Lazard Ltd
Form 10-Q
August 01, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from _____________ to ___________

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

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

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant s telephone number: (441) 295-1422

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of July 22, 2016, there were 129,766,091 shares of the Registrant s Class A common stock outstanding (including 5,545,541 shares held by subsidiaries).

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When we use the terms Lazard , we , us , our and the Company , we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (Lazard Group), that is the current holding company for our businesses. Lazard Ltd s primary operating asset is its indirect ownership as of June 30, 2016 of all of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2016 AND DECEMBER 31, 2015

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 646,454	$ 1,132,083
Deposits with banks and short-term investments	667,313	389,861
Cash deposited with clearing organizations and other segregated cash	33,522	34,948
Receivables (net of allowance for doubtful accounts of $13,569 and $12,882 at June 30, 2016 and December 31, 2015, respectively):		
Fees	402,986	423,817
Customers and other	92,330	73,396
	495,316	497,213
Investments	491,346	541,911
Property (net of accumulated amortization and depreciation of $282,732 and $265,506 at June 30, 2016 and December 31, 2015, respectively)	201,929	207,165
Goodwill and other intangible assets (net of accumulated amortization of $58,534 and $57,561 at June 30, 2016 and December 31, 2015, respectively)	328,181	326,976
Deferred tax assets	1,123,369	1,130,595
Other assets	228,191	217,022
Total Assets	$ 4,215,621	$ 4,477,774

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2016 AND DECEMBER 31, 2015

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2016	December 31, 2015
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	$ 721,171	$ 506,665
Accrued compensation and benefits	270,468	570,409
Senior debt	990,111	989,358
Tax receivable agreement obligation	513,623	523,962
Deferred tax liabilities	10,046	11,104
Capital lease obligations	8,391	9,028
Other liabilities	497,467	499,942
Total Liabilities	3,011,277	3,110,468
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value $.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at June 30, 2016 and December 31, 2015		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value $.01 per share (500,000,000 shares authorized; 129,766,091 shares issued at June 30, 2016 and December 31, 2015, including shares held by subsidiaries as indicated below)	1,298	1,298
Additional paid-in-capital	569,154	600,034
Retained earnings	998,132	1,123,728
Accumulated other comprehensive loss, net of tax	(237,030)	(234,356)
	1,331,554	1,490,704
Class A common stock held by subsidiaries, at cost (5,210,619 and 4,253,381 shares at June 30, 2016 and December 31, 2015, respectively)	(185,353)	(177,249)
Total Lazard Ltd Stockholders Equity	1,146,201	1,313,455
Noncontrolling interests	58,143	53,851
Total Stockholders Equity	1,204,344	1,367,306
Total Liabilities and Stockholders Equity	$ 4,215,621	$ 4,477,774

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(dollars in thousands, except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE				
Investment banking and other advisory fees	$286,609	$ 314,277	$ 551,752	$ 615,649
Asset management fees	241,397	268,754	475,128	530,709
Interest income	1,168	1,362	2,540	2,291
Other	17,468	36,196	27,338	65,825
Total revenue	546,642	620,589	1,056,758	1,214,474
Interest expense	11,962	11,497	23,860	27,633
Net revenue	534,680	609,092	1,032,898	1,186,841
OPERATING EXPENSES				
Compensation and benefits	308,310	336,719	605,520	665,221
Occupancy and equipment	27,163	27,272	54,170	54,611
Marketing and business development	23,877	18,324	43,565	37,514
Technology and information services	24,296	23,034	47,227	45,927
Professional services	11,245	13,883	21,007	25,342
Fund administration and outsourced services	15,895	17,493	29,330	33,641
Amortization of intangible assets related to acquisitions	330	1,857	974	2,890
Provision pursuant to tax receivable agreement		961,948		968,483
Other	10,328	9,938	19,492	79,925
Total operating expenses	421,444	1,410,468	821,285	1,913,554
OPERATING INCOME (LOSS)	113,236	(801,376)	211,613	(726,713)
Provision (benefit) for income taxes	31,872	(1,176,531)	59,526	(1,164,514)
NET INCOME	81,364	375,155	152,087	437,801
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,007	1,042	4,907	7,735
NET INCOME ATTRIBUTABLE TO LAZARD LTD	$ 80,357	$ 374,113	$ 147,180	$ 430,066
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:				
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	125,461,948	126,212,645	125,751,195	124,934,167

Diluted	132,341,522	132,806,045	132,616,403	133,270,996
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	$0.64	$2.96	$1.17	$3.44
Diluted	$0.61	$2.82	$1.11	$3.23
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.38	$0.35	$1.93	$1.65

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	$ 81,364	$ 375,155	$ 152,087	$ 437,801
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Currency translation adjustments (including a tax benefit of $1,723 for the three months ended June 30, 2016 and $2,869 for the six months ended June 30, 2016)	(16,104)	11,791	(4,365)	(22,342)
Employee benefit plans:				
Actuarial loss (net of tax benefit of $228 and $8,121 for the three months ended June 30, 2016 and 2015, respectively, and $298 and $8,006 for the six months ended June 30, 2016 and 2015, respectively)	(475)	(14,836)	(616)	(14,617)
Adjustment for items reclassified to earnings (net of tax expense of $403 and $538 for the three months ended June 30, 2016 and 2015, respectively, and $796 and $1,101 for the six months ended June 30, 2016 and 2015, respectively)	1,121	1,190	2,307	2,376
OTHER COMPREHENSIVE LOSS, NET OF TAX	(15,458)	(1,855)	(2,674)	(34,583)
COMPREHENSIVE INCOME	65,906	373,300	149,413	403,218
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,007	1,042	4,907	7,735
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	$ 64,899	$ 372,258	$ 144,506	$ 395,483

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(dollars in thousands)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 152,087	$ 437,801
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	16,630	15,900
Amortization of deferred expenses and share-based incentive compensation	199,217	171,397
Amortization of intangible assets related to acquisitions	974	2,890
Deferred tax provision (benefit)	25,159	(1,195,319)
Provision pursuant to tax receivable agreement		968,483
Loss on extinguishment of debt		60,219
Gain on disposal of subsidiaries		(24,388)
(Increase) decrease in operating assets:		
Deposits with banks and short-term investments	(271,010)	(95,877)
Cash deposited with clearing organizations and other segregated cash	1,697	8,438
Receivables-net	120	39,023
Investments	51,342	52,674
Other assets	(52,586)	(97,621)
Increase (decrease) in operating liabilities:		
Deposits and other payables	207,503	81,574
Accrued compensation and benefits and other liabilities	(312,862)	(213,892)
Net cash provided by operating activities	18,271	211,302
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(11,118)	(13,438)
Disposals of property	159	336
Net cash used in investing activities	(10,959)	(13,102)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contributions from noncontrolling interests	93	57
Issuance of senior debt, net of expenses		396,272
Excess tax benefits from share-based incentive compensation	2,340	9,516
Other financing activities	8,004	
Payments for:		
Senior debt		(509,098)
Capital lease obligations	(835)	(1,019)
Distributions to noncontrolling interests	(708)	(11,940)
Payments under tax receivable agreement	(10,086)	
Purchase of Class A common stock	(194,729)	(117,733)
Class A common stock dividends	(242,085)	(202,635)
Settlement of vested share-based incentive compensation	(54,164)	(102,634)
Other financing activities	(2,327)	(1,624)
Net cash used in financing activities	(494,497)	(540,838)

EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,556	(22,770)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(485,629)	(365,408)
CASH AND CASH EQUIVALENTS January 1	1,132,083	1,066,580
CASH AND CASH EQUIVALENTS June 30	$ 646,454	$ 701,172

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
	Shares	$	Shares	$				Shares	$			
Balance January 1, 2015	**7,921**	**$**	**129,766,091**	**$ 1,298**	**$ 702,800**	**$ 464,655**	**$ (200,766)**	**7,450,745**	**$ (261,243)**	**$ 706,744**	**$ 63,313**	**$ 770,057**
Comprehensive income (loss):												
Net income						430,066				430,066	7,735	437,801
Other comprehensive loss - net of tax							(34,583)			(34,583)		(34,583)
Amortization of share-based incentive compensation					122,793					122,793		122,793
Dividend-equivalents					26,461	(28,085)				(1,624)		(1,624)
Class A common stock dividends						(202,635)				(202,635)		(202,635)
Purchase of Class A common stock								2,306,694	(117,733)	(117,733)		(117,733)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of $9,495					(323,588)			(6,051,262)	230,449	(93,139)		(93,139)
Business acquisitions and related equity transactions:												
Class A common stock issuable (including related amortization)					315					315		315
Delivery of Class A common stock					(1,327)			(27,316)	1,327			
Distributions to noncontrolling interests, net											(11,883)	(11,883)
Balance June 30, 2015	**7,921**	**$**	**129,766,091**	**$ 1,298**	**$ 527,454**	**$ 664,001**	**$ (235,349)**	**3,678,861**	**$ (147,200)**	**$ 810,204**	**$ 59,165**	**$ 869,369**

