986)	(7,497)	(8,969)
(Charges) credits pertaining to LFI (b)	10,598	16,180	(15,530)	65,601
Expenses associated with senior management transition (c)	-	-	(10,674)	-
Expenses associated with cost-saving initiatives	(8,433)	-	(162,521)	-
Adjusted compensation and benefits expense	\$ 363,589	\$ 431,334	\$ 1,184,592	\$ 1,232,294
Adjusted compensation and benefits expense, as a % of operating revenue	68.3 %	59.8 %	70.6 %	58.9 %

- (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.
- (c) Represents expenses associated with senior management transition reflecting the departure of certain executive officers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(\$ in thousands)				
<b>Adjusted Non-Compensation Expense:</b>				
Total non-compensation expense	\$ 161,582	\$ 146,009	\$ 509,536	\$ 431,841
Adjustments:				
Expenses relating to office space reorganization (a)	-	(933)	-	(2,928)
Distribution fees, reimbursable deal costs, bad debt expense and other (b)	(23,879)	(16,686)	(76,898)	(52,533)
Noncontrolling interests (c)	(625)	(866)	(2,215)	(3,070)
Expenses associated with cost-saving initiatives	(2,110)	-	(12,207)	-
Adjusted non-compensation expense	\$ 134,968	\$ 127,524	\$ 418,216	\$ 373,310
Adjusted non-compensation expense, as a % of operating revenue	25.4 %	17.7 %	24.9 %	17.8 %

- (a) Represents building depreciation and other costs 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 and other receivables 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,	
	2023	2022	2023	2022
(\$ in thousands)				
<b>Earnings From Operations:</b>				
Operating revenue	\$ 532,048	\$ 721,306	\$ 1,677,808	\$ 2,093,903
Deduct:				
Adjusted compensation and benefits expense	(363,589)	(431,334)	(1,184,592)	(1,232,294)
Adjusted non-compensation expense	(134,968)	(127,524)	(418,216)	(373,310)
Earnings from operations	\$ 33,491	\$ 162,448	\$ 75,000	\$ 488,299
Earnings from operations, as a % of operating revenue	6.3 %	22.5 %	4.5 %	23.3 %

Headcount information is set forth below:

	As of		
	September 30, 2023 (a)	December 31, 2022	September 30, 2022
<b>Headcount:</b>			
Managing Directors:			
Financial Advisory	215	211	209
Asset Management	117	120	119
Corporate	24	25	24
Total Managing Directors	356	356	352
Other Business Segment Professionals and Support Staff:			
Financial Advisory	1,413	1,452	1,444
Asset Management	1,105	1,105	1,109
Corporate	443	476	470
Total	3,317	3,389	3,375

- (a) Includes reductions associated with the cost-saving initiatives as of September 30, 2023.

## 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, 2023 versus September 30, 2022

The Company reported net income attributable to Lazard Group of \$28 million, as compared to net income attributable to Lazard Group of \$122 million in the 2022 period.

Net revenue decreased \$199 million, or 28%, with operating revenue decreasing \$189 million, or 26%, as compared to the 2022 period. Fee revenue from investment banking and other advisory activities decreased \$185 million, or 41%, as compared to the 2022 period. Asset management fees, including incentive fees, decreased \$13 million, or 5%, as compared to the 2022 period. In the aggregate, interest income, other revenue and interest expense remained substantially the same, as compared to the 2022 period.

Compensation and benefits expense decreased \$54 million, or 13% as compared to the 2022 period.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) was \$364 million, a decrease of \$68 million, or 16%, as compared to \$431 million in the 2022 period. The ratio of adjusted compensation and benefits expense to operating revenue was 68.3% for the 2023 period, as compared to 59.8% for the 2022 period.

Non-compensation expense increased \$16 million, or 11%, as compared to the 2022 period. Adjusted non-compensation expense increased \$7 million, or 6%, as compared to the 2022 period. The ratio of adjusted non-compensation expense to operating revenue was 25.4% for the 2023 period, as compared to 17.7% for the 2022 period.

The Company reported an operating loss of \$1 million, as compared to operating income of \$160 million in the 2022 period.

Earnings from operations decreased \$129 million, or 79%, as compared to the 2022 period, and, as a percentage of operating revenue, were 6.3% for the 2023 period, as compared to 22.5% in the 2022 period.

The provision for income taxes reflects an effective tax rate of 2,363.2%, as compared to 12.9% for the 2022 period. The change in the effective tax rate principally relates to changes in the geographic mix of earnings inclusive of losses without tax benefits and the impact of discrete items.

Net income attributable to noncontrolling interests was de minimis in the 2023 period as compared to income of \$17 million in the 2022 period.