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Total Stockhold Equity
	Shares	$	Shares	$				Shares	$			
ance January 1, 2016	**7,921**	**$**	**129,766,091**	**$1,298**	**$600,034**	**$1,123,728**	**$(234,356)**	**4,253,381**	**$(177,249)**	**$1,313,455**	**$53,851**	**$1,367,3**
nprehensive income:												
income						147,180				147,180	4,907	152,0
er comprehensive loss - of tax							(2,674)			(2,674)		(2,6
ortization of e-based incentive pensation					155,325					155,325		155,3
dend-equivalents					28,364	(30,691)				(2,327)		(2,3
s A common stock dends						(242,085)				(242,085)		(242,0
chase of Class A mon stock								5,646,092	(194,729)	(194,729)		(194,7
very of Class A mon stock in nection with e-based incentive pensation and related benefit of $7,090					(203,406)			(3,889,417)	156,332	(47,074)		(47,0
iness acquisitions and ed equity transactions:												
very of Class A mon stock and related benefit of $11,126					(19,167)			(799,437)	30,293	11,126		11,1
ributions to controlling interests, net											(615)	(6
er					8,004					8,004		8,0
ance June 30, 2016	**7,921**	**$**	**129,766,091**	**$1,298**	**$569,154**	**$ 998,132**	**$(237,030)**	**5,210,619**	**$(185,353)**	**$1,146,201**	**$58,143**	**$1,204,3**

See notes to condensed consolidated financial statements.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

Lazard Ltd indirectly held 100% of all outstanding Lazard Group common membership interests as of June 30, 2016 and December 31, 2015. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group, which is governed by an Amended and Restated Operating Agreement dated as of October 26, 2015 (the Operating Agreement).

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

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (M&A) and other strategic matters, restructurings, capital structure, capital raising, corporate preparedness and various other financial matters, and

- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income 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 and assets and liabilities associated with Lazard Group s Paris-based subsidiary Lazard Frères Banque SA (LFB).

LFB, as a registered bank, is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (LFG) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, and asset-liability management.

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd s Annual Report on Form 10-K for the year ended December 31, 2015 (the Form 10-K). The accompanying December 31, 2015 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

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

The consolidated results of operations for the three month and six month periods ended June 30, 2016 are not indicative of the results to be expected for any future interim or annual period.

The condensed consolidated financial statements include Lazard Ltd, Lazard Group and Lazard Group s principal operating subsidiaries: Lazard Frères & Co. LLC (LFNY), a New York limited liability company, along with its subsidiaries, including Lazard Asset Management LLC and its subsidiaries (collectively referred to as LAM); the French limited liability companies Compagnie Financière Lazard Frères SAS (CFLF) along with its subsidiaries, LFB and LFG, and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited (LCL), through Lazard & Co., Holdings Limited (LCH), an English private limited company, together with their jointly owned affiliates and subsidiaries.

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

- Voting interest entities (VOEs) where the Company holds a majority of the voting interest in such VOEs and,

- Variable interest entities (VIEs) where the Company is the primary beneficiary having the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses of, or receive benefits from, the VIE that could be potentially significant to the VIE.

When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity s operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of earnings or losses of the entity. Intercompany transactions and balances have been eliminated.

Certain prior period amounts have been reclassified to conform to the current period presentation, primarily as a result of the adoption of the current guidance on classification of debt issuance costs and the impact of such guidance on the condensed consolidated statements of financial condition.

2. RECENT ACCOUNTING DEVELOPMENTS

Revenue from Contracts with Customers In May 2014, the Financial Accounting Standards Board (the FASB) issued comprehensive new revenue recognition guidance. The guidance requires a company to

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

recognize revenue when it transfers promised services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services and requires enhanced disclosures. The new guidance is effective for annual and interim periods beginning after December 15, 2016 and early adoption is not permitted. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue guidance by one year to annual reporting periods beginning after December 15, 2017, with early adoption being permitted for annual periods beginning after December 15, 2016. During 2016, the FASB issued additional clarifications for certain aspects of the new revenue recognition guidance. The Company is currently evaluating the new guidance.

Amendments to the Consolidation Analysis In February 2015, the FASB issued updated guidance for the consolidation of certain legal entities. The updated guidance eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or VOEs. The new guidance is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted this guidance using the modified retrospective method with an effective adoption date of January 1, 2016. The adoption of this guidance did not have a material impact on our consolidated financial statements or related disclosures.

Interest Imputation of Interest In April 2015, the FASB issued updated guidance which requires a company to classify debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, with early adoption permitted and is to be applied on a retrospective basis. The adoption of this guidance by the Company in the first quarter of 2016 resulted in a reclassification as of December 31, 2015 of $8,992 from other assets to senior debt on our condensed consolidated statements of financial condition.

Intangibles Goodwill and Other Internal-Use Software: *Customers Accounting for Fees Paid in a Cloud Computing Arrangement* In April 2015, the FASB issued updated guidance providing clarification on whether a cloud computing arrangement that contains a software license should be accounted for as internal-use software. The new guidance is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance by the Company in the first quarter of 2016 did not have a material impact on our consolidated financial statements.

Fair Value Measurement In May 2015, the FASB issued updated guidance for the classification and disclosure of certain investments using the net asset value (NAV) as a practical expedient to measure the fair value of the investment. The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV as a practical expedient. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, with early adoption permitted. The new guidance is to be applied on a retrospective basis. The Company elected to early adopt this guidance in the quarter ended September 30, 2015 and has removed investments that are measured at NAV as a practical expedient from the fair value hierarchy in all periods presented in the consolidated financial statements and related disclosures.

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

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

within operating activities in the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The new guidance is to be applied on a modified retrospective basis. The Company is currently evaluating the new guidance.

Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting In March 2016, the FASB issued new guidance regarding equity-based incentive compensation. The new guidance includes several amendments which affect various aspects of the accounting for equity-based incentive compensation transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2016 and early adoption is permitted. The Company is currently evaluating the new guidance.

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

3. RECEIVABLES

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

Receivables are stated net of an estimated allowance for doubtful accounts, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. Activity in the allowance for doubtful accounts for the three month and six month periods ended June 30, 2016 and 2015 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Beginning Balance	$11,230	$ 18,459	$12,882	$ 23,540
Bad debt expense, net of recoveries	2,065	2,061	2,579	3,293
Charge-offs, foreign currency translation and other adjustments	274	551	(1,892)	(5,762)
Ending Balance	$13,569	$ 21,071	$13,569	$ 21,071

Bad debt expense, net of recoveries is included in investment banking and other advisory fees on the condensed consolidated statements of operations.

At June 30, 2016 and December 31, 2015, the Company had receivables past due or deemed uncollectible of $19,839 and $19,923, respectively.

Of the Company s fee receivables at June 30, 2016 and December 31, 2015, $82,244 and $81,774, respectively, represented interest-bearing financing receivables. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of past due or uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of $413,072 and $415,439 at June 30, 2016 and December 31, 2015, respectively, approximates fair value.

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4. INVESTMENTS

The Company s investments and securities sold, not yet purchased, consist of the following at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Interest-bearing deposits	$ 463	$ 54,885
Debt	30,631	535
Equities	48,968	44,834
Funds:		
Alternative investments (a)	50,233	67,600
Debt (a)	75,463	67,134
Equity (a)	171,252	197,787
Private equity	105,561	100,219
	402,509	432,740
Equity method	8,775	8,917
Total investments	491,346	541,911
Less:		
Interest-bearing deposits	463	54,885
Equity method	8,775	8,917
Investments, at fair value	$482,108	$ 478,109
Securities sold, not yet purchased, at fair value (included in other liabilities)	$ 33,791	$ 3,239

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of $15,834, $38,350 and $131,204, respectively, at June 30, 2016 and $10,996, $31,598 and $156,081, respectively, at December 31, 2015, held in order to satisfy the Company s liability upon vesting of previously granted Lazard Fund Interests (LFI) and other similar deferred compensation arrangements. LFI represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds, subject to service-based vesting conditions (see Notes 6 and 12).