#### ***Nine Months Ended September 30, 2023 versus September 30, 2022***

The Company reported net loss attributable to Lazard Group of \$258 million, as compared to net income attributable to Lazard Group of \$373 million in the 2022 period.

Net revenue decreased \$347 million, or 17%, with operating revenue decreasing \$416 million, or 20%, as compared to the 2022 period. Fee revenue from investment banking and other advisory activities decreased \$351 million, or 28%, as compared to the 2022 period. Asset management fees, including incentive fees, decreased \$64 million, or 7%, as compared to the 2022 period. In the aggregate, interest income, other revenue and interest expense increased \$68 million, as compared to the 2022 period.

Compensation and benefits expense, which included \$163 million associated with the cost-saving initiatives in 2023, increased \$205 million, or 17% as compared to the 2022 period.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) was \$1,185 million, a decrease of \$48 million, or 4%, as compared to \$1,232 million in the 2022 period. The ratio of adjusted compensation and benefits expense to operating revenue was 70.6% for the 2023 period, as compared to 58.9% for the 2022 period.

Non-compensation expense increased \$78 million, or 18.0%, as compared to the 2022 period, primarily due to higher travel and business development expenses and professional services expenses, continued investments in technology and expenses associated with the cost-saving initiatives in 2023. Adjusted non-compensation expense increased \$45 million, or 12.0%, as compared to the 2022 period. The ratio of adjusted non-compensation expense to operating revenue was 24.9% for the 2023 period, as compared to 17.8% for the 2022 period.

The Company reported an operating loss of \$181 million, as compared to operating income of \$449 million in the 2022 period.

Earnings from operations decreased \$413 million, or 85%, as compared to the 2022 period, and, as a percentage of operating revenue, were 4.5% for the 2023 period, as compared to 23.3% in the 2022 period.

The provision for income taxes reflects an effective tax rate of (37.3)%, as compared to 12.4% for the 2022 period. The change in the effective tax rate principally relates to changes in the geographic mix of earnings inclusive of losses without tax benefits and the impact of discrete items.

Net income attributable to noncontrolling interests decreased \$10 million as compared to the 2022 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(\$ in thousands)			
Net Revenue	\$ 266,156	\$ 453,084	\$ 895,313	\$ 1,248,926
Operating Expenses (a)	294,848	337,025	1,057,506	947,466
Operating Income (Loss)	\$ (28,692)	\$ 116,059	\$ (162,193)	\$ 301,460
Operating Income (Loss), as a % of net revenue	(10.8)%	25.6 %	(18.1)%	24.1 %

(a) See Note 14 of Notes to Condensed Consolidated Financial Statements for information regarding cost-saving initiatives.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Lazard Statistics:</b>				
Number of clients with fees greater than \$1 million:				
Financial Advisory	64	88	201	234
Percentage of total Financial Advisory net revenue from top 10 clients	35%	32%	22%	21%
Number of M&A transactions completed with values greater than \$500 million (a)	11	23	32	71

(a) Source: Dealogic as of October 4, 2023.

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,	
	2023	2022	2023	2022
Americas	59 %	55 %	56 %	56 %
EMEA	38	44	43	43
Asia Pacific	3	1	1	1
Total	100 %	100 %	100 %	100 %

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 a combination of M&A, restructuring and other strategic advisory matters, depending on clients' needs. This adaptability enables Lazard to more effectively deploy its professionals to best advantage based on the often counter-cyclical nature of restructuring as compared to our M&A business. 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, 2023 versus September 30, 2022*

Financial Advisory net revenue decreased \$187 million, or 41%, as compared to the 2022 period. The decrease in Financial Advisory net revenue was primarily driven by decreased number of completed M&A transactions with values greater than \$500 million as compared to the 2022 period, reflecting a significant decline in industry-wide completed M&A transactions.

Operating expenses decreased \$42 million, or 13%, as compared to the 2022 period primarily due to a decrease in compensation and benefits expense associated with decreased operating revenue.

Financial Advisory operating loss was \$29 million as compared to operating income of \$116 million in the 2022 period and, as a percentage of net revenue, was (10.8)%, as compared to 25.6% in the 2022 period.

#### *Nine Months Ended September 30, 2023 versus September 30, 2022*

Financial Advisory net revenue decreased \$354 million, or 28%, as compared to the 2022 period. The decrease in Financial Advisory net revenue was primarily driven by decreased number of completed M&A transactions with values greater than \$500 million as compared to the 2022 period, reflecting a significant decline in industry-wide completed M&A transactions.

Operating expenses, which included \$88 million associated with cost-saving initiatives in the 2023 period, increased \$110 million, or 12%, as compared to the 2022 period.

Financial Advisory operating loss was \$162 million as compared to operating income of \$301 million in the 2022 period and, as a percentage of net revenue, was (18.1)%, as compared to 24.1% in the 2022 period.