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

Investments in debt securities and securities sold, not yet purchased (included in other liabilities) at June 30, 2016 primarily consist of convertible debt securities.

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

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

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

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

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) Edgewater Growth Capital Partners III, L.P. (EGCP III), a fund primarily making equity and buyout investments in middle market companies, (ii) until the fourth quarter of 2015, Lazard Australia Corporate Opportunities Fund 2 (COF2), an Australian fund targeting Australian mid-market investments, (iii) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, and (iv) a fund targeting significant noncontrolling-stake investments in established private companies. The Company disposed of its private equity business in Australia in the second quarter of 2015 in a transaction with the management of the disposed business. Revenue of $24,388 relating to the disposal of the business primarily represents the realization of carried interest at fair value and is included in revenue-other on the condensed consolidated statements of operations for the three month and six month periods ended June 30, 2015.

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

During the three month and six month periods ended June 30, 2016 and 2015, the Company reported in revenue-other on its condensed consolidated statements of operations net unrealized investment gains and losses pertaining to trading securities still held as of the reporting date as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net unrealized investment gains (losses)	$ 859	$ (3,308)	$ 6,174	$ (1,115)

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

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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 Company s investments in debt securities and securities sold, not yet purchased are classified as Level 1 when their respective fair values are based on unadjusted quoted prices in active markets and are classified as Level 2 when their fair values are based on inputs that generally can be corroborated by observable market data.

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

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

The fair value of investments in private equity funds were classified as Level 3 for certain investments that were valued based on a potential transaction value as of June 30, 2015.

The fair values of derivatives entered into by the Company are classified as Level 2 and are 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 values 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 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) in private equity funds are not redeemable in the near term as a result of redemption restrictions.

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The following tables present, as of June 30, 2016 and December 31, 2015, 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:

	June 30, 2016				
	Level 1	**Level 2**	**Level 3**	**NAV (a)**	**Total**
Assets:					
Investments:					
Debt	$	$ 30,631	$	$	$ 30,631
Equities	47,670		1,298		48,968
Funds:					
Alternative investments	27,379			22,854	50,233
Debt	75,457			6	75,463
Equity	171,213			39	171,252
Private equity				105,561	105,561
Derivatives		716			716
Total	$ 321,719	$ 31,347	$ 1,298	$ 128,460	$ 482,824
Liabilities:					
Securities sold, not yet purchased	$ 3,160	$ 30,631	$	$	$ 33,791
Derivatives		185,893			185,893
Total	$ 3,160	$ 216,524	$	$	$ 219,684

	December 31, 2015				
	Level 1	**Level 2**	**Level 3**	**NAV (a)**	**Total**
Assets:					
Investments:					
Debt	$ 535	$	$	$	$ 535
Equities	43,558		1,276		44,834
Funds:					
Alternative investments	45,135			22,465	67,600
Debt	67,128			6	67,134
Equity	197,745			42	197,787
Private equity				100,219	100,219
Derivatives		1,048			1,048
Total	$ 354,101	$ 1,048	$ 1,276	$ 122,732	$ 479,157
Liabilities:					

Securities sold, not yet purchased	$ 3,239	$	$	$	$ 3,239
Derivatives		195,689			195,689
Total	$ 3,239	$ 195,689	$	$	$ 198,928

(a) Represents certain investments measured at NAV or its equivalent as a practical expedient in determining fair value. In accordance with current accounting guidance, these investments have not been classified in the fair value hierarchy. See Note 2 for additional information.

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The following tables provide a summary of changes in fair value of the Company s Level 3 assets for the three month and six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30, 2016					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (b)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,301	$ 7	$	$	$ (10)	$ 1,298
Total Level 3 Assets	$ 1,301	$ 7	$	$	$ (10)	$ 1,298

	Six Months Ended June 30, 2016					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (b)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,276	$ 10	$	$	$ 12	$ 1,298
Total Level 3 Assets	$ 1,276	$ 10	$	$	$ 12	$ 1,298

	Three Months Ended June 30, 2015 (a)					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (b)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,289	$ 8	$	$	$ 2	$ 1,299
Private equity funds	22,125	142				22,267
Total Level 3 Assets	$ 23,414	$ 150	$	$	$ 2	$ 23,566

	Six Months Ended June 30, 2015 (a)					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (b)	Purchases/ Acquisitions/ Transfers (c)	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,315	$ 10	$	$	$ (26)	$ 1,299
Private equity funds		2,771	19,887	(391)		22,267
Total Level 3 Assets	$ 1,315	$ 2,781	$ 19,887	$ (391)	$ (26)	$ 23,566

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(a) The tables for the three month and six month periods ended June 30, 2015 reflect the retrospective application of new disclosure guidance adopted by the Company for investments using NAV or its equivalent as a practical expedient when measuring fair value. See Note 2.

(b) Earnings for the three month and six month periods ended June 30, 2016 and the three month and six month periods ended June 30, 2015 include net unrealized gains of $2, $5, $150 and $2,781, respectively.

(c) Certain investments that were valued at NAV as of December 31, 2014 of $19,255 were transferred to Level 3 from the NAV category in the six months ended June 30, 2015 as these investments were valued based on potential transaction value as of June 30, 2015.

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month and six month periods ended June 30, 2016 and 2015.

The following tables present, at June 30, 2016 and December 31, 2015, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

	June 30, 2016							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$21,806	$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	469		NA	NA	NA	NA	(b)	<30-90 days
Other	579		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	6		NA	NA	NA	NA	(d)	30 days
Equity funds	39		NA	NA	NA	NA	(e)	<30-90 days
Private equity funds:								
Equity growth	72,187	9,183(f)	100%	16%	38%	46%	NA	NA
Mezzanine debt	33,374		100%			100%	NA	NA
Total	$ 128,460	$ 9,183						

(a) weekly (44%), monthly (46%) and quarterly (10%)
(b) monthly (98%) and quarterly (2%)
(c) daily (4%) and monthly (96%)
(d) daily (100%)
(e) daily (19%), monthly (52%) and quarterly (29%)
(f)

Unfunded commitments to private equity investments consolidated but not owned by Lazard of $6,890 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

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	December 31, 2015							
			% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments		% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$ 20,410	$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	465		NA	NA	NA	NA	(b)	<30-90 days
Other	1,590		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	6		NA	NA	NA	NA	(d)	30 days
Equity funds	42		NA	NA	NA	NA	(e)	<30-90 days
Private equity funds:								
Equity growth	67,895	10,242(f)	100%	18%	39%	43%	NA	NA
Mezzanine debt	32,324		100%			100%	NA	NA
Total	$ 122,732	$ 10,242						

(a) weekly (23%), monthly (69%) and quarterly (8%)
(b) monthly (98%) and quarterly (2%)
(c) daily (20%) and monthly (80%)
(d) daily (100%)
(e) daily (18%), monthly (54%) and quarterly (28%)
(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of $5,501 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

Investment Capital Funding Commitments At June 30, 2016, the Company s maximum unfunded commitments for capital contributions to investment funds primarily arose from commitments to EGCP III, which amounted to $8,613, through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitments as of that date remaining committed until October 12, 2023 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund.

6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, total return swap contracts on various equity and debt indices and other derivative contracts to economically hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt prices. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company s derivative instruments are recorded at their fair value, and are included in other assets and other liabilities on the condensed consolidated statements of financial condition. Gains and losses on the Company s derivative instruments not designated as economic hedging instruments are included in interest income and interest expense , respectively, or revenue-other , depending on the nature of the underlying item, in the condensed consolidated statements of operations.

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

The tables below present the fair values of the Company s derivative instruments reported within other assets and other liabilities and the fair values 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 June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Derivative Assets:		
Forward foreign currency exchange rate contracts	$ 663	$ 1,015
Total return swaps and other (a)	53	33
	$ 716	$ 1,048
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	$ 1,911	$ 1,584
Total return swaps and other (a)	6,853	531
LFI and other similar deferred compensation arrangements	177,129	193,574
	$ 185,893	$ 195,689

(a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of $327 and $7,127 as of June 30, 2016, respectively, and $460 and $958 as of December 31, 2015, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded net in other assets , with receivables for net cash collateral under such contracts of $10,996 and $9,636 as of June 30, 2016 and December 31, 2015, respectively.

Net gains (losses) with respect to derivative instruments (predominantly reflected in revenue-other) and the Company s derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (included in compensation and benefits expense) as reflected on the accompanying condensed consolidated statements of operations for the three month and six month periods ended June 30, 2016 and 2015, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Forward foreign currency exchange rate contracts	$ 446	$ (4,023)	$ (6,854)	$ 11,377
LFI and other similar deferred compensation arrangements	(312)	1,894	2,202	(2,242)
Total return swaps and other	(763)	(16)	(1,462)	(3,184)
Total	$ (629)	$ (2,145)	$ (6,114)	$ 5,951

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7. PROPERTY

At June 30, 2016 and December 31, 2015, property consists of the following:

	Estimated Depreciable Life in Years	June 30, 2016	December 31, 2015
Buildings	33	$139,890	$ 137,181
Leasehold improvements	3-20	167,494	167,838
Furniture and equipment	3-10	163,725	160,553
Construction in progress		13,552	7,099
Total		484,661	472,671
Less - Accumulated depreciation and amortization		282,732	265,506
Property		$201,929	$ 207,165

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets at June 30, 2016 and December 31, 2015 are presented below:

	June 30, 2016	December 31, 2015
Goodwill	$322,939	$ 320,761
Other intangible assets (net of accumulated amortization)	5,242	6,215
	$328,181	$ 326,976

At June 30, 2016 and December 31, 2015, goodwill of $258,398 and $256,220, respectively, was attributable to the Company s Financial Advisory segment and, at each such respective date, $64,541 of goodwill was attributable to the Company s Asset Management segment.

Changes in the carrying amount of goodwill for the six month periods ended June 30, 2016 and 2015 are as follows:

	Six Months Ended June 30,	
	2016	2015
Balance, January 1	$320,761	$ 335,402
Foreign currency translation adjustments	2,178	(8,580)

Balance, June 30	$322,939	$ 326,822

All changes in the carrying amount of goodwill for the six month periods ended June 30, 2016 and 2015 are attributable to the Company s Financial Advisory segment.

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The gross cost and accumulated amortization of other intangible assets as of June 30, 2016 and December 31, 2015, by major intangible asset category, are as follows:

	June 30, 2016			December 31, 2015		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Performance fees	$ 30,740	$25,506	$5,234	$ 30,740	$ 25,192	$ 5,548
Management fees, customer relationships and non-compete agreements	33,036	33,028	8	33,036	32,369	667
	$ 63,776	$58,534	$5,242	$ 63,776	$ 57,561	$ 6,215

Amortization expense of intangible assets for the three month and six month periods ended June 30, 2016 was $330 and $974, respectively, and for the three month and six month periods ended June 30, 2015 was $1,857 and $2,890, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense (a)
2016 (July 1 through December 31)	$ 4,693
2017	549
Total amortization expense	$ 5,242

(a) Approximately 47% of intangible asset amortization is attributable to a noncontrolling interest.

9. SENIOR DEBT

Senior debt is comprised of the following as of June 30, 2016 and December 31, 2015:

				Outstanding as of,					
				June 30, 2016			December 31, 2015		
	Initial Principal Amount	Maturity Date	Annual Interest Rate(b)	Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
Lazard Group 2017 Senior Notes (a)	600,000	6/15/17	6.85%	$ 98,350	$ 105	$ 98,245	$ 98,350	$ 159	$ 98,191

Lazard Group 2020 Senior Notes	500,000	11/14/20	4.25%	500,000	4,030	495,970	500,000	4,491	495,509
Lazard Group 2025 Senior Notes (a)	400,000	2/13/25	3.75%	400,000	4,104	395,896	400,000	4,342	395,658
Total				$ 998,350	$ 8,239	$ 990,111	$ 998,350	$ 8,992	$ 989,358

(a) During February 2015, Lazard Group completed an offering of $400,000 aggregate principal amount of 3.75% senior notes due 2025 (the 2025 Notes). Lazard Group also issued a notice to redeem $450,000 of Lazard Group s 6.85% senior notes due June 15, 2017 (the 2017 Notes) in February 2015. Interest on the 2025 Notes is payable semi-annually on March 1 and September 1 of each year beginning September 1, 2015. Lazard Group used the net proceeds of the 2025 Notes, together with cash on hand, to redeem or otherwise retire $450,000 of the 2017 Notes, which, including the recognition of unamortized issuance

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costs, resulted in a loss on debt extinguishment of $60,219. Such loss on debt extinguishment was recorded in operating expenses other on the condensed consolidated statement of operations for the six month period ended June 30, 2015.

(b) The effective interest rates of the 2017 Notes, Lazard Group s 4.25% senior notes due November 14, 2020 (the 2020 Notes) and the 2025 Notes are 6.96%, 4.43% and 3.87%, respectively.

The table, as of December 31, 2015, reflects the retrospective application of new guidance adopted by the Company for debt issuance costs. See Note 2.

On September 25, 2015, Lazard Group entered into an Amended and Restated Credit Agreement for a five-year $150,000 senior revolving credit facility with a group of lenders (the Amended and Restated Credit Agreement), which expires in September 2020. The Amended and Restated Credit Agreement amended and restated the previous credit agreement dated September 25, 2012. Borrowings under the Amended and Restated Credit Agreement generally will bear interest at LIBOR plus an applicable margin for specific interest periods determined based on Lazard Group s highest credit rating from an internationally recognized credit agency. At June 30, 2016 and December 31, 2015, no amounts were outstanding under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement, the indenture and the supplemental indentures relating to Lazard Group s senior notes contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the event of early redemption, where applicable. As of June 30, 2016, the Company was in compliance with such provisions. All of the Company s senior debt obligations are unsecured.

As of June 30, 2016, the Company had approximately $215,000 in unused lines of credit available to it, including the credit facility provided under the Amended and Restated Credit Agreement, and unused lines of credit available to LFB of approximately $11,000 (at June 30, 2016 exchange rates) and Edgewater of $52,000. The unused lines of credit available to Edgewater are guaranteed by certain Edgewater private equity funds and can be drawn upon only by the applicable general partner, fund, or individual portfolio companies for the benefit of the applicable funds and individual portfolio companies of such funds. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Company s senior debt at June 30, 2016 and December 31, 2015 is carried at historical amounts. At those dates, the fair value of such senior debt was approximately $1,037,000 and $994,000, 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.

10. COMMITMENTS AND CONTINGENCIES

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

Guarantees In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At June 30, 2016, LFB had $5,394 of such indemnifications and held $5,337 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the condensed consolidated statement of financial condition.

Certain Business Transactions On July 15, 2009, the Company established a private equity business with Edgewater. Edgewater manages funds primarily focused on buy-out and growth equity investments in middle

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market companies. The acquisition was structured as a purchase by Lazard Group of interests in a holding company that in turn owns interests in the general partner and management company entities of the current Edgewater private equity funds (the Edgewater Acquisition). Following the Edgewater Acquisition, Edgewater s leadership team retained a substantial economic interest in such entities.

The aggregate fair value of the consideration recognized by the Company at the acquisition date was $61,624. Such consideration consisted of (i) a one-time cash payment, (ii) 1,142,857 shares of Class A common stock (the Initial Shares) and (iii) up to 1,142,857 additional shares of Class A common stock (the Earnout Shares) that are subject to earnout criteria and payable over time. The Earnout Shares will be issued only if certain performance thresholds are met. As of June 30, 2016 and December 31, 2015, 114,285 and 913,722 shares, respectively, are issuable on a contingent basis, and 2,171,429 and 1,371,992 shares, respectively, have been earned because applicable performance thresholds have been satisfied. As of June 30, 2016 and December 31, 2015, 2,171,429 and 1,371,992, respectively, of the earned shares have been settled.

Contingent Consideration Relating To Other Business Acquisitions For a business acquired in 2012, at December 31, 2012, 170,988 shares of Class A common stock (including dividend equivalent shares) were issuable on a non-contingent basis. Such shares were delivered in the first quarter of 2013. During the second quarter of 2015, the achievement of certain performance thresholds related to the acquired business were satisfied, resulting in the issuance of 27,316 shares of Class A common stock.

Other Commitments The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, each of LFB and LFNY may enter into underwriting commitments in which it will participate as an underwriter. At June 30, 2016, 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.

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

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

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11. STOCKHOLDERS EQUITY

Share Repurchase Program During the six month period ended June 30, 2016 and since 2013, the Board of Directors of Lazard authorized the repurchase of Class A common stock as set forth in the table below.