## Asset Management

### *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 evaluated bids 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.

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

	As of	
	September 30, 2023	December 31, 2022
(\$ in millions)		
<b>AUM by Asset Class:</b>		
<b>Equity:</b>		
Emerging Markets	\$ 23,606	\$ 21,557
Global	49,709	46,861
Local	48,016	47,504
Multi-Regional	53,417	51,473
Total Equity	174,748	167,395
<b>Fixed Income:</b>		
Emerging Markets	9,069	8,944
Global	10,924	11,029
Local	5,868	5,352
Multi-Regional	19,317	18,061
Total Fixed Income	45,178	43,386
<b>Alternative Investments</b>	3,593	3,812
<b>Other Alternative Investments</b>	2,799	-
<b>Private Equity</b>	1,298	1,038
<b>Cash Management</b>	648	494
Total AUM	\$ 228,264	\$ 216,125

Total AUM at September 30, 2023 was \$228 billion, an increase of \$12 billion, or 6%, as compared to total AUM of \$216 billion at December 31, 2022 due to market appreciation partially offset by foreign exchange depreciation. Average AUM for the three month period ended September 30, 2023 increased 11% as compared to the three month period ended September 30, 2022 and remained substantially the same as compared to the nine month period ended September 30, 2022.

As of September 30, 2023, approximately 84% 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, compared to 85% as of December 31, 2022. As of September 30, 2023, approximately 16% of our AUM was managed on behalf of individual client relationships, which was principally with family offices and individuals, compared to approximately 15% as of December 31, 2022.

As of September 30, 2023, AUM with foreign currency exposure represented approximately 63% of our total AUM as compared to 65% at December 31, 2022. 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, 2023 and 2022:

**Three Months Ended September 30, 2023**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 184,725	\$ 4,910	\$ (6,882)	\$ (1,972)	\$ (5,723)	\$ (2,282)	\$ 174,748
Fixed Income	45,851	2,068	(1,658)	410	(121)	(962)	45,178
Other	8,764	290	(722)	(432)	93	(87)	8,338
Total	<u>\$ 239,340</u>	<u>\$ 7,268</u>	<u>\$ (9,262)</u>	<u>\$ (1,994)</u>	<u>\$ (5,751)</u>	<u>\$ (3,331)</u>	<u>\$ 228,264</u>

Inflows in the Equity asset class were primarily attributable to the Global platform, and inflows in the Fixed Income asset class were primarily attributable to the Multi-Regional platform. Outflows in the Equity asset class were primarily attributable to the Global, Multi-Regional and Local platforms, and outflows in the Fixed Income asset class were primarily attributable to the Multi-Regional and Global platforms.

**Nine Months Ended September 30, 2023**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 167,395	\$ 17,751	\$ (21,299)	\$ (3,548)	\$ 13,124	\$ (2,223)	\$ 174,748
Fixed Income	43,386	7,178	(6,407)	771	1,308	(287)	45,178
Other	5,344	4,744	(1,959)	2,785	274	(65)	8,338
Total	<u>\$ 216,125</u>	<u>\$ 29,673</u>	<u>\$ (29,665)</u>	<u>\$ 8</u>	<u>\$ 14,706</u>	<u>\$ (2,575)</u>	<u>\$ 228,264</u>

Inflows include approximately \$3.9 billion related to a wealth management acquisition.

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

**Three Months Ended September 30, 2022**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 170,274	\$ 4,338	\$ (6,477)	\$ (2,139)	\$ (9,618)	\$ (4,808)	\$ 153,709
Fixed Income	39,929	2,330	(1,790)	540	(503)	(1,654)	38,312
Other	6,423	480	(887)	(407)	(135)	(136)	5,745
Total	<u>\$ 216,626</u>	<u>\$ 7,148</u>	<u>\$ (9,154)</u>	<u>\$ (2,006)</u>	<u>\$ (10,256)</u>	<u>\$ (6,598)</u>	<u>\$ 197,766</u>

**Nine Months Ended September 30, 2022**

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	(\$ in millions)						
Equity	\$ 221,006	\$ 17,543	\$ (30,278)	\$ (12,735)	\$ (41,958)	\$ (12,604)	\$ 153,709
Fixed Income	46,286	6,825	(7,488)	(663)	(3,335)	(3,976)	38,312
Other	6,447	2,202	(1,984)	218	(605)	(315)	5,745
Total	<u>\$ 273,739</u>	<u>\$ 26,570</u>	<u>\$ (39,750)</u>	<u>\$ (13,180)</u>	<u>\$ (45,898)</u>	<u>\$ (16,895)</u>	<u>\$ 197,766</u>

Average AUM for the three month and nine month periods ended September 30, 2023 and 2022 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,	
	2023	2022	2023	2022
	(\$ in millions)			
<b>Average AUM by Asset Class:</b>				
Equity	\$ 181,629	\$ 166,976	\$ 179,355	\$ 184,027
Fixed Income	46,198	39,109	45,753	42,376
Alternative Investments	3,760	4,089	3,944	4,288
Other Alternative Investments	2,769	-	2,104	-
Private Equity	1,297	1,114	1,033	1,203
Cash Management	645	971	628	945
Total Average AUM	<u>\$ 236,298</u>	<u>\$ 212,259</u>	<u>\$ 232,817</u>	<u>\$ 232,839</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(\$ in thousands)			
Net Revenue	\$ 284,855	\$ 298,797	\$ 857,212	\$ 926,449
Operating Expenses (a)	232,011	233,614	749,281	707,676
Operating Income	<u>\$ 52,844</u>	<u>\$ 65,183</u>	<u>\$ 107,931</u>	<u>\$ 218,773</u>
Operating Income, as a % of net revenue	<u>18.6 %</u>	<u>21.8 %</u>	<u>12.6 %</u>	<u>23.6 %</u>

(a) See Note 14 of Notes to Condensed Consolidated Financial Statements for information regarding cost-saving initiatives.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Americas	43 %	52 %	42 %	49 %
EMEA	46	37	45	40
Asia Pacific	11	11	13	11
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, 2023 versus September 30, 2022*

Asset Management net revenue decreased \$14 million or 5%, as compared to the 2022 period. Management fees and other revenue was \$283 million, an increase of \$6 million, or 2%, as compared to \$277 million in the 2022 period. Incentive fees were \$2 million, a decrease of \$20 million as compared to \$22 million in the 2022 period.

Operating expenses decreased \$2 million, or 1%, as compared to the 2022 period.

Asset Management operating income was \$53 million, a decrease of \$12 million, or 19%, as compared to operating income of \$65 million in the 2022 period and, as a percentage of net revenue, was 18.6%, as compared to 21.8% in the 2022 period.

#### *Nine Months Ended September 30, 2023 versus September 30, 2022*

Asset Management net revenue decreased \$69 million, or 7%, as compared to the 2022 period. Management fees and other revenue was \$844 million, a decrease of \$29 million, or 3%, as compared to \$872 million in the 2022 period. Incentive fees were \$14 million, a decrease of \$40 million as compared to \$54 million in the 2022 period.

Operating expenses, which included \$53 million associated with cost-saving initiatives in the 2023 period, increased \$42 million, or 6%, as compared to the 2022 period.

Asset Management operating income was \$108 million, a decrease of \$111 million, or 51%, as compared to operating income of \$219 million in the 2022 period and, as a percentage of net revenue, was 12.6%, as compared to 23.6% in the 2022 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,	
	2023	2022	2023	2022
	(\$ in thousands)			
Interest Income	\$ 4,862	\$ 6,023	\$ 15,068	\$ 8,957
Interest Expense	(18,636)	(18,840)	(56,166)	(56,963)
Net Interest Expense	(13,774)	(12,817)	(41,098)	(48,006)
Other Revenue (Loss)	(12,742)	(15,183)	(1,649)	(70,640)
Net Revenue (Loss)	(26,516)	(28,000)	(42,747)	(118,646)
Operating Expenses (Credits) (a)	(1,121)	(6,475)	83,802	(47,594)
Operating Loss	\$ (25,395)	\$ (21,525)	\$ (126,549)	\$ (71,052)

(a) See Note 14 of Notes to Condensed Consolidated Financial Statements for information regarding cost-saving initiatives.

### 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, 2023 versus September 30, 2022

Net interest expense increased \$1 million, or 7%, as compared to the 2022 period.

Other revenue (loss) reflects losses in both periods attributable to investments held in connection with LFI.

Operating expenses increased \$5 million as compared to the 2022 period.

#### Nine Months Ended September 30, 2023 versus September 30, 2022

Net interest expense decreased \$7 million, or 14%, as compared to the 2022 period.

Other revenue (loss) was positively impacted by gains attributable to investments held in connection with LFI in the 2023 period, as compared to losses in the 2022 period. Such gains in the 2023 period were offset by losses incurred from the impairment of equity method investments and the liquidation of LGAC in February 2023.