Date	Repurchase Authorization	Expiration
October, 2013	$ 100,000	December 31, 2015
April, 2014	$ 200,000	December 31, 2015
February, 2015	$ 150,000	December 31, 2016
January, 2016	$ 200,000	December 31, 2017
April, 2016	$ 113,182	December 31, 2017

The Company expects that the share repurchase program will primarily be used to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2008 Incentive Compensation Plan (the 2008 Plan) and the Lazard Ltd 2005 Equity Incentive Plan (the 2005 Plan). Pursuant to the share repurchase program, purchases have been made in the open market or through privately negotiated transactions. The rate at which the Company purchases shares in connection with the share repurchase program may vary from quarter to quarter due to a variety of factors. Purchases with respect to such program are set forth in the table below:

	Number of Shares Purchased	Average Price Per Share
Six Months Ended June 30:		
2015	2,306,694	$ 51.04
2016	5,646,092	$ 34.49

During the six month periods ended June 30, 2016 and 2015, certain of our executive officers received Class A common stock in connection with the vesting of previously-granted deferred equity incentive awards. The vesting of such equity awards gave rise to a tax payable by the executive officers, and, consistent with our past practice, the Company purchased shares of Class A common stock from the executive officers equal in value to the estimated amount of such tax. In addition, during the three month period ended June 30, 2016, the Company purchased shares of Class A common stock from an executive officer. The aggregate value of all such purchases during the six month periods ended June 30, 2016 and 2015 was approximately $4,900 and $17,700, respectively.

As of June 30, 2016, a total of $224,614 of share repurchase authorization remained available under the Company s share repurchase program, which will expire on December 31, 2017.

During the six month period ended June 30, 2016, the Company had in place trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, pursuant to which it effected stock repurchases in the open market.

Preferred Stock Lazard Ltd has 15,000,000 authorized shares of preferred stock, par value $0.01 per share, inclusive of its Series A and Series B preferred stock. Series A and Series B preferred shares were issued in connection with certain prior year business acquisitions and are each non-participating securities convertible into Class A common stock, and have no voting or dividend rights. As of both June 30, 2016 and December 31, 2015, 7,921 shares of Series A preferred stock were outstanding, and no shares of Series B preferred stock were

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outstanding. At June 30, 2016 and December 31, 2015, no shares of Series A preferred stock were convertible into shares of Class A common stock on a contingent or a non-contingent basis.

***Accumulated Other Comprehensive Income (Loss), Net of Tax* (AOCI)** The tables below reflect the balances of each component of AOCI at June 30, 2016 and 2015 and activity during the six month periods then ended:

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Ltd AOCI
Balance, January 1, 2016	$ (97,284)	$ (137,073)	$ (234,357)	$ (1)	$ (234,356)
Activity January 1 to June 30, 2016:					
Other comprehensive loss before reclassifications	(4,365)	(616)	(4,981)		(4,981)
Adjustments for items reclassified to earnings, net of tax		2,307	2,307		2,307
Net other comprehensive income (loss)	(4,365)	1,691	(2,674)		(2,674)
Balance, June 30, 2016	$ (101,649)	$ (135,382)	$ (237,031)	$ (1)	$ (237,030)

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Ltd AOCI
Balance, January 1, 2015	$ (46,102)	$ (154,665)	$ (200,767)	$ (1)	$ (200,766)
Activity January 1 to June 30, 2015:					
Other comprehensive loss before reclassifications	(22,342)	(14,617)	(36,959)		(36,959)
Adjustments for items reclassified to earnings, net of tax		2,376	2,376		2,376
Net other comprehensive loss	(22,342)	(12,241)	(34,583)		(34,583)
Balance, June 30, 2015	$ (68,444)	$ (166,906)	$ (235,350)	$ (1)	$ (235,349)

The table below reflects adjustments for items reclassified out of AOCI, by component, for the three month and six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Amortization relating to employee benefit plans (a)	$ 1,524	$ 1,728	$ 3,103	$ 3,477
Less related income taxes	403	538	796	1,101
Total reclassifications, net of tax	$ 1,121	$ 1,190	$ 2,307	$ 2,376

(a) Included in the computation of net periodic benefit cost (see Note 13). Such amounts are included in compensation and benefits expense on the condensed consolidated statements of operations.

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

The tables below summarize net income attributable to noncontrolling interests for the three month and six month periods ended June 30, 2016 and 2015 and noncontrolling interests as of June 30, 2016 and December 31, 2015 in the Company s condensed consolidated financial statements:

	Net Income Attributable to Noncontrolling Interests			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Edgewater	$ 1,007	$ 1,041	$ 4,907	$ 7,734
Other		1		1
Total	$ 1,007	$ 1,042	$ 4,907	$ 7,735

	Noncontrolling Interests As Of	
	June 30, 2016	December 31, 2015
Edgewater	$ 57,425	$ 53,132
Other	718	719
Total	$ 58,143	$ 53,851

Dividends Declared, July 27, 2016 On July 27, 2016, the Board of Directors of Lazard declared a quarterly dividend of $0.38 per share on our Class A common stock, payable on August 19, 2016, to stockholders of record on August 8, 2016.

12. INCENTIVE PLANS

Share-Based Incentive Plan Awards

A description of Lazard Ltd s 2008 Plan and 2005 Plan and activity with respect thereto during the three month and six month periods ended June 30, 2016 and 2015 is presented below.

Shares Available Under the 2008 Plan and 2005 Plan

The 2008 Plan authorizes the issuance of shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock units (RSUs) and other equity-based awards. Under the 2008 Plan, the maximum number of shares available is based on a formula that limits the aggregate number of shares that may, at any time, be subject to awards that are considered outstanding under the 2008 Plan to 30% of the then-outstanding shares of Class A common stock.

The 2005 Plan authorized the issuance of up to 25,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs and other equity-based awards. Each RSU or similar award granted under the 2005 Plan represents a contingent right to receive one share of Class A common

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stock, at no cost to the recipient. The fair value of such awards is generally determined based on the closing market price of Class A common stock at the date of grant. The 2005 Plan expired in the second quarter of 2015, although unvested awards granted under the 2005 Plan remain outstanding and 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, performance-based restricted stock units (PRSUs) and restricted stock awards) and professional services expense (with respect to deferred stock units (DSUs)) within the Company s accompanying condensed consolidated statements of operations for the three month and six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Share-based incentive awards:				
RSUs	$40,564	$ 32,263	$94,972	$ 91,334
PRSUs	10,335	8,414	27,024	14,612
Restricted Stock	8,342	2,830	31,818	15,453
DSUs	1,446	1,363	1,511	1,394
Total	$60,687	$ 44,870	$155,325	$ 122,793

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

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

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

RSUs and DSUs

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

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RSUs generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any dividends paid on Class A common stock during such period. During the six month periods ended June 30, 2016 and 2015, issuances of RSUs pertaining to such dividend participation rights and respective charges to retained earnings , net of estimated forfeitures (with corresponding credits to additional paid-in-capital), consisted of the following:

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Number of RSUs issued	841,433	529,616
Charges to retained earnings, net of estimated forfeitures	$ 28,364	$ 26,461

Non-executive members of the Board of Directors (Non-Executive Directors) receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs, which resulted in 38,771 and 23,961 DSUs granted in connection with annual compensation during the six month periods ended June 30, 2016 and 2015, respectively. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors Fee Deferral Unit Plan described below. DSUs are convertible into shares of Class A common stock at the time of cessation of service to the Board of Directors and, for purposes of calculating diluted net income per share, are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method. DSUs include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock.

The Company s Directors Fee Deferral Unit Plan permits the Non-Executive Directors to elect to receive additional DSUs in lieu of some or all of their cash fees. The number of DSUs granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date immediately preceding the date of the grant. During the six month periods ended June 30, 2016 and 2015, 4,467 and 1,183 DSUs, respectively, had been granted pursuant to such Plan.

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

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The following is a summary of activity relating to RSUs and DSUs during the six month periods ended June 30, 2016 and 2015:

	RSUs			DSUs		
	Units		Weighted Average Grant Date Fair Value	Units		Weighted Average Grant Date Fair Value
Balance, January 1, 2016	9,599,658	$	44.06	312,670	$	35.98
Granted (including 841,433 RSUs relating to dividend participation)	6,486,463	$	34.47	43,238	$	34.95
Forfeited	(94,692)	$	40.75			
Vested	(4,233,894)	$	39.10	(84,759)	$	35.30
Balance, June 30, 2016	11,757,535	$	40.58	271,149	$	36.02
Balance, January 1, 2015	13,529,116	$	35.19	286,227	$	34.21
Granted (including 529,616 RSUs relating to dividend participation)	3,982,135	$	48.83	25,144	$	55.45
Forfeited	(397,637)	$	43.04			
Vested	(6,873,352)	$	30.79			
Balance, June 30, 2015	10,240,262	$	43.14	311,371	$	35.92

In connection with RSUs that vested during the six month periods ended June 30, 2016 and 2015, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 1,382,153 and 1,895,301 shares of Class A common stock during such respective six month periods. Accordingly, 2,851,741 and 4,978,051 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2016 and 2015, respectively.