Operating expenses increased \$131 million as compared to the 2022 period, primarily due to \$33 million associated with cost-saving initiatives in the 2023 period, and charges in the 2023 period as compared to credits in the 2022 period 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 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,	
	2023	2022
(\$ in millions)		
<b>Cash Provided By (Used In):</b>		
Operating activities:		
Net income (loss)	\$ (248)	\$ 394
Adjustments to reconcile net income to net cash provided by operating activities (a)	475	412
Other operating activities (b)	(399)	(286)
Net cash provided by (used in) operating activities	(172)	520
Investing activities	(29)	(32)
Financing activities (c)	(1,380)	(582)
Effect of exchange rate changes	(5)	(354)
<b>Net Decrease in Cash and Cash Equivalents and Restricted Cash</b>	<b>(1,586)</b>	<b>(448)</b>
<b>Cash and Cash Equivalents and Restricted Cash (d):</b>		
<b>Beginning of Period</b>	2,585	3,401
<b>End of Period</b>	<b>\$ 999</b>	<b>\$ 2,953</b>

(a) Consists of the following:

	Nine Months Ended September 30,	
	2023	2022
(\$ in millions)		
Depreciation and amortization of property	\$ 32	\$ 32
Noncash lease expense	48	46
Currency translation adjustment reclassification	2	-
Amortization of deferred expenses and share-based incentive compensation	353	332
Deferred tax provision (benefit)	(10)	2
Impairment of equity method investments and other receivables	23	-
Impairment of assets associated with cost-saving initiatives	9	-
Loss on LGAC liquidation	18	-
<b>Total</b>	<b>\$ 475</b>	<b>\$ 412</b>

- (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 RSAs and vested PRSUs, changes in customer deposits, distributions to members and noncontrolling interest holders, and in 2023, distributions to redeemable noncontrolling interests associated with LGAC's redemption of all its outstanding Class A ordinary shares.
- (d) 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 multiple sources as described in "—Sources and Uses of Liquidity".

## *Sources and Uses of Liquidity*

Net revenue, operating income and cash receipts fluctuate significantly between periods and could be affected by various risks and uncertainties. While cash flow from Asset Management activities is relatively stable, 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 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. Additionally, we made payments in August 2023 with respect to deferred cash awards and anticipate payments throughout the year relating to severance and other employee termination costs associated with the cost-saving initiatives (See Note 14 of Notes to Condensed Consolidated Financial Statements).

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 2023, as reflected on the condensed consolidated statements of financial condition, both "deposits with banks and short-term investments" and "deposits and other customer payables" decreased as compared to December 31, 2022, and reflect the level of LFB customer-related demand deposits, primarily from clients and funds managed by LFG.

We regularly monitor our liquidity position, including cash levels, lease obligations, investments, 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, 2023, Lazard had approximately \$645 million of cash, including approximately \$380 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, 2023, the Company's remaining lease obligations were \$20 million for 2023 (October 1 through December 31), \$154 million from 2024 through 2025, \$126 million from 2026 through 2027 and \$281 million through 2033.

As of September 30, 2023, Lazard had approximately \$209 million in unused lines of credit available to it, including a \$200 million, five-year, senior revolving credit facility under the Second Amended and Restated Credit Agreement.

The Second 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 Second 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 Second Amended and Restated Credit Agreement generally will bear interest at adjusted term SOFR 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 Second Amended and Restated Credit Agreement remains outstanding and unpaid or any other amount is due to the lending bank group, the Second Amended and Restated Credit Agreement includes financial covenants that require that Lazard Group not permit (i) its Consolidated Leverage Ratio (as defined in the Second 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 four (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 Second 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, 2023, Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 2.86 to 1.00 and its Consolidated Interest Coverage Ratio being 11.51 to 1.00. In any event, no amounts were outstanding under the Second Amended and Restated Credit Agreement as of September 30, 2023.

In addition, the Second Amended and Restated Credit Agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions. At September 30, 2023, 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 the sources of liquidity described above should be sufficient for us to fund our current obligations for the next 12 months.

See also Notes 10, 12, 13 and 15 of Notes to Condensed Consolidated Financial Statements regarding information in connection with commitments, incentive plans, employee benefit plans and income taxes.

### **Senior Debt**

The table below sets forth our corporate indebtedness as of September 30, 2023 and December 31, 2022. 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	Outstanding as of					
		September 30, 2023			December 31, 2022		
		Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
(\$ in millions)							
Lazard Group 2025 Senior Notes	2025	\$ 400.0	\$ 0.7	\$ 399.3	\$ 400.0	\$ 1.0	\$ 399.0
Lazard Group 2027 Senior Notes	2027	300.0	1.3	298.7	300.0	1.6	298.4
Lazard Group 2028 Senior Notes	2028	500.0	4.2	495.8	500.0	4.9	495.1
Lazard Group 2029 Senior Notes	2029	500.0	4.2	495.8	500.0	4.8	495.2
		<u>\$ 1,700.0</u>	<u>\$ 10.4</u>	<u>\$ 1,689.6</u>	<u>\$ 1,700.0</u>	<u>\$ 12.3</u>	<u>\$ 1,687.7</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, 2023, 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 9 of Notes to Condensed Consolidated Financial Statements for additional information regarding senior debt.