As of June 30, 2016, estimated unrecognized RSU compensation expense was approximately $211,443, with such expense expected to be recognized over a weighted average period of approximately 1.0 years subsequent to June 30, 2016.

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Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the six month periods ended June 30, 2016 and 2015:

	Restricted Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2016	713,738	$ 47.12
Granted	1,795,258	$ 36.78
Forfeited	(30,412)	$ 39.96
Vested	(729,457)	$ 36.72
Balance, June 30, 2016	1,749,127	$ 40.96
Balance, January 1, 2015	729,827	$ 38.63
Granted	576,886	$ 50.88
Forfeited	(44,769)	$ 50.23
Vested	(501,298)	$ 39.19
Balance, June 30, 2015	760,646	$ 46.87

In connection with shares of restricted Class A common stock that vested during the six month periods ended June 30, 2016 and 2015, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 129,389 and 92,500 shares of Class A common stock during such respective six month periods. Accordingly, 600,068 and 408,798 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2016 and 2015, respectively.

The restricted stock awards include a cash dividend participation right equivalent to dividends paid on Class A common stock during the period, which will vest concurrently with the underlying restricted stock award. At June 30, 2016, estimated unrecognized restricted stock expense was approximately $45,100, with such expense to be recognized over a weighted average period of approximately 1.1 years subsequent to June 30, 2016.

PRSUs

PRSUs are subject to both performance-based and service-based vesting conditions. The number of shares of Class A common stock that a recipient will receive upon vesting of a PRSU will be calculated by reference to certain performance metrics that relate to the Company s performance over a three-year period. The target number of shares of Class A common stock subject to each PRSU is one; however, based on the achievement of the performance criteria, the number of shares of Class A common stock that may be received in connection with each PRSU generally can range from zero to two times the target number. PRSUs will vest on a single date three years following the date of the grant, provided the applicable service and performance conditions are satisfied. However, PRSUs granted in 2013 vested 33% in March 2015 and 67% in March 2016. In addition, the performance metrics applicable to each PRSU will be evaluated on an annual basis at the end of each fiscal year during the performance period and, if the Company has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of shares of Class A common stock subject to each PRSU will no longer be at risk of forfeiture based on the achievement of performance criteria. PRSUs include dividend participation rights that provide that during vesting periods the target number of PRSUs (or, following the

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relevant performance period, the actual number of shares of Class A common stock that are no longer subject to performance conditions) receive dividend equivalents at the same rate that dividends are paid on Class A common stock during such period. These dividend equivalents are credited as RSUs that are not subject to the performance-based vesting criteria but are otherwise subject to the same restrictions as the underlying PRSUs to which they relate.

The following is a summary of activity relating to PRSUs during the six month periods ended June 30, 2016 and 2015:

	PRSUs	Weighted Average Grant Date Fair Value
Balance, January 1, 2016	1,019,038	$ 44.49
Granted (a)	627,956	$ 32.91
Vested	(417,018)	$ 38.43
Balance, June 30, 2016	1,229,976	$ 40.63
Balance, January 1, 2015	1,347,148	$ 37.79
Granted (a)	368,389	$ 52.85
Vested	(696,499)	$ 35.96
Balance, June 30, 2015	1,019,038	$ 44.49

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

In connection with PRSUs that vested during the six month periods ended June 30, 2016 and 2015, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 64,169 and 32,086 shares of Class A common stock during such respective six month periods. Accordingly, 352,849 and 664,413 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2016 and 2015.

Compensation expense recognized for PRSU awards is determined by multiplying the number of shares of Class A common stock underlying such awards that, based on the Company s estimate, are considered probable of vesting, by the grant date fair value. As of June 30, 2016, the total estimated unrecognized compensation expense was approximately $19,783, and the Company expects to amortize such expense over a weighted-average period of approximately 0.8 years subsequent to June 30, 2016.

LFI and Other Similar Deferred Compensation Arrangements

Commencing in February 2011, the Company granted LFI to eligible employees. In connection with LFI and other similar deferred compensation arrangements, which generally require future service as a condition for vesting, the Company recorded a prepaid compensation asset and a corresponding compensation liability on the grant date based upon the fair value of the award. The prepaid asset is amortized on a straight-line basis over the applicable vesting periods or requisite service periods (which are generally similar to the comparable periods for RSUs), and is charged to compensation and benefits expense within the Company s condensed consolidated statement of operations. LFI and similar deferred compensation arrangements that do not require future service are expensed immediately. The related compensation liability is accounted for at fair value as a derivative

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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.

The following is a summary of activity relating to LFI and other similar deferred compensation arrangements during the six month periods ended June 30, 2016 and 2015:

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2016	$ 75,703	$ 193,574
Granted	51,871	51,871
Settled		(68,628)
Forfeited	(704)	(1,228)
Amortization	(37,890)	
Change in fair value related to:		
Decrease in fair value of underlying investments		(2,202)
Adjustment for estimated forfeitures		3,385
Other	(873)	357
Balance, June 30, 2016	$ 88,107	$ 177,129

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2015	$ 73,278	$ 207,306
Granted	89,817	89,817
Settled		(92,893)
Forfeited	(3,259)	(6,290)
Amortization	(44,522)	
Change in fair value related to:		
Increase in fair value of underlying investments		2,242
Adjustment for estimated forfeitures		3,433
Other	176	(1,552)
Balance, June 30, 2015	$ 115,490	$ 202,063

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 0.9 years subsequent to June 30, 2016.

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 six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Amortization, net of forfeitures	$ 19,852	$ 18,260	$ 40,751	$ 44,924
Change in the fair value of underlying investments	312	(1,894)	(2,202)	2,242
Total	$ 20,164	$ 16,366	$ 38,549	$ 47,166

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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) and, in the U.S., a partially funded contributory post-retirement plan covering qualifying U.S. employees (the medical plan and together with the pension plans, the post-retirement plans). The Company also offers defined contribution plans to its employees. The post-retirement 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 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 (the Trustees). Management also evaluates from time to time whether to make voluntary contributions to the plans.

The following table summarizes the components of net periodic benefit cost (credit) related to the Company s post-retirement plans for the three month and six month periods ended June 30, 2016 and 2015:

	Pension Plans		Medical Plan	
	Three Months Ended June 30,			
	2016	2015	2016	2015
Components of Net Periodic Benefit Cost (Credit):				
Service cost	$ 314	$ 353	$ 2	$ 5
Interest cost	5,246	6,153	38	41
Expected return on plan assets	(7,233)	(7,019)		
Amortization of:				
Prior service cost	604	591		
Net actuarial loss (gain)	1,012	1,137	(92)	
Net periodic benefit cost (credit)	$ (57)	$ 1,215	$ (52)	$ 46

	Pension Plans		Medical Plan	
	Six Months Ended June 30,			
	2016	2015	2016	2015
Components of Net Periodic Benefit Cost (Credit):				
Service cost	$ 621	$ 713	$ 6	$ 13
Interest cost	10,459	12,259	83	90
Expected return on plan assets	(14,399)	(14,090)		
Amortization of:				
Prior service cost	1,194	1,194		
Net actuarial loss (gain)	2,001	2,283	(92)	
Net periodic benefit cost (credit)	$ (124)	$ 2,359	$ (3)	$ 103

14. INCOME TAXES

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

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The Company recorded income tax provisions (benefits) of $31,872 and $59,526 for the three month and six month periods ended June 30, 2016, respectively, and $(1,176,531) and $(1,164,514) for the three month and six month periods ended June 30, 2015, respectively, representing effective tax rates of 28.1%, 28.1%, 146.8% and 160.2%, respectively. The difference between the U.S. federal statutory rate of 35.0% and the effective tax rates reflected above principally relates to (i) taxes payable to foreign jurisdictions that are not offset against U.S. income taxes, (ii) foreign source income (loss) not subject to U.S. income taxes (including interest on intercompany financings), (iii) change in the U.S. federal valuation allowance affecting the provision for income taxes, and (iv) U.S. state and local taxes (primarily UBT), which are incremental to the U.S. federal statutory tax rate.

As of December 31, 2014, the Company had a valuation allowance on substantially all of our deferred tax assets. Certain of our tax-paying entities at which we have historically recorded significant valuation allowances were profitable on a cumulative basis for the three year periods ended June 30, 2015. In assessing our valuation allowance as of June 30, 2015, we considered all available information, including the magnitude of recent and current operating results, the relatively long duration of statutory carryforward periods, our historical experience utilizing tax attributes prior to their expiration dates, the historical volatility of operating results of these entities and our assessment regarding the sustainability of their profitability. At that time, we concluded that there was a sufficient history of sustained profitability at these entities that it was more likely than not that these entities would be able to realize deferred tax assets. Accordingly, during the period ended June 30, 2015, we released substantially all of the valuation allowance against the deferred tax assets held by these entities.

As a result, during the year ended December 31, 2015, we recorded a deferred tax benefit of approximately $878,000, including $821,000 recorded in the second quarter of 2015. In addition, we also recorded (i) in the second quarter of 2015, a separate deferred tax benefit of approximately $378,000 that reflected the tax deductibility of payments under the tax receivable agreement and (ii) in the third quarter of 2015, a deferred tax expense of approximately $161,000 relating to the reduction of a deferred tax asset as a result of the partial extinguishment of our tax receivable agreement obligation. See Note 16 for more information regarding our accrual under the tax receivable agreement in the second quarter of 2015 and the partial extinguishment of our tax receivable agreement obligation in the third quarter of 2015.

Substantially all of Lazard s operations outside the U.S. are conducted in pass-through entities for U.S. income tax purposes. The Company provides for U.S. income taxes on a current basis for those earnings. The repatriation of prior earnings attributable to non-pass-through entities would not result in the recognition of a material amount of additional U.S. income taxes.

15. NET INCOME PER SHARE OF CLASS A COMMON STOCK

The Company s basic and diluted net income per share calculations for the three month and six month periods ended June 30, 2016 and 2015 are computed as described below.

Basic Net Income Per Share

Numerator utilizes net income attributable to Lazard Ltd for the respective periods, plus applicable adjustments to such net income associated with the inclusion of shares of Class A common stock issuable on a non-contingent basis.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

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

Diluted Net Income Per Share

Numerator utilizes net income attributable to Lazard Ltd for the respective periods as in the basic net income per share calculation described above, plus, to the extent applicable and dilutive, (i) changes in net income attributable to noncontrolling interests resulting from assumed Class A common stock issuances in connection with share-based incentive compensation and (ii) income tax related to (i) above.

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

The calculations of the Company s basic and diluted net income per share and weighted average shares outstanding for the three month and six month periods ended June 30, 2016 and 2015 are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income attributable to Lazard Ltd - basic	$80,357	$ 374,113	$147,180	$ 430,066
Net income attributable to Lazard Ltd - diluted	$80,357	$ 374,113	$147,180	$ 430,066
Weighted average number of shares of Class A common stock outstanding	125,389,937	126,140,634	125,679,184	124,862,156
Add - adjustment for shares of Class A common stock issuable on a non-contingent basis	72,011	72,011	72,011	72,011
Weighted average number of shares of Class A common stock outstanding - basic	125,461,948	126,212,645	125,751,195	124,934,167
Add - dilutive effect, as applicable, of:				
Weighted average number of incremental shares of Class A common stock issuable from share-based incentive compensation	6,879,574	6,593,400	6,865,208	8,336,829
Weighted average number of shares of Class A common stock outstanding - diluted	132,341,522	132,806,045	132,616,403	133,270,996
Net income attributable to Lazard Ltd per share of Class A common stock:				
Basic	$0.64	$2.96	$1.17	$3.44
Diluted	$0.61	$2.82	$1.11	$3.23

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

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 fees for providing such services. Investment advisory fees relating to such services were $124,794 and $243,704 for the three month and six month periods ended June 30, 2016, respectively, and $140,275 and $275,621 for the three month and six month periods ended June 30, 2015, respectively, and are included in asset management fees on the condensed consolidated statements of operations. Of such amounts, $49,762 and $42,002 remained as a receivable at June 30, 2016 and December 31, 2015, respectively, and is included in fees receivable on the condensed consolidated statements of financial condition.

Tax Receivable Agreement

The Second Amended and Restated Tax Receivable Agreement, dated as of October 26, 2015 (the Amended and Restated Tax Receivable Agreement), between Lazard and LTBP Trust, a Delaware statutory trust (the Trust), provides for the payment by our subsidiaries to the Trust of (i) approximately 45% (following

the July 2015 purchase described below) of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of certain increases in tax basis and of certain other tax benefits related to the Amended and Restated Tax Receivable Agreement, and (ii) an amount that we currently expect will approximate 85% of the cash tax savings that may arise from tax benefits attributable to payments under the Amended and Restated Tax Receivable Agreement. Our subsidiaries expect to benefit from the balance of cash savings, if any, in income tax that our subsidiaries realize. Any amount paid by our subsidiaries to the Trust will generally be distributed to the owners of the Trust, including our executive officers, in proportion to their beneficial interests in the Trust.

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

As described in Note 14, during the period ended June 30, 2015, we released substantially all of our valuation allowance against deferred tax assets. As a result, we accrued a corresponding liability of $961,948 during the quarter ended June 30, 2015 for amounts relating to the Amended and Restated Tax Receivable Agreement at that time.

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

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

In July 2015, we purchased approximately 47% of the then-outstanding beneficial interests in the Trust from certain owners of the Trust for $42,222 in cash, which resulted in the automatic cancellation of such beneficial interests and the extinguishment of a significant portion of our payment obligations under the Amended and Restated Tax Receivable Agreement. The extinguishment of these payment obligations resulted in a pre-tax gain of $420,792 recorded in provision pursuant to tax receivable agreement on the consolidated statement of operations for the year ended December 31, 2015. In addition, the extinguishment of these payment obligations resulted in a reduction of the tax benefits that would have been attributable to the actual payments and, accordingly, we recorded a deferred tax expense of approximately $161,000 on the consolidated statement of operations for the year ended December 31, 2015.

For the three month and six month periods ended June 30, 2015, the Company recorded a provision pursuant to tax receivable agreement on the condensed consolidated statements of operations of $961,948 and $968,483, respectively. The cumulative liability relating to our obligations under the Amended and Restated Tax Receivable Agreement as of June 30, 2016 and December 31, 2015 was $513,623 and $523,962, respectively, and is recorded in tax receivable agreement obligation on the condensed consolidated statements of financial condition. The balance at June 30, 2016 reflects a payment made under the Amended and Restated Tax Receivable Agreement in the first quarter of 2016 of $10,086.

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 Securities Exchange Act of 1934. 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 $100, whichever is greater. In addition, the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15:1. At June 30, 2016, LFNY s regulatory net capital was $74,673, which exceeded the minimum requirement by $71,156. LFNY s aggregate indebtedness to net capital ratio was 0.71:1 as of June 30, 2016.

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 June 30, 2016, the aggregate regulatory net capital of the U.K. Subsidiaries was $131,369, which exceeded the minimum requirement by $115,629.

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. The investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG (asset management), also are subject to regulation and supervision by the Autorité des Marchés Financiers. At June 30, 2016, the consolidated regulatory net capital of CFLF was $132,672, which exceeded the minimum requirement set for regulatory capital levels by $88,184. 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.

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

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 March 31, 2016, the regulatory net capital of the combined European regulated group was $175,874, which exceeded the minimum requirement set for regulatory capital levels by $102,363. 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 June 30, 2016, for those subsidiaries with regulatory capital requirements, their aggregate net capital was $103,005, which exceeded the minimum required capital by $77,533.

At June 30, 2016, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

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

18. SEGMENT INFORMATION

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

The Company s segment information for the three month and six month periods ended June 30, 2016 and 2015 is prepared using the following methodology:

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

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

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

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

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(UNAUDITED)

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

Each segment s operating expenses include (i) compensation and benefits expenses incurred directly in support of the businesses and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, human resources, legal, facilities management and senior management activities.