## Members' Equity

At September 30, 2023, total members' equity was \$100 million, as compared to \$467 million at December 31, 2022, including \$55 million and \$358 million attributable to Lazard Group on the respective dates. The net activity in members' equity during the nine month period ended September 30, 2023 is reflected in the table below (in millions of dollars):

Members' Equity - January 1, 2023	\$ 467
Increase (decrease) due to:	
Net loss (a)	(254)
Other comprehensive income	3
Amortization of share-based incentive compensation	210
Purchase of common stock	(102)
Settlement of share-based incentive compensation (b)	(54)
Distributions to members and noncontrolling interests	(124)
LFI Consolidated Funds	(74)
Reversal to net loss of amounts previously charged to members' equity and noncontrolling interests	18
Reversal of deferred offering costs liability	20
Other - net	(10)
Members' Equity - September 30, 2023	<u>\$ 100</u>

- (a) Excludes net income associated with redeemable noncontrolling interests of \$6 million in 2023.  
(b) 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. Lazard Ltd aims to repurchase at least as many shares as it expects to 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>
2022	17,249,880	\$ 35.49
2023	2,782,662	\$ 36.67

As of September 30, 2023, a total of \$200 million of share repurchase authorization remained available under Lazard Ltd's share repurchase program, which authorization will expire on December 31, 2024.

During the nine month period ended September 30, 2023, 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 11 and 12 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.

### **Critical Accounting Policies and Estimates**

The preparation of Lazard’s condensed consolidated financial statements, 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, the allowance for credit losses, compensation liabilities, income taxes 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.

The following is a description of Lazard’s critical accounting estimates and judgments used in the preparation of its condensed consolidated financial statements.

#### ***Revenue Recognition***

Lazard generates substantially all of its revenue from providing Financial Advisory and Asset Management services to clients. Lazard recognizes revenue in accordance with the criteria in Note 2 of Notes to Consolidated Financial Statements in our Form 10-K.

Assessment of these criteria requires the application of judgment in determining the timing and amount of revenue recognized, including the probability of collection of fees.

#### ***Allowance for Credit Losses***

We maintain an allowance for credit losses to provide coverage for estimated losses from our receivables. We determine the adequacy of the allowance under the current expected credit losses (“CECL”) guidance 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 uncollectible, 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.

The allowance for credit losses involves judgment including incorporation of historical loss experience and assessment of risk characteristics of our clients. The bad debt charge-off rate based on historical charge-off experience was an average annual rate estimated using the most recent two years of charge-off data. When assessing risk characteristics of individual clients, we considered the macroeconomic environment in the local market, our collection experience and recent communication with the client, as well as any potential future engagement with the client.

#### ***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 estimated annual ratio of adjusted 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 the relevant taxing authority. The measurement of deferred tax assets and liabilities is based upon currently enacted tax rates in the applicable jurisdictions. At December 31, 2022, on a consolidated basis, we recorded gross deferred tax assets of approximately \$149 million, with such amount partially offset by a valuation allowance of approximately \$80 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. See Note 2 of Notes to Consolidated Financial Statements in our Form 10-K for additional information on sources of taxable income, and the information considered when assessing whether a valuation allowance is required.

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, some of our tax-paying entities have recorded a valuation allowance on substantially all of their deferred tax assets due to the combined effect of operating losses in certain subsidiaries of these entities 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 \$80 million of deferred tax assets held by these entities as of December 31, 2022.

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.

### ***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 goodwill associated with each business combination is allocated to the related reporting units for impairment testing. 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. The qualitative evaluation includes significant judgment on the business outlook assumptions of each reporting unit based on historical data, current economic conditions, stock performance and industry trends. See Note 8 of Notes to Condensed Consolidated Financial Statements for additional information regarding goodwill.

## ***Consolidation***

The condensed consolidated financial statements include entities in which Lazard 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, investment management contracts with fund entities in our Asset Management business and LGAC. Lazard is not required to consolidate such entities because, with the exception of certain seed and LFI investments, and LGAC, 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.

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.

Seed investments held in entities in which the Company maintained a controlling interest were \$89 million in nine entities as of September 30, 2023, as compared to \$112 million in thirteen entities as of December 31, 2022. LFI investments held in entities in which the Company maintained a controlling interest were \$150 million in ten entities as of September 30, 2023, as compared to \$139 million in nine entities as of December 31, 2022.

As of September 30, 2023 and December 31, 2022, the Company did not consolidate any seed investment entities or LFI investment entities, with the exception of the consolidation of certain LFI funds (see Note 19 of Notes to Condensed Consolidated Financial Statements). As such, seed investments and substantially all of LFI investments included in “investments” on the consolidated statements of financial condition represented the Company’s economic interest in the seed and LFI investments.

See Note 1 of Notes to Condensed Consolidated Financial Statements for additional information on the consolidation of LGAC.

## **Risk Management**

### ***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.

Investments also include those investments accounted for under the equity method of accounting. Any increases or decreases in the Company's share of net income or losses pertaining to its equity method investments are reflected in earnings.

See Note 5 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, 2023	December 31, 2022
	(\$ in thousands)	
Seed investments by asset class:		
Debt	\$ 4,481	\$ -
Equities (a)	101,723	126,632
Fixed income	15,151	14,774
Alternative investments	31,809	31,634
Private equity	18,219	18,508
Total seed investments	<u>171,383</u>	<u>191,548</u>
Other investments owned:		
Private equity	10,987	18,876
Fixed income and other	2,223	23,337
Total other investments owned	<u>13,210</u>	<u>42,213</u>
Subtotal	<u>184,593</u>	<u>233,761</u>
Add:		
Private equity consolidated, not owned	15,295	16,438
Equity method	-	15,481
LFI	457,992	433,297
Total investments	<u>\$ 657,880</u>	<u>\$ 698,977</u>

(a) At September 30, 2023 and December 31, 2022, seed investments in directly owned equity securities were invested as follows:

	September 30, 2023	December 31, 2022
Percentage invested in:		
Financials	15 %	15 %
Consumer	31	34
Industrial	13	12
Technology	20	17
Other	21	22
Total	<u>100 %</u>	<u>100 %</u>

The Company makes investments primarily to seed strategies and funds 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) investments accounted for under the equity method of accounting.

The market risk associated with investments held in connection with LFI and other similar deferred compensation arrangements 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.

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, 2023 and December 31, 2022, 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 \$140 million and \$147 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 (increase) decrease of approximately \$(0.8) million and \$2.0 million in the carrying value of such investments as of September 30, 2023 and December 31, 2022, respectively, including the effect of the hedging transactions.

**Interest Rate and Credit Spread Risk**—At September 30, 2023 and December 31, 2022, 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 \$17 million and \$53 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 net decrease of approximately \$0.01 million and \$0.1 million in the carrying value of such investments as of September 30, 2023 and December 31, 2022, respectively, including the effect of the hedging transactions.

**Foreign Exchange Rate Risk**—At September 30, 2023 and December 31, 2022, 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 \$65 million and \$63 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 net decrease of approximately \$1.4 million and \$3.0 million in the carrying value of such investments as of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the Company’s exposure to changes in fair value of such investments was approximately \$29 million and \$37 million, respectively. The Company estimates that a hypothetical 10% adverse change in fair value would result in a decrease of approximately \$2.9 million and \$3.7 million in the carrying value of such investments as of September 30, 2023 and December 31, 2022, respectively.

For additional information regarding risks associated with our investments, see 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.

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

We maintain an allowance for credit losses to provide coverage for expected losses from our receivables. We determine the adequacy of the allowance by estimating the expected credit losses based on our analysis of the client’s creditworthiness and specifically provide for exposures where we determine the receivables are uncollectible. At September 30, 2023, total receivables amounted to \$710 million, net of an allowance for credit losses of \$21 million. As of that date, Financial Advisory and Asset Management fees, receivables from Lazard Ltd subsidiaries and customers and other receivables comprised 71%, 11% and 18% of total receivables, respectively. At December 31, 2022, total receivables amounted to \$727 million, net of an allowance for credit losses of \$18 million. As of that date, Financial Advisory and

Asset Management fees, receivables from Lazard Ltd subsidiaries and customers and other receivables comprised 68%, 10% and 22% of total receivables, respectively. See also “Critical Accounting Policies and Estimates—Revenue Recognition” above and Note 3 of Notes to Condensed Consolidated Financial Statements for additional information regarding receivables.

LFG and LFB offer wealth management and banking services to high net worth individuals and families. At September 30, 2023 and December 31, 2022, customers and other receivables included \$90 million and \$129 million, respectively, of LFB loans. Such loans were fully collateralized and monitored for counterparty creditworthiness. Therefore, there was no allowance for credit losses required at those dates related to such receivables.

### ***Credit Concentrations***

The Company monitors its exposures to individual counterparties and diversifies where appropriate to reduce the exposure to concentrations of credit.

### ***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 investments that seed strategies and funds in our Asset Management business. Derivative contracts are recorded at fair value. Net derivative assets amounted to \$4 million and \$15 million at September 30, 2023 and December 31, 2022, respectively, and net derivative liabilities, excluding the derivative liability arising from the Company’s obligation pertaining to LFI and other similar deferred compensation arrangements amounted to \$2 million and \$1 million at September 30, 2023 and December 31, 2022, respectively.

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 \$341 million and \$326 million at September 30, 2023 and December 31, 2022, 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, 2023, Lazard estimates that its annual operating income relating to cash and cash equivalents would increase by approximately \$6 million in the event interest rates were to increase by 1% and decrease by approximately \$6 million if rates were to decrease by 1%.

As of September 30, 2023, the Company’s cash and cash equivalents totaled approximately \$645 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 continuously 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, legal actions due to operating deficiencies, noncompliance or cyber attacks. 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 our operating subsidiaries 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.

### **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 may experience 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 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, 2022.

### 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

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

## 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 Third Amended and Restated Operating Agreement of the Registrant, dated as of March 31, 2023 (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2023).
- 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 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 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 31, 2022, by and among the Registrant, Lazard Ltd and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on April 6, 2022).
- 10.7\* Amendment to Amended and Restated Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 25, 2023, by and among the Registrant, Lazard Ltd and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on May 26, 2023).

- 10.8\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 31, 2022, by and among the Registrant, Lazard Ltd and Evan L. Russo (incorporated by reference to Exhibit 10.2 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed April 6, 2022).
- 10.9\* Amendment to Amended and Restated Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 25, 2023, by and among the Registrant, Lazard Ltd and Evan L. Russo (incorporated by reference to Exhibit 10.3 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on May 26, 2023).
- 10.10\* Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 31, 2022, by and among the Registrant, Lazard Ltd and Peter R. Orszag (incorporated by reference to Exhibit 10.3 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on April 6, 2022).
- 10.11\* Amendment to Amended and Restated Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 25, 2023, by and among the Registrant, Lazard Ltd and Peter R. Orszag (incorporated by reference to Exhibit 10.2 to Lazard Ltd's Current Report on Form 8-K (File No.001-32492) filed on May 26,2023).
- 10.12\* 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).
- 10.13\* Resignation Letter Agreement, dated as of March 31, 2022, by and between Lazard Ltd and Ashish Bhutani (incorporated by reference to Exhibit 10.4 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on April 6, 2022).
- 10.14\* Letter Agreement, dated as of January 1, 2023, by and between Lazard Asset Management LLC and Ashish Bhutani (incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2023).
- 10.15\* 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).
- 10.16\* Resignation Letter Agreement, dated as of March 31, 2022, by and between Lazard Ltd and Alexander F. Stern (incorporated by reference to Exhibit 10.5 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on April 6, 2022).
- 10.17\* Letter Agreement, dated as of January 1, 2023, by and between Lazard Frères & Co. LLC and Alexander F. Stern (incorporated by reference to Exhibit 10.14 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2023).
- 10.18\* Letter Agreement, dated as of July 23, 2022, by and between the Registrant and Mary Ann Betsch (incorporated by reference to Exhibit 10.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on July 28, 2022).
- 10.19\* Letter Agreement, dated as of August 23, 2023, by and between the Registrant and Mary Ann Betsch (incorporated by reference to Exhibit 10.2 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on August 25, 2023).
- 10.20\* Letter Agreement, dated as of June 29, 2023, by and between Lazard Frères & Co. LLC and Michael Gathy.
- 10.21\* 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).
- 10.22\* 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).

10.23	<u>Second Amended and Restated Credit Agreement, date as of June 6, 2023, among the Registrant, the Banks from time to time thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.21 to the Registrant’s Quarterly Report (File No. 333-126751) on Form 10-Q filed on July 31, 2023).</u>
10.24*	<u>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).</u>
10.25*	<u>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).</u>
10.26*	<u>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).</u>
10.27*	<u>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).</u>
10.28*	<u>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).</u>
10.29*	<u>Form of Agreement for Profits Interest Participation Right Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.24 to the Registrant’s Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2023).</u>
10.30*	<u>Form of Agreement evidencing grant of Restricted Stock Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.25 to the Registrant’s Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2023).</u>
10.31*	<u>Form of Agreement evidencing grant of Stock Performance Profits Interest Participation Rights Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Lazard Ltd’s Current Report on Form 8-K (File No. 001-32492) filed on August 25, 2023).</u>
31.1	<u>Rule 13a-14(a) Certification of Peter R. Orszag.</u>
31.2	<u>Rule 13a-14(a) Certification of Mary Ann Betsch.</u>
32.1	<u>Section 1350 Certification for Peter R. Orszag.</u>
32.2	<u>Section 1350 Certification for Mary Ann Betsch.</u>
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: October 27, 2023

### LAZARD GROUP LLC

By: /s/ Mary Ann Betsch  
Name: Mary Ann Betsch  
Title: Chief Financial Officer

By: /s/ Michael Gathy  
Name: Michael Gathy  
Title: Chief Accounting Officer