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

		Three Months Ended June 30,		Six Months Ended June 30,	
		2016	**2015**	**2016**	**2015**
Financial Advisory	Net Revenue	$ 286,965	$ 316,384	$ 552,979	$ 617,903
	Operating Expenses	233,727	253,221	460,805	496,156
	Operating Income	$ 53,238	$ 63,163	$ 92,174	$ 121,747
Asset Management	Net Revenue	$ 254,126	$ 305,838	$ 499,885	$ 585,645
	Operating Expenses	182,702	193,791	357,863	375,583
	Operating Income	$ 71,424	$ 112,047	$ 142,022	$ 210,062
Corporate	Net Revenue	$ (6,411)	$ (13,130)	$ (19,966)	$ (16,707)
	Operating Expenses (a)	5,015	963,456	2,617	1,041,815
	Operating Loss	$ (11,426)	$ (976,586)	$ (22,583)	$ (1,058,522)
Total	Net Revenue	$ 534,680	$ 609,092	$ 1,032,898	$ 1,186,841
	Operating Expenses	421,444	1,410,468	821,285	1,913,554
	Operating Income	$ 113,236	$ (801,376)	$ 211,613	$ (726,713)

	As Of June 30, 2016	As Of December 31, 2015
Total Assets		
Financial Advisory	$ 732,462	$ 763,374
Asset Management	583,487	640,034

Corporate (b)	2,899,672	3,074,366
Total (b)	$ 4,215,621	$ 4,477,774

(a) Operating expenses include $961,948 and $968,483 in the three month and six month periods ended June 30, 2015, respectively, recorded for the provision pursuant to the tax receivable agreement. See Note 16 for information regarding the tax receivable agreement obligation.

(b) As of December 31, 2015, reflects the retrospective application of new disclosure guidance adopted by the Company for debt issuance costs. See Note 2.

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

The following discussion should be read in conjunction with Lazard Ltd 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, 2015 (the Form 10-K). All references to 2016 , 2015 , second quarter , first half or the period refer to, as the context requires, the three month and six month periods ended June 30, 2016 and June 30, 2015.

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, a believe, estimate, predict, potential, target, goal or continue, and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies, business plans and initiatives and anticipated trends in our business. These statements 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, in our Form 10-Q for the quarter ended March 31, 2016 and in this Form 10-Q under the caption Risk Factors, including the following:

- a decline in general economic conditions or 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, our Form 10-Q for the quarter ended March 31, 2016 and this Form 10-Q describe additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

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

financial goals, including the ratio of awarded compensation and benefits expense to operating revenue;

ability to deploy surplus cash through dividends, share repurchases and debt repurchases;

ability to offset stockholder dilution through share 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;

recruitment and retention of our managing directors and employees;

potential levels of compensation expense, including awarded compensation and benefits expense and adjusted compensation and benefits expense, and non-compensation expense;

potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;

likelihood of success and impact of litigation;

expected tax rates, including effective tax rates;

changes in interest and tax rates;

availability of certain tax benefits, including certain potential deductions;

potential impact of certain events or circumstances on our financial statements;

changes in foreign currency exchange rates;

expectations with respect to the economy, the securities markets, the market for mergers, acquisitions and strategic advisory and restructuring activity, the market for asset management activity and other macroeconomic and industry trends;

effects of competition on our business; and

impact of future legislation and regulation 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 websites 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 various mutual funds, hedge funds and other investment products managed by Lazard Asset Management LLC (together with its subsidiaries, LAM) and Lazard Frères Gestion SAS (LFG). Investors can link to Lazard Ltd, Lazard Group and their operating company websites through *http://www.lazard.com*. Our websites and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-Q.

Business Summary

Lazard is one of the world s preeminent financial advisory and asset management firms. 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. Founded in 1848 in New Orleans, we currently operate from 42 cities in key business and financial centers across 27 countries throughout North America, Europe, Asia, Australia, the Middle East, and Central and South America.

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.

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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 economic conditions. We believe that our business model as an independent advisor will continue to create opportunities for us to attract new clients and key personnel.

Our principal sources of revenue are derived from activities in the following business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding M&A and other strategic matters, restructurings, capital structure, capital raising, corporate preparedness and various other financial matters, and

- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income 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 and assets and liabilities associated with Lazard Group s Paris-based subsidiary, Lazard Frères Banque SA (LFB).

LFB, as a registered bank, is engaged primarily in commercial and private banking services for clients and funds managed by LFG and other clients, investment banking activities, including participation in underwritten offerings of securities in France, and asset-liability management.

Our consolidated net revenue was derived from the following segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Financial Advisory	54%	52%	54%	52%
Asset Management	47	50	48	49
Corporate	(1)	(2)	(2)	(1)
Total	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, since 2005, we have engaged in a number of alternative investments and private equity activities, including, historically, investments through (i) the Edgewater Funds (Edgewater), our Chicago-based private equity firm (see Note 10 of Notes to Condensed Consolidated Financial Statements), (ii) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small-to mid-cap European companies and (iii) a fund targeting significant noncontrolling-stake investments in established private companies. We also make investments to seed our Asset Management strategies.

Business Environment and Outlook

Economic and global financial market conditions can materially affect our financial performance. As described above, our principal sources of revenue are derived from activities in our Financial Advisory and Asset Management business segments. As our Financial Advisory revenues are primarily dependent on the successful completion of merger, acquisition, restructuring, capital raising or similar transactions, and our Asset

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Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

Equity market indices for developed markets at June 30, 2016 generally decreased as compared to such indices at June 30, 2015. Emerging markets equity indices at June 30, 2016 decreased as compared to June 30, 2015, but increased in the first half of 2016 compared to December 31, 2015. In the global M&A markets during the first half of 2016, the value and number of all completed M&A transactions decreased as compared to the same period in the prior year, as did the subset of such transactions involving values greater than $500 million. During the same time, the value and number of all announced M&A transactions, including the subset of such transactions involving values greater than $500 million, also decreased. During the first half of 2016, global restructuring activity, as measured by the number of corporate defaults, increased as compared to the first half of 2015, primarily due to a higher level of defaults in the commodity sector.

In the first half of 2016, volatile market conditions continued. On an ongoing basis, volatile conditions may persist, and regional macroeconomic and geopolitical factors, including the United Kingdom s vote to leave the European Union, may impact our business. However, corporate cash balances remain high, and interest rates remain low for companies with strong credit ratings. Although market volatility may continue and may affect our business in 2016, the longer-term trends appear to remain favorable for both of our businesses.

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

Financial Advisory The fundamentals for continued M&A activity appear to remain in place. Demand continues for expert, independent strategic advice that can be levered across geographies and our range of advisory capabilities. The global scale and breadth of our Financial Advisory business allows us to advise on large, complex cross-border transactions across a variety of industries. In addition, we believe our businesses throughout the emerging markets position us for growth in these markets, while enhancing our relationships with, and the services that we can provide to, clients in other economies.

Asset Management In the short to intermediate term, we expect most investor demand will come from defined benefit and defined contribution plans in the developed economies because of their sheer scope and size. Over the longer term, we expect an increasing share of our AUM to come from the developing economies in Asia, Latin America and the Middle East, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Our global footprint is already well established in the developed economies and we expect our business in the developing economies will continue to expand. Given our globally diversified platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from growth that may occur in the asset management industry. In recent years, we have expanded the global footprint of our Asset Management business by opening offices in Singapore, Dubai and Dublin. We are continually developing and seeding new investment strategies that extend our existing platforms. Recent examples of growth initiatives include the following investment strategies: European Long/Short Equity, various Quantitative Equity strategies and Middle East North African Equities.

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, our Form 10-Q for the quarter ended March 31, 2016 and this Form 10-Q. 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.

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Overall, we continue to focus on the development of our business, including the generation of stable revenue growth, earnings growth and shareholder returns, the prudent management of our costs and expenses, the efficient use of our assets and the return of capital to our shareholders.

Certain 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 completed transactions with values greater than $500 million, decreased in the first half of 2016 as compared to 2015. With respect to announced M&A transactions, the value and number of all transactions, including announced transactions with values greater than $500 million, also decreased in the first half of 2016 as compared to 2015.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Incr / (Decr)	2016	2015	% Incr / (Decr)
			($ in billions)			
Completed M&A Transactions:						
All deals:						
Value	$ 843	$ 1,077	(22)%	$ 1,720	$ 1,979	(13)%
Number	8,011	10,265	(22)%	17,341	20,446	(15)%
Deals Greater than $500 million:						
Value	$ 663	$ 835	(21)%	$ 1,338	$ 1,530	(13)%
Number	242	312	(22)%	492	594	(17)%
Announced M&A Transactions:						
All deals:						
Value	$ 954	$ 1,176	(19)%	$ 1,715	$ 2,087	(18)%
Number	8,905	10,547	(16)%	18,727	20,853	(10)%
Deals Greater than $500 million:						
Value	$ 720	$ 904	(20)%	$ 1,258	$ 1,604	(22)%
Number	310	324	(4)%	563	599	